



**GPI**

Global Partnership  
for Financial Inclusion



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## 1<sup>st</sup> Annual GPI Conference on Standard-Setting Bodies and Financial Inclusion

# Plenary 1: Promoting Financial Inclusion through Proportionate Standards and Guidance

Hosted by

FINANCIAL STABILITY INSTITUTE



BANK FOR INTERNATIONAL SETTLEMENTS



## How are international standards & guidance relevant to these clients and the financial institutions that serve them?

- Through a proportionate approach to regulation attuned to BCBS, CPSS and FATF standards and guidance, the BSP has allowed *Errol* to serve as a local agent for G-CASH services
- Using a risk-based approach consistent to the FATF Recommendations and Guidance, *Marjorie* could open a BanKo account by showing a photo-bearing letter from a village leader to meet customer identification and verification requirements
- The BSP is attentive to BCBS and CPSS standards and guidance in determining what form of financial services and delivery systems it will allow, recognizing that proportionate regulation can create space for innovations important for financial inclusion while also protecting customers and systemic stability



## How are international standards & guidance relevant to these clients and the financial institutions that serve them?

- Through a proportionate approach, BSP e-money regulations clearly define parameters of e-money and allow for the establishment of a ubiquitous agent network, which may lead to high quality, yet lower-cost services
- In coordination with the Philippines insurance regulator, BSP has allowed the banking system's network as distribution channels for microinsurance products, in keeping with standards and guidance of both BCBS and IAIS
- In short, in the Philippines, interpretation of standards and guidance from all SSBs represented has important influence on how many poor households get access to what range and quality of financial services and at what cost



# How is financial inclusion relevant to international standards?

- For the SSBs, embracing the goal of full financial inclusion represents a potentially significant shift of focus and requires a commensurate evolution in thinking, and the SSBs are at different stages in this evolution
- Some of the issues to be considered are specific to the mandate of each SSB, while others are jointly relevant to multiple SSBs
- On both types of issues, joint engagement offers the SSBs the opportunity to understand each other's perspective and to learn from each other
- It also holds the promise of SSB standards and guidance that help country level policy makers balance priorities as they pursue a broad financial inclusion agenda



# Main points of GPFI white paper and country case studies

## ***“Global Standard-Setting Bodies and Financial Inclusion for the Poor – Toward Proportionate Standards and Guidance”***

- \* Financial exclusion carries risks within SSBs’ sphere of interest
- \* Changing risks and benefits accompany increased financial inclusion
- \* Country context matters
- \* Incorporate these themes into a proportionate approach to supervision

Messages consistent with 5 country-level case studies in Brazil, Kenya, Mexico, Philippines & South Africa led by Alliance for Financial Inclusion:  
<http://www.gpfi.org/sites/default/files/documents/GLOBAL.pdf>



# Financial exclusion carries risks within SSBs' sphere of interest

This includes:

- Threats to financial integrity and international security  
*(e.g. money-laundering and terrorist financing risks of cash transactions, often across borders, through informal providers)*
- Threats to social and political stability, and even potentially financial stability  
*(e.g. political unrest touched off by pyramid schemes organized as informal savings and investment opportunities that trigger lack of confidence in the banking system)*

**Subject has not yet been systematically studied for any SSB**



# Changing risks and benefits accompany increased financial inclusion

Resulting from a variety of factors, including:

- Characteristics of financially excluded customers – differ from those “already served” with which SSBs are most familiar
- Nature of the products, services, and providers capable of reaching them
- Especially innovative approaches needed to accomplish significant increases in financial inclusion

Benefits of financial inclusion, such as economic growth, efficiency, and increased welfare, both offset these changing risks and mitigate risks of financial exclusion



# Country context matters

- Current nature and level of financial exclusion in the country
- Capacity of policy makers, regulators, and supervisors to implement SSB standards and guidance



While SSBs' normative standards relevant to increasing financial inclusion may be designed to be applied flexibly in all country contexts, guidance may be needed for countries with particularly high levels of financial exclusion and low levels of capacity of supervisors and institutions





# Proportionality

## G20 Principles for Innovative Financial Inclusion Principle 8

**Proportionality:** *Build a policy and regulatory framework that is proportionate with the risks and benefits involved in such innovative products and services and is based on an understanding of the gaps and barriers in existing regulation.*

- Risks and benefits of financial inclusion perceived and measured differently by different stakeholders
- Risk/benefit assessment is complex across different SSBs and different products, services, and providers are needed for financial inclusion
- Some important benefits are not directly related to SSB mandates (*e.g. economic growth, efficiency, and increased welfare*)



## Topics of joint relevance

- *Formalization of informal providers* is a critical topic to financial inclusion given the large numbers of such providers that already serve poor households
  - Proportionality and formalization are intertwined concepts, as proportionate regulation can be critical to formalization
- *Effective financial consumer protection*: the concept of “responsible delivery” presupposes both responsible market conduct by providers and effective financial consumer protection oversight
- *Innovative financial service delivery*, relevant due to its unique potential to increase financial inclusion, raises issues that would benefit from coordinated attention by two or more SSBs and calls for a better understanding of risks and benefits
- *Interaction of standards*: should be explicitly considered, given need for range of financial services delivered through multiple channels



# Plenary session 1: Standard-Setting Body Engagement on Financial Inclusion – Progress and Challenges

- To identify, from the perspectives of the five SSBs, key issues of importance to financial inclusion in their mandates, and reciprocally, the key financial inclusion issues of importance to the mandates of the SSBs
- To showcase and advance SSBs processes and activities, while offering a forum for the SSBs to jointly explore complementarities
- To highlight how the SSBs have taken on the issues, themes, observations and recommendations from the GPMI white paper and country case studies

Five presentations

Panel discussion

Discussion among Conference participants, until 12:15

