

WORKING GROUPS AND REGIONAL INITIATIVES ANNUAL REPORT 2015

The Innovative Backbone of Financial Inclusion Policy



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FOREWORD

It is with great delight that we present to you the second Annual Report of the Alliance for Financial Inclusion (AFI) Working Groups and Regional Initiatives. This report summarizes the achievements and progress of AFI's six committed and innovative working groups and two exciting regional initiatives in 2015.

The working groups and regional initiatives are the backbone of AFI and the primary source of regulatory policy guidance and content generation. They support the financial inclusion policy dimensions that AFI enthusiastically endorses: Consumer Consumer Empowerment and Market Conduct (CEMC) Working Group, Digital Financial Services (DFS) Working Group, Financial Inclusion Data (FID) Working Group, Financial Inclusion Strategy (FIS) Peer Learning Group, Global Standards Proportionality (GSP) Working Group, SME Finance (SMEF) Working Group. In addition to these thematic working groups, the AFI Network has formed two regional initiatives – the African Mobile Phone Financial Services Policy Initiative (AMPI) and the Pacific Islands Regional Initiative (PIRI) –platforms for developing financial inclusion policies uniquely suited to these areas and in the region.

Throughout the last year, the working groups have continued to grow in participation, coming up with more innovative ways to develop and expand access to financial inclusion. This progress has been driven by member surveys, knowledge exchange visits and peer reviews, which offer unbiased feedback on members' policies, regulations and strategies. In addition, AFI's growing database of guideline notes and the new Online Progress Dashboard provide guidance to members in various areas, which often funnels back to the network as policy reforms that support members in fulfilling their Maya Declaration Commitments.

The highlight of this year's report is the extraordinary ripple effect our working groups and regional initiatives are having on financial inclusion policies in AFI member institutions and how they are helping policymakers bring smart policies to life. The report also offers a glimpse into AFI's future program activities. I am grateful to the members, chairs and professional team of working group and regional initiative managers for their dedication to our common goal of inclusive financial services.



Dr. Alfred Hannig
Executive Director
Alliance for Financial Inclusion (AFI)



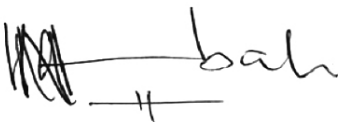
AFI UPDATES

This last year has been an exciting year for financial inclusion. Recent figures show the world's unbanked have dropped to 2 billion people (38% of adults in the world), compared to 2.5 billion only a few years ago. With the continued support and dedication of our members, AFI is proud to be part of that effort.

AFI itself is undergoing organizational transformation and plans to announce the successful completion of our registration as a legally independent entity in the fall of 2015. We have recently had the pleasure of collaborating with Bank Negara Malaysia, not only to move offices to the state of the art facilities at Sasana Kijang, but also to host our working group meetings here in Kuala Lumpur.

We are delighted to share AFI's live launch of the Online Progress Dashboard, which will serve as the main hub for tracking progress of the Maya Declaration Commitments. Our network is also actively building its Public-Private Dialogue Platform (PPD) to enhance collaboration and fruitful exchanges between the public and private sector.

Our working groups and regional initiatives have had tangible results from their efforts to scale up financial inclusion, continuing to lead us towards a promising and bright future. Their achievements have been recognized at both the regional and global level, and the groups continue to thrive with ever-growing member engagement, energy and determination. Together with our members, partners and the dedicated AFI Management Unit, we are looking forward to yet another pioneering and innovative year for the AFI Network.



Norbert Mumba
Deputy Executive Director
Alliance for Financial Inclusion (AFI)



“AFI is the world's leading organization on financial inclusion policy and regulation.”



>120 member institutions



90+ countries worldwide



A member-owned network

WORKING GROUP AND REGIONAL INITIATIVE MANAGERS



Eliko Boletawa
 Head of Policy Programs
 & Regional Initiatives



**CONSUMER
 EMPOWERMENT AND
 MARKET CONDUCT
 WORKING GROUP
 (CEMCWG)**

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Ricardo A. Estrada Villalta
 Policy Manager



**DIGITAL FINANCIAL
 SERVICES (DFS)
 WORKING GROUP**

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**SME FINANCE (SMEF)
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Charles Marwa
 Senior Monitoring &
 Evaluation Specialist



**FINANCIAL INCLUSION
 DATA (FID) WORKING
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Robin Newnham
 Senior Policy Manager,
 Global Standards & National
 Strategies



**FINANCIAL INCLUSION
 STRATEGY (FIS) PEER
 LEARNING GROUP**

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**GLOBAL STANDARDS
 PROPORTIONALITY
 (GSP) WORKING GROUP**

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Efoe Koudadjey
 Regional Coordinator,
 Sub-Saharan Africa/MENA



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“Enabling access to banking services to all our people not only provides services, but also promotes growth across the economy.”

