

Global Dialogue on Digital Financial Inclusion (GDDFI)

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Collaborative Guiding Measures for Inclusive Digital Financial Services

The rapid penetration of mobile phones and the emergence of innovative technology-led business models aimed at providing access to formal financial services through mobile devices especially to underserved and unbanked people emphasizes the need of an enabling regulatory environment for inclusive digital financial services. The complexity of digital and mobile banking models that are expanding the financial services value chain creates an increased need for dialogue and collaboration between the financial sector and telecommunications/ICT sectors, particularly at public and institutional level.

We, the stakeholders participating in the 2016 GDDFI, recognize that targeted collaborative approaches can go a long way towards fostering access, availability, and up-take of robust, secure and affordable digital financial services. Therefore, we have identified the following policy, regulatory, and business collaborative guiding measures to move forward the digital financial inclusion agenda by building synergies at the national, regional and global levels.

1. **Develop an inclusive ECOSYSTEM for Digital financial services**

Telecom/ICT and financial services regulators need to collaborate to develop consistent and proportionate regulatory frameworks in order to develop a competitive and innovative digital financial ecosystem where different providers have the possibility to lever their unique assets and capabilities to serve the bottom of the pyramid. The ecosystem consists of users (consumers, businesses, government agencies and non-profit groups) who have needs for digital and interoperable financial products and services; the providers (banks, other licensed financial institutions, and non-banks) who supply those products and services through digital means; the financial, technical, and other infrastructures that make them possible; and the governmental policies, laws and regulations which enable them to be delivered in an accessible, affordable, and safe manner.

The DFS ecosystem aims to support all people and enterprises within a country, and should support national goals including financial inclusion, economic health, and the stability and integrity of the financial systems.

An important over-arching issue in the development of the DFS ecosystem is the need to invest in and manage two sides of the eco-system at once. Practically, this means both supporting initiatives to load electronic money into consumer transaction accounts - principally through bulk, or G2P payments and initiatives to enable consumers to spend this money in electronic form, principally through the enablement of merchant electronic payment acceptance.

2. **Encourage INTEROPERABILITY**

The possibility for users worldwide to make electronic payment transactions with any other user in a convenient, affordable, fast, seamless and secure way via a single transaction account is likely to further promote financial inclusion while increasing efficiencies and competition in the marketplace.

Telecom/ICT and financial regulators and market players have a role in driving interoperability and also encourage shared access to digital platforms aimed at promoting financial inclusion. We encourage interoperability at different levels such platforms, access points, agents and customers.

3. **Encourage public private PARTNERSHIPS**

Collaboration and partnerships are critical due to the broadening of the value chain and the participation of an increasing number of actors in the digital financial ecosystem such as banks, telecom/ICT operators,

agents, processors, aggregators and merchants. We call for collaborative approaches between the telecom/ICT and financial public and private actors. Public-private partnerships have the power to build synergies, foster collaboration, extend reach and enhance competition. Consequently, digital financial inclusion can expand, leverage on existing infrastructure, and lower barriers for new entrants.

4. Enable access to INFRASTRUCTURE

Financial services provided over ICT infrastructure, and in particular mobile networks, have the potential to reach in a faster and more cost effective way the underserved and unbanked, especially in rural areas. More importantly these networks can also support the provision of financial services beyond digital payments such as loans, savings, insurance that can help low income people stay/lift themselves out of poverty.

Given the importance of the ICT infrastructure, the public and private sectors need to ensure business critical technology is offered under fair terms and conditions and that the ICT infrastructure provided is reliable, secure and of high quality to ensure a proper customer experience

5. Protect CONSUMERS and enhance consumer experience

We recognize that consumer trust is the foundation for the uptake and adoption of digital financial services. Policy makers and regulators need to ensure those services are provided in a responsible manner by putting consumers at the center of discussions and enhancing consumers experience. This may be done by adopting regulatory measures to: protect client data, provide recourse and redress mechanisms, mandate proper disclosure and transparency, require fair treatment of customers, fair cost of services, protection of customer funds, and agents.

6. Address lack of IDENTITY

We recognize that the lack of formal identity (ID) is one of the biggest barriers preventing low income people from accessing formal financial services. Governments can play a key role by determining how national (or industry specific) identity systems should be used by the digital financial services ecosystem and define how emerging biometric-based and other digital identity systems can be utilized to simplify and make more cost efficient the current “KYC” (know your customer) processes for providers

7. Promote a collaborative regulatory approach

We believe that regulatory intervention should happen only when necessary. A light touch approach should be preferred as it allows to define a framework within which the nascent DFS industry can grow organically.. Given the role played by both the financial services and telecommunications/ICT regulators it is also important they develop tools and mechanisms to ensure proper communication, consultation and collaboration. Tools to strengthen a collaborative approach can include a memorandum of understanding (MoU) between regulatory and supervisory authorities, and the establishment of joint and multi-sectorial committees. This collaboration and cooperation will not only benefit end users but will also impact economic growth by enabling the unbanked to take part in the digital economy.