



Transaction Accounts for All & the Payment Aspects of Financial Inclusion

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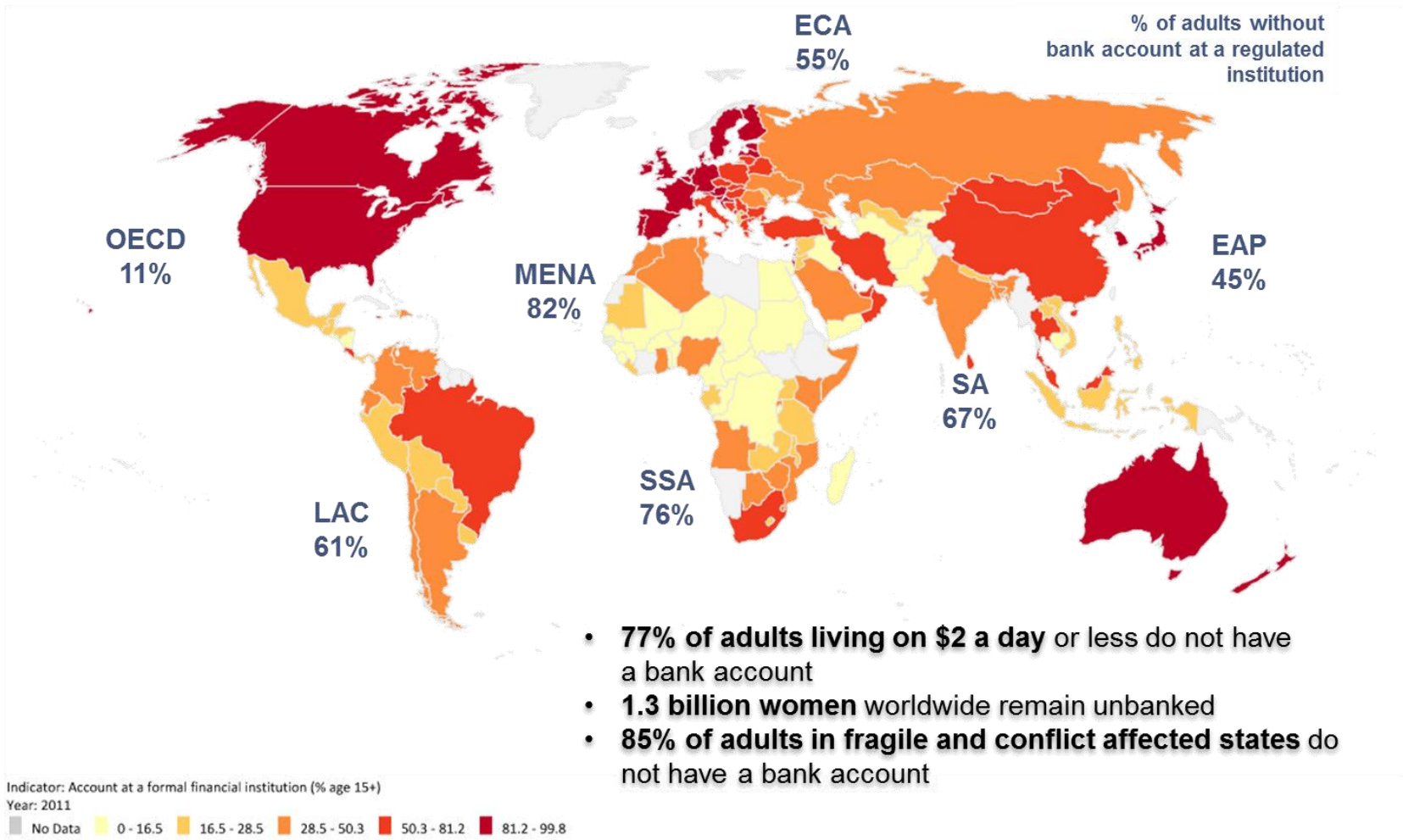
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25 Countries Account for 76% of the World's Unbanked



Defining the Vision



Jim Yong Kim
World Bank Group President

- “Universal access to financial services is within reach – thanks to new technologies, transformative business models and ambitious reforms.”
- “As early as 2020, such instruments as **e-money accounts**, along with **debit cards** and **low-cost regular bank accounts**, can significantly increase financial access for those who are now excluded.”