His Excellency Dr. Rui Maria De Araújo, The Prime Minister Of Timor-Leste

AFI WORKING GROUPS

The AFI Network has a series of working groups in key policy areas which serve as ‘communities of practice’ and help facilitate discussions and knowledge sharing among AFI members. AFI’s working groups are the source of network policy leadership, innovation and regulatory guidance. The groups are formed in response to membership demand for more focused research into the financial inclusion policy areas that are considered the highest priority for AFI’s membership. The working groups enrich the AFI knowledge library through the regular publication of policy guideline notes, case studies, and discussion papers. The AFI network currently includes working groups in 6 distinct financial inclusion policy areas.

CONSUMER EMPOWERMENT AND MARKET CONDUCT WORKING GROUP (CEMCWG)

Realizing the role empowerment and protection of financial consumers has in securing access to financial services and improving its quality, the AFI network launched the Consumer Empowerment and Market Conduct Working Group (CEMCWG).

DIGITAL FINANCIAL SERVICES (DFS) WORKING GROUP

DFSWG provides a platform for policymaker discussion concerning regulatory issues over digital financial services including agent banking, e-money, mobile financial services (MFS) and other new technologies being introduced to provide solutions for greater financial inclusion.

FINANCIAL INCLUSION DATA (FID) WORKING GROUP

FIDWG is dedicated to promoting and sharing information on the topic of financial inclusion measurement. This group leverages current progress and learning from AFI members and practitioners around the world.

FINANCIAL INCLUSION STRATEGY (FIS) PEER LEARNING GROUP

FISPLG supports the development of national financial inclusion strategies as frameworks to guide policy and regulatory reforms and to encourage the alignment of public and private sector stakeholders under a unified vision and shared goals.

GLOBAL STANDARDS PROPORTIONALITY (GSP) WORKING GROUP

GSPWG provides a platform to facilitate peer learning on issues policymakers and regulators face in achieving a balance between financial inclusion, integrity and stability, and to examine the proportionate implementation of the global standards set by global standard setting bodies (SSBs).

SME FINANCE (SMEF) WORKING GROUP

The AFI Network’s existing peer learning services were extended to include small and medium enterprises (SMEs) finance policy and regulatory issues with a focus on the challenges and policy solutions of most relevance to AFI’s membership of primary regulators of financial services.



CONSUMER EMPOWERMENT AND MARKET CONDUCT WORKING GROUP (CEMCWG)

With over half of the world's adult population lacking the access to financial services, consumer empowerment and market conduct are vital topics for nurturing vulnerable and low-income consumers to a strong voice and standing in their battle towards financial inclusion.

With efforts to strengthen protection mechanisms and improve financial literacy and education, consumer empowerment is an evolving area that covers issues ranging from transparency and disclosure, to responsible lending and redress mechanisms.



CONSUMER EMPOWERMENT INCLUDES

- > Financial literacy, capability and awareness initiatives
- > Prevention of over-indebtedness
- > Avenues for redress and recourse

MARKET CONDUCT INCLUDES

- > Standards of practice for providers (e.g. to enhance transparency and suitability)
- > Regulatory and supervisory techniques
- > Codes of conduct

OBJECTIVES

- > Promote transparency and disclosure.
- > Encourage effective sales and marketing practices.
- > Promote harmonized international initiatives.
- > Create avenues for help and redress.
- > Champion the benefits of financial literacy, capability and awareness.

2.9 billion people represented by regulators in the CEMCWG's 48 member institutions

41% share of world population represented in the CEMCWG's 48 member institutions



55 member institutions



48 countries



CEMCWG meeting, Armenia, 2016



Ms. Armenuhi Mkrtychyan



Prudence Angelita A. Kasala

LEADERSHIP TEAM

Chair: Armenuhi Mkrtychyan (2012-present) Central Bank of Armenia

Ms. Armenuhi Mkrtychyan is the Head of Consumer Protection and Financial Education Center at the Central Bank of Armenia, an authority responsible for supervising all types of financial institutions. She is responsible for the design of regulatory and supervisory policy for financial consumer protection in Armenia, supervision of the market conduct of financial institutions and financial education policies. Elected as co-chair in 2012 and as chair in 2014, she has actively contributed to working group meetings, the development of knowledge products and represented AFI at international conferences. Before joining the Central Bank's Consumer Protection Division, Ms. Mkrtychyan spent 10 years designing and implementing reforms in various sectors of the financial system: banking, micro-finance, insurance and securities. She graduated from Yerevan Institute of National Economy, Armenia, and holds MLitt International Business from the University of St Andrews, the UK.

Co-chair: Prudence Angelita A. Kasala (2014-present) Bangko Sentral ng Pilipinas (BSP)

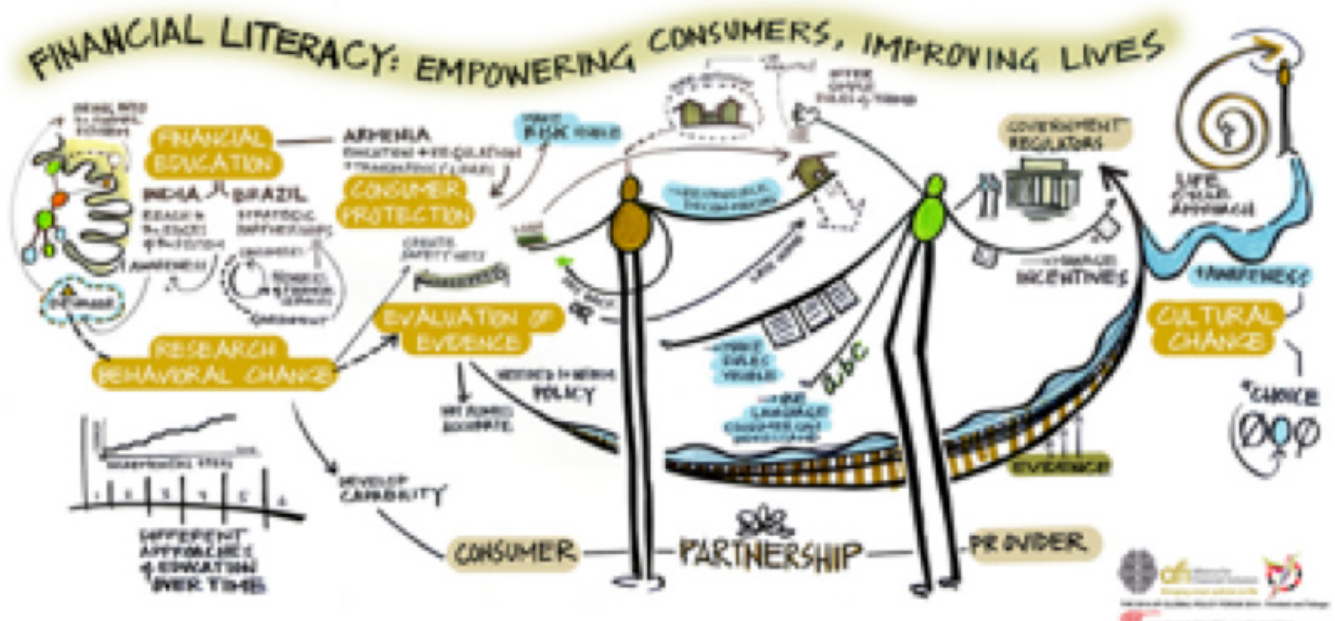
Atty. Prudence Angelita A. Kasala is currently the Head of Financial Consumer Protection Department (FCPD), a group committed to recognizing the principle that consumers who are knowledgeable of financial products and services of Financial Institutions (FIs)

have the capacity to drive up the FIs performance and competitiveness. She has been instrumental in the approval of the Consumer Protection Framework and the re-organization of the FCPD to deliver its expanded mandate. Prior to this, she is the Group Head of the Central Point of Contact Department for which she oversaw the off-site supervision of rural banks. She also served in the Office of the Deputy Governor for Supervision and Examination where she provided both legal and technical assistance on supervisory policy matters and capital market development, and spearheads several initiatives on BSP's supervisory role. Atty. Kasala earned her Master's degree in Law with distinction from the University of Pennsylvania and obtained her degree in Bachelor of Laws (Ranked No. 1, Law Graduating Class), and B.S. Management Engineering (Dean's list) from the University of Sto. Tomas (UST) and Ateneo de Manila University, respectively. She is a professor of taxation at UST.

FINANCIAL LITERACY: EMPOWERING CONSUMERS & IMPROVING LIVES

CEMC's latest sessions emphasised the indisputable importance of financial education, consumer protection regulations and supervision. As a basis for inclusive progress of consumer empowerment such changes need to be addressed at the roots of its problems. The role of the regulators is to create people's awareness of the financial system, to educate the end consumer's on their rights and to provide consumer protection in a structured financial inclusion system. To enhance such aims, national strategies on financial education should include policies to improve financial literacy.

Example of impact of such financial literacy and awareness can be seen in Malawi's awareness poster campaign that led to a 300% increase in complaints handling.



MEASURING AND ASSESSING FINANCIAL CAPABILITY

Financial education alone is not enough to change customer's behaviour, but that specific regulatory and market conduct approaches need to be implemented into the financial systems to support specific financial behavioural changes that will positively impact consumer protection. Further findings highlight:

- > Impact evaluations are necessary to measure the quality of the programme implementation.
- > Importance of evolving technologies and its potential use in the mobile banking services.
- > While drafting regulation may not be costly, there is significant cost in enforcement.

CASE STUDY: CENTRAL BANK OF ARMENIA - THE MEASUREMENT IMPACT OF FINANCIAL CAPABILITY



In order to determine the level of financial literacy nationally, Armenia measures the impact of financial capability for its country every 5 years. However, the challenges that the Central Bank of Armenia (CBA) faced were that the baseline surveys used during the measurement did not include all the elements that the Bank required to measure the economic impact of financial education, resulting in the bank developing additional surveys targeting these information. Further challenges also lay in the development of the competency matrix, as it was hard for all stakeholders involved to agree to a consensus as to what should be included in the list. The CBA felt the need for a more comprehensive, in-depth understanding of the national financial literacy level. Even though the results of previous surveys were used during the elaboration of National Strategy on Financial Education (NSFE), the usefulness and applicability of existing information was seen as a challenge. Previous surveys missed relevant, country-specific financial education aspects, such as the wider economic impact, safety, long-term savings, consumer protection rights, etc. Hence, the CBA called for a sound framework to enable comprehensive monitoring of the NSFE in terms of its effectiveness and proper public accountability.