Source: IFC-The World Bank Press Release, 11 October 2013

The Global Goal: By 2020, adults globally have access to transaction accounts to store money, send and receive payments as the basic building block to manage their financial lives

- **Access to a transaction account is a stepping stone to financial inclusion**, which includes a full range of formal financial services
- Universal financial access is ambitious, yet achievable for the majority of the world's population by 2020, **full financial inclusion will take longer**
- Even with financial access, **usage will not be universal, and not all countries will reach it**
- Achieving access is a **collective effort**; the WBG will contribute to delivering accounts to reach at least 40% of the excluded, or 1 billion clients



Strong link to Twin Goals: poverty reduction and income effect

- **38-56% increase in productive investment** and 37% higher personal expenditures as a result of access to a basic savings account in Kenya, for women informal business owners
- **Increase in average income** by 7% and **employment** by 1.4% as a result of bank access points opened in retail stores in Mexico
- Branch expansion into rural unbanked locations in India **significantly reduced rural poverty, linked to increased savings and credit** (1977-1990 Harvard study)



Enabler for WBG and country development goals

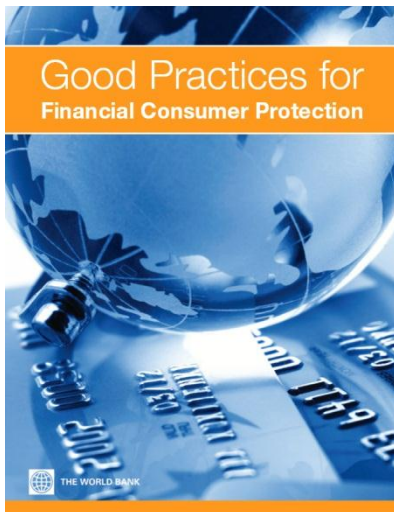
- **Helps manage income shocks:** Remittances help to avoid or at least mitigate reductions in household consumption, compared to those household not receiving remittances.
- **Improves food security:** Higher diet diversity and daily food expenditures for women/households with mobile money/basic savings accounts (Niger data)
- **More efficient and better targeted social transfers to the poor:** 47% less bribe payments (India), 82% lower cost in the administration (Brazil)
- **Improves access to services:** ‘pay as you go’ solutions (e.g. for solar energy), or by households being able to tap remittances or savings to meet expenditures.



New WBG initiatives on digital financial services and financial inclusion

Digital Financial Inclusion:

Objective is to explore how the digital agenda related to payments services and transaction accounts can be leveraged to offer a wider array of appropriate, responsible financial products and services to the unbanked and underbanked. The project will aim to (1) formulate hypotheses on the main obstacles and drivers for products and services beyond payments, (2) identify models of evolution and innovative approaches, and (3) develop policy tools and guidance.



World Bank's Good Practices for Financial Consumer Protection:

The Good Practices for Financial Consumer Protection are **currently being revised to incorporate emerging consumer protection concerns with respect to digital finance**. Recent innovations in financial products, delivery systems and providers of financial services are raising new consumer protection issues. The revised Good Practices will identify the consumer risks with these new business models and the measures that might be taken to mitigate and monitor those risks.

PAFI task force

Task Force on Payment Aspects of Financial Inclusion (PAFI)

Co-Chairs



Committee on Payments and
Market Infrastructures

BANK FOR INTERNATIONAL SETTLEMENTS



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Objectives of the PAFI Task Force 1/2

- **Examining the gap** in guidance for authorities on the payment aspects of financial inclusion
- Capture the **perspective** of payment system experts, standard setting bodies and regulatory authorities
- Support the efforts of authorities to foster the expansion of **access to transaction accounts and the use of electronic payment services**



Objectives of the PAFI Task Force 2/2

- Contribute to the recognition that **safe and efficient payment services are important** for well-being of individuals, households, and businesses, as well as, a gateway to a broader range of financial services.
- Advance market efficiency, flexibility, integrity, and competitiveness to **support financial stability and inclusion**
- Facilitate the establishment of a **balanced and proportional regulatory environment** to facilitate effective, reliable, safe, and cost-efficient access to payment services

PAFI's Guiding Principles

- **“Address the Gap”**: Focus on those aspects and links which have not yet been (fully) examined in a comprehensive manner
- **“Remain neutral”**: no preference for specific technological solutions, business-models and/or regulatory approaches
- **“Focus on elements of global relevance”**: rather than country-specific issues
- **“Do not re-invent the wheel”**: Built upon the work already carried out and be **consistent** with all standards, recommendations and guidelines of the CPMI and other relevant Standard-Setting Bodies

Broad Spectrum of Members: CPMI & Non-CPMI Central Banks, International & Regional Development Banks, IMF, BIS, and World Bank



Ambitious PAFI Workplan with planned publication of a Consultative Report in second half of 2015

**Inaugural PAFI Meeting
April 2014**

**3rd PAFI Meeting
Nov. 2014**

Publication of a consultative Report

Workstreams on Focus Areas

Report Drafting

2014

2015

Reach-out to Key Stakeholders

**2nd PAFI Meeting
August 2014**

**4th PAFI Meeting
Jan. 2015**

**5th PAFI Meeting
April 2015**

Initial Focus Areas of PAFI Work-Streams

Risk
Management
and Security

Consumer
Protection and
Transparency

Payment
product design

Regulatory
Frameworks

Basic Bank
Accounts

Government
Payments

Payment System
Infrastructure,
Interoperability,
Standardization

Competition, Level Playing
Field

Transaction Accounts for All: That's definitely not a "TALL order"



By 2020 all adults should have access to transaction accounts, payment instruments!



***The World Bank objective & the PAFI Task Force
are important building blocks –
so is the ITU Focus Group!***