As a result, the CBA decided to design and implement the Financial Capability Barometer (FCB) framework to address these challenges. In 2013, CBA agreed to use the grant program of the Alliance for Financial Inclusion (AFI) to fund the Financial Capability Assessment Project (FCAP), starting in early 2014. The objective of the FCAP is to

ensure the success of the NSFE by effectively setting policy priorities, strategies and benchmarks for development of financial educational reforms as well as monitoring the effectiveness of the NSFE on regular basis and keep public accountability. More specifically, expected outcomes of the grant were a national representative baseline of financial capability in Armenia and measurable NSFE targets for the NSFE.

Armenia's most surprising findings were that attitude and behaviour were higher than knowledge and skills, as the results in this context showed that the customer's behaviour is measured by a) if people really know what they say they know, and b) they do what they say they do, such as check interest rates.

The most problematic area of findings are:

- > The 'Saving and Long Term Planning' sector - jeopardizes citizen's welfare and economic growth sustainability.
- > The 'Economic Impact' assessment - poor - leads to mistrust, no confidence and panic, avoiding long term economic decisions, government-public poor communication.
- > 'Budgeting & planning' - poor and overestimated- especially for those with seasonal incomes.
- > Debt management -relatively good- only 1/3 of respondents mention that they refinance their debt, 2/3 pay their debts on time.
- > Rights protection cultures (shopping around) -relatively strong- if provided with easy tools people will use them effectively.
- > Fraud protection- poor-people significantly overestimate their capabilities against fraud protection.

KNOWLEDGE PRODUCTS

Guideline Notes

- > **Help and Redress for Financial Consumers** (2013)
- > **National Financial Education Strategies** (2013)
- > **Sales and Marketing Practices** (2013)
- > **Transparency and Disclosure** (2013)
- > **Financial Literacy and Education** (2015)
- > **Help and Redress: Statistics to Measure Effectiveness and Alternative Dispute Resolutions** (2015)
- > **Responsible Lending** (2015): Based on Progress Report from each region, this guideline note highlights good practices on responsible lending in countries with an AFI member institution.

CEMC WORKING GROUP MEETINGS

2011

1st: Kuala Lumpur, Malaysia

2nd: Riviera Maya, Mexico

2012

3rd: Bangkok, Thailand

4th: Cape Town, South Africa

2013

5th: Lima, Peru

6th: Kuala Lumpur, Malaysia

2014

7th: Minsk, Belarus

8th: Port of Spain, Trinidad and Tobago

2015

March: 9th Kuala Lumpur, Malaysia

September: 10th Maputo, Mozambique

- > **Institutional Framework & Supervision (2015):** This framework paper on business conduct is a roadmap for on-site and off-site supervision guidelines.
- > **Consumer Protection in MFS/DFS:** A guideline note developed by the AFI's Mobile Financial Services (now Digital Financial Services Working Group's Consumer Protection Subgroup) to identify primary consumer protection issues in mobile financial services and discuss options for regulators to address.
- > **Indicators for Quality for Financial Inclusion:** In collaboration with Financial Inclusion Data WG the CEMC WG contributed to the development of a note on quality Indicators. The quality dimension of financial inclusion is categorized by FIDWG as a second tier indicator that are developed to measure wider sets of indicators relevant to particular countries and stages of development. This knowledge product will provide indicators in form standards to measure the quality of regulated financial services and the market environment from the client's perspective.

CEMC is currently reviewing the functionality 8 indicators by examining the services and market viewpoints through the client perspectives and will share their findings with the FIDWG.

BUSINESS CONDUCT AND CONSUMER PROTECTION

AFI-Bank Negara Malaysia host Business Conduct and Consumer Protection Capacity Building Program

Together with the Bank Negara Malaysia (BNM), AFI organized a training program on 'Business Conduct and Consumer Protection' in June 2014 in Kuala Lumpur, Malaysia.

Including CEMC Working Group members, the program organized 50 participants from the AFI network and provided an experience-sharing platform for policymakers to enhance their knowledge on the importance of upholding business conduct and consumer empowerment to sustain market confidence towards greater financial stability.

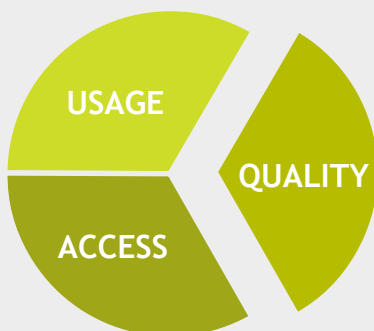
The event was the first of three capacity building programs, held with support from the Frankfurt School and convened middle to senior level officials involved in the development, implementation and enforcement of consumer protection, market conduct and financial education policies.

The five-day training covered topics on the latest developments in:

- > Consumer empowerment and market conduct regulation and supervision;
- > Emerging consumer risk in digital finance;
- > Practices on market conduct and consumer protection for financial institutions;
- > Consumer empowerment through financial literacy and financial capability initiatives;
- > Market conduct regulation and supervision of non-bank institutions;
- > Innovations in financial literacy and consumer empowerment;
- > Product transparency and disclosure;
- > Institutional arrangements and supervisory tools on market conduct regulation and supervision;
- > Collaboration with public and private institutions on financial education practices, redress mechanisms and alternative dispute resolution approaches;
- > Consumer protection regulation for microfinance institutions and global initiatives to address household indebtedness.

Resource specialists who provided training included experts from Bank of Tanzania, Central Bank of Armenia, Bank Negara Malaysia, Reserve Bank of Malawi, the Financial Services Board South Africa, Consumers International, Financial Services Consumer Panel United Kingdom, ACCION, the Frankfurt School of Finance and Management, World Bank, MicroSave and AFI.

QUALITY INDICATORS FOR FINANCIAL INCLUSION



These indicators are based on six principles:

- > Usefulness and relevance
- > Conciseness
- > Specificity
- > Simplicity
- > Improvement
- > Client perspective

CEMC WORKING GROUP UPDATES

Armenia

The government adopted the national strategy on financial education. One of the main projects was financial capability. In terms of regulation, we switched to a more targeted approach for disclosure. Armenia is moving towards a standardized approach in terms of financial information. The bank is moving to a standardized transparency and a rule based approach. There has been a SMART campaign for a model consumer law.

Bangladesh

There is currently a regulation deposit safety funds, which will be implemented by July. The Microcredit authority is loose of the Central Bank. MFI systems in Bangladesh are very extensive and should be protected from malpractice. There is currently a cap on interest rates on borrowing.

Bangladesh works comfortably on financial inclusion policies under the guidance of the PM. There is a web page with basic financial games and topics to improve financial literacy amongst both children and adults. There are also posters and other media campaigns. As many as 47 green products under reduced interest rates have been introduced. This fronts our socially environmentally financial literacy policy. In terms of consumer protection, there is a complaints mechanism in place that solves up to 85% of issues. Bangladesh also has new disclosure requirements.

There is a new act for the microcredit authority, to ensure that MFIs continue to meet licensing and supervisory requirements. It recently introduced school banking, agent banking, and financial literacy activities in collaboration with the government.

Brazil

This week a project on financial literacy will be starting in Brazil, for very underprivileged populations.

Burundi

In terms of financial inclusion, Burundi has conducted a strategy on financial inclusion at the end of 2014. The results showed the various levels of responsibility between the public and private sectors. There is a law being presented to parliament on financial strategy with the different aspects of financial literacy and inclusion.

Cambodia

Cambodia recently joined the CEMC working group. As of now, Banks and MFI's are required to meet disclosure and transparency requirements on issues such as pricing. Cambodia is working the UNCDP towards developing a consumer protection framework. There is also coordination on a local level, as the Central Bank coordinates with Cambodian MFIs to implement consumer protection principles. The framework in place is not currently binding in nature, as it is not legally implemented, but the Central Bank's ultimate goal is a national Financial Inclusion strategy being adopted by the Government.

Costa Rica

There are several programs in terms of financial education, we are trying to simplify expedient accounts. Regulations need to be especially strict in terms of illegal transfers and terrorist funding. In terms of consumer rights our regulatory framework is quite limited because it is hard for us to penalize noncompliance. In terms of what Costa Rica can learn from AFI, Costa Rica is eager to take best practices of consumer protection forward to adapt that to our own reality.

D.R Congo

There was an official pilot study to elaborate on the national program for financial education. Furthermore, the Central Bank organizes the international day of savings with a special emphasis on female savers. The whole week on money is also an initiative in the Congo, to make financial education within reach to children. In terms of consumer protection, there was a regional seminar on market practices. The module that was used was developed by CGAP. The Central Bank is also conducting a FINScope survey, having published the demand side results and currently conducting the supply side survey. The outcome will enable a better strategy for financial inclusion and education.

El Salvador

In September of 2014, El Salvador worked on a transparency regulation for better practices at International level, and the consumer protection authority has launched a regulation as well. In terms of financial education, El Salvador has programs that target children and adults through workshops and training to improve their financial literacy. With regards to measurement, El Salvador is working towards conducting a supply side survey that will help towards a national Financial Inclusion Strategy.

India

There is a national strategy being undertaken for financial literacy.

Liberia

Liberia has issued customer protection guidelines in December 2014, therewith establishing a taskforce for Financial Inclusion. A collateral registry was set up, and a regulation for E-money was enacted. Liberia is currently developing a concept paper for agent banking.

Macedonia

In terms of financial education, Macedonia is progressing with its financial education initiative where it has established a coordinating body that consists of the National Bank, the Ministry of Finance, the Fund of Insurers and the Securities and Exchange Commission. Macedonia has many activities in Financial Education.

Malawi

In Malawi, there is an umbrella act for financial inclusion and consumer protection. There are regulations on complaints handling for financial consumers. There is also a regular on the disclosure of credit. This act introduces a 10 day cooling off period where a consumer can still decide

on their credit without a penalty. In terms of financial literacy, Tanzania has conducted a financial capability survey in 2013. This showed that one of the key issues was that most consumers do not know a complaints handling mechanism exists. As a result, a 3 month awareness campaign was instituted. Financial education materials will be circulated to all schools in the country. Malawi has also participated in global money week, with a focus on saving. There was also a third financial literacy week.

Malaysia

There is a continued focus on responsible lending behavior, and a study has been completed on the effectiveness of the mandatory disclosure regime. Results showed this to be rather ineffective as consumers found the documents difficult to use. Bank Negara Malaysia has also issued guideline notes on prohibited business conduct. The bank is also in its final stages of transforming alternative dispute settlement into an ombudsman scheme, based on international best practices. In terms of consumer education, it is part of year 5 and 6 in the school curriculum, and teachers will be trained in financial literacy. Education to combat scams is ongoing, using OECD and World Bank methodologies. Bank of Malaysia is currently finalizing its mobile

Nepal

Nepal has developed its national Financial Inclusion strategy. Recently, Nepal held a global money week that was attended by more than 4,000 students and bankers. This rally included raising awareness for different topic areas within financial inclusion. Currently, the government of Denmark funds a project that is being implemented together with the central bank of Nepal.

Pakistan

Pakistan has developed a national Financial Inclusion strategy. In terms of CEMC, fairness and dignity are part of the new Financial Inclusion strategy. On a national level, Consumer Protection has become a key agenda point, and by 2020 the aim is for 50% of the population to have access to digital financial services. The aim includes expanding access points and building capacity. Another key driver is financial literacy. Conducting a second access to finance survey, which will provide insights on the level of financial literacy in Pakistan. Financial literacy was also the subject of a recent pilot program where curriculums were developed and implemented, reaching roughly 50,000 people. There is close collaboration with the educational system to incorporate financial literacy into the basic school system. Launch of media awareness campaign. The Central Bank has also issued guiding principles with regards to pricing fairness for financial services.

Peru

Peru is about to approve a National Strategy for financial inclusion, which is based on a multi ministry approach. It is very comprehensive. The timeframe for the current strategy is from 2015 until 2021. At the end of last year Peru issued codes of best practices to credit authorities and other financial services providers. Peru is in the process of reviewing the e-money disclosure requirements. There is a system for comparison for tariffs and interest rates, and we are trying to do the same for insurance

companies etc. Peru also supervises market conduct, for which a guideline will be prepared. There was a mystery shopping pilot in October of last year. In terms of financial literacy, there is a framework that was done with the ministry of education.

Philippines

The Philippines adopted a consumer protection framework in November, and financial institutions have one year to comply. The Philippines engaged the World Bank on the financial capability survey, which will serve as a basis for our national strategy. The Philippines will launch its Financial Inclusion strategy in June, and is looking into payment systems as well as using social media to raise its profile.

Samoa

Samoa is currently working on the regime and the regulatory framework. Samoa has been working on financial education and literacy. It is also doing a knowledge exchange with Fiji. There will be a scoping mission by PFIP. A demand side survey was conducted last month, which is currently being evaluated. Samoa has created financial literacy brochures, to raise awareness.

Senegal

The protection of consumers is not foreign to the Bank of Senegal, and there is an observatory in place at the Ministry of Finance to monitor such issues. There are support programs for Financial Inclusion at a national level. There is also a Financial Inclusion Strategy upon which is now being elaborated.

Tanzania

Recently the Central Bank launched its Financial Inclusion strategy in November. Tanzania also launched a consumer protection desk to handle consumer protection disputes. There is a national payment act to regulate all the payment systems. There will be regulations for digital payment services.

Thailand

The Bank of Thailand operates a financial center for consumers, complaints center, which coordinates with commercial banks to solve their problems. FCC updates, there was an OECD meeting on financial literacy in Bangkok, and another survey (consumer insight) was conducted '**what issues are currently being faced by consumers and what policies could help influence their behaviour**'. Bank of Thailand is producing a new reality TV show that documents 12 adults with financial issues or goals, who get their personal situation evaluated by a fiscal expert.

Help and redress: a new law on debt collection has been enacted, which spans across all types of loans. The goal is to stop inappropriate loan collection policies such as physical force etc. There is a new notification that requires clear information to be spread about financial instruments on consumers.

Impact measurement: is hard to achieve, especially regarding TV initiatives, but Thailand hopes that all its efforts will combine and be reflected in the main national survey of financial access and literacy.

Timor Leste

In August 2014 there was a master plan for Financial Sector development. The law for increased collateral requirements will be presented in 2015. The current strategy focuses on planning, saving, and protection of the consumer. Timor Leste is currently in the 5th round of its Financial Inclusion strategy in 6 different districts, with all areas having been covered before the end of 2015. In the policy measure there will also be a strategy program for financial literacy for children under the age of 7.

Turkey

In June 2014 Turkey launched its Financial Inclusion strategy, which consists of two action plans. These are the Financial Education and consumer protection action plan. There are institutions in place for monitoring and evaluation. They are both 4-year action plans. Reporting occurs on a three monthly basis. Turkey will launch the websites for financial education and consumer protection issues. Trying to add new channels for access to finance, legislation for microfinance and crowd funding is being proposed. It hopes to collect Data for better knowledge of financial inclusion.

Uganda

Uganda has proposed legislation to govern various aspects to promote financial inclusion, covering both agency banking and financial inclusion initiatives. A series of Key Facts documents has also been launched. The Central Bank is also carrying out public education initiatives. As part of that initiative, there will be branch level training to understand obligations within consumer protection initiatives. There is also a quarterly training for trainers provided by the Central Bank. Another initiative is the development of a financial literacy board game, similar to Monopoly, which is popular amongst students.

SUBGROUP UPDATES

CEMC's five subgroups are continuing to strive through pushing their innovative teamwork forward. Their key deliverables set during this year's WG meeting, can be found below.

Financial Literacy and Education

Lead: Ms. Kristina Nikolovska

This subgroup is CEMC's monitoring team that studies and evaluates the success of financial literacy strategies in AFI member institutions. Based on their repository of evidence-based strategies this subgroup advises CEMC WG members on effective ways for promoting consumer empowerment through education.

The survey on Financial Education Strategies and programs was conducted among AFI members. The Subgroup will share these results with the AFI members to enhance the common understanding of the need for measurement of financial education approaches. The draft concept note was presented at the 10th CEMC Meeting in Maputo, Mozambique ahead of the 2015 GPF. The paper was discussed by members with feedback provided for finalization. The final version will then be tabled at the 11th CEMC meeting in Dilijan, Armenia in 2016.

Responsible Lending

Lead: Mr. Emmanuel Mung'ong'o

Focusing on topics related to responsible lending approaches based on unique institutions, practices and credit products from regional perspectives and context - South America, Sub-Sahara Africa, and Asia; the Responsible Lending Subgroup has drafted a guideline/ policy note on responsible lending for AFI member institutions, which is aimed to be submitted this August.

Furthermore this subgroup has seen a new development in emerging markets, especially with regards to DFS as a tool for delivering credit. Based on this observation the group has conducted a market survey on the practices of digital lending in the AFI network and developed a guideline note for this type of credit, which will be finalized by the GPF 2015. At the 10th CEMC Meeting in Maputo, Mozambique the subgroup presented its final draft which was endorsed by members with minor adjustments to be made. After incorporating these changes, the GN will be finalized and published for the AFI Network.

Help and Redress

Lead: Atty. Prudence Angelita Kasala

Expanding on its original guideline note from 2013, the Help and Redress Subgroup is continuing to center its current work on alternative dispute resolution (ADR) mechanisms.

Last year the group conducted a help and redress survey that was discussed during CEMC's Working Group meeting in Belarus and as a result Armenia, Colombia and Peru will be used as a case study. To enhance the quality of the case study, the questionnaires have been revised to better fit the analysis. Based on the case studies the Subgroup aims to be able to present their policy note/Report of statistics to measure effectiveness and alternative dispute resolutions in time for the GPF in 2015. During the 10th

CEMC Meeting in Maputo, Mozambique members agreed to include other jurisdictions that are leading in the areas of ADR which includes Malaysia and Philippines. The final draft will now be presented at the 11th CEMC Meeting in Dilijan, Armenia in 2016.

Institutional Framework and Supervision

Lead: Armenuhi Mkrtchyan

Concentrating on supervision issues related to business conduct. This subgroup's is developing a business conduct concept paper focusing on inherent risk, management risks and processes, which will provide the group a framework and supervision outline for business conduct. The aim of the subgroup is to finalize this paper by the GPF 2015 and that the framework can then be utilized as a roadmap for future off- and onsite supervision guidelines. During the 10th CEMC Working Group meeting in Maputo, Mozambique members provided additional feedback to shape the paper. It was agreed that subgroup members would incorporate these and present for finalisation at the 11th CEMC Meeting in Dilijan, Armenia in 2016.

Transparency and Disclosure

Lead: Dr. Saeed Ahmed

Members of the Transparency and Disclosures Subgroup are developing a questionnaire on disclosure requirements regarding the costs of financial products and services. From the results, the subgroup will develop key facts statements sharing the experience of best practices. This process is still in progress. Further to this the subgroup will also develop a survey on effective interest rates; a process which is still being discussed. The Group will review the questionnaire and and finalize it in May 2015 by circulating it to all AFI institutions. In addition to this the subgroup plans to develop a short survey with short sub questions and best practices requests.

The group's main deliverables are to

- a) come up with a key statement of facts for credit, deposit, as well as for all types of channels.
- b) come up with detailed guideline notes on best practices and regulations.

MARKET PLACE - NEW TRENDS AND DEVELOPMENTS ON CONSUMER EMPOWERMENT & MARKET CONDUCT.

- > Lack of effective consumer protection measures.
- > Higher need for industry self-regulation.
- > Financial products need to meet a minimum standard of at least disclosure and transparency.
- > Free market competition enabling consumers to compare and change products if they want to.

NEXT STEPS

CEMC's prospect focus areas of Capacity Building for future Trends and Developments on Consumer Protection and Market Conduct by regional distribution.

ASIA

- > Building competence and proficiency for market conduct regulation.
- > Developing skills and practices in delivering financial education programs.
- > Understanding the landscape - business models and risks of DFS.

AFRICA

- > Building supervision capacity.
- > Role of the Central Bank in Financial education
- > Setting up consumer protection units, law and regulations.
- > Supervision procedures and enforcement.
- > Balance. Innovations in DFS, disclosure, conduct, prudential recourse skills, and different business models: bank-led vs. hybrid model

EASTERN EUROPE AND CENTRAL ASIA

- > DFS
- > Methodology for surveys on consumer protection issues.
- > Lack of risk-based supervision regarding consumer protection.
- > Strategy development on consumer protection.

LATIN AMERICA AND CARIBBEAN

- > Behavioral economics for financial inclusion policies.
- > Digital financial services.
- > Cross-border and cross-sectorial financial products.

MEMBER INSTITUTIONS (50)> **Central Bank of Armenia (Chair)**> **Bangko Sentral ng Pilipinas (Co-chair)**

- > Banco Nacional de Angola
- > Bangladesh Bank
- > Microcredit Regulatory Authority, Bangladesh
- > Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO)
- > National Bank of the Republic of Belarus
- > Banco Central do Brasil
- > Banque de la République du Burundi
- > Développement Economique du Burundi
- > People's Bank of China
- > Banca de las Oportunidades, Colombia
- > Banco de la República de Colombia
- > Banque Centrale du Congo
- > Superintendencia General de Entidades Financieras de Costa Rica
- > Banco Central del Ecuador
- > Banco Central de Reserva de El Salvador
- > Superintendencia del Sistema Financiero de El Salvador
- > Superintendencia de Bancos de Guatemala
- > Banque Centrale de la République de Guinée
- > Central Bank of Kenya
- > National Bank of the Kyrgyz Republic
- > Central Bank of Liberia
- > Agency for Supervision of Fully Funded Pension Insurance, Macedonia
- > Ministère des Finances et de la Planification du National Bank of the Republic of Macedonia
- > Reserve Bank of Malawi

- > Bank Negara Malaysia
- > Banco de Moçambique
- > Bank of Namibia
- > Nepal Rastra Bank
- > Central Bank of Nigeria
- > State Bank of Pakistan
- > Palestine Monetary Authority
- > Banco Central del Paraguay
- > Ministerio de Desarrollo e Inclusión Social del Perú
- > Superintendencia de Banca, Seguros y AFP (SBS) del Perú
- > Ministry of Economic Development of the Russian Federation
- > National Bank of Rwanda
- > Central Bank of Samoa
- > Ministère de l'Economie et des Finances du Sénégal
- > Ministry of Finance of Swaziland
- > National Bank of Tajikistan
- > Bank of Tanzania
- > Bank of Thailand
- > Banco Central de Timor-Leste
- > Ministère de l'Economie et des Finances du Togo
- > Central Bank of Trinidad & Tobago
- > Undersecretariat of Treasury of the Republic of Turkey
- > Bank of Uganda
- > Bank of Zambia

For more information
about the CEMCWG contact
cemc@afi-global.org



CEMC Working Group, Kuala Lumpur, Malaysia 2015

DIGITAL FINANCIAL SERVICES (DFS) WORKING GROUP

Digital Financial Services (DFS) Working Group promotes the widespread use of mobile and other digital financial services to increase financial inclusion in emerging and developing countries. It encourages discussion and knowledge exchange among its members to identify the risks of DFS business models, and determines suitable regulatory and supervisory practices.

The DFSWG is an enhanced thematic working group that began as the Mobile Financial Services Working Group, but then expanded and was renamed the Digital Financial Services Working Group at the 2014 GPF in Trinidad and Tobago.

With ever-expanding expertise in digital solutions for financial inclusion, the DFSWG is an umbrella group that reaches beyond mobile financial services to address all policy areas in digital financial services.



DFSWG meeting, Kuala Lumpur, 2015

Regulators in DFSWG's 52 member institutions represent 3.7 billion people & 50.6% share of the world's population



OBJECTIVES

The DFSWG has the following key objectives:

- > Create an enabling policy and regulatory environment for transformational DFS at national levels.
- > Develop a shared understanding of the risk profiles of emerging DFS business models, which is essential to designing appropriate regulatory frameworks.
- > Stimulate discussion and learning on new approaches and good practices in DFS regulation by encouraging policymakers to exchange experiences.
- > Provide a platform for capturing, tracking and sharing information on innovative DFS, products, business models and appropriate new policy responses.
- > Establish linkages and provide inputs, where appropriate, to global Standard-Setting Bodies (SSBs) seeking to establish proportionate supervisory practices for DFS.



Mikhail Mamuta



Elly Ohene-Adu



Elías Vargas

LEADERSHIP TEAM

Chair: Mikhail Mamuta (2014-present) Central Bank of the Russian Federation

Mr. Mikhail Mamuta is Head of the Directorate General on Financial Inclusion and Microfinance at the Central Bank of the Russian Federation. Mikhail was elected Co-Chair at the Sixth MFSWG Meeting in Cape Town in September 2012 and Chair at the Tenth MFSWG-DFSWG Meeting in Trinidad and Tobago in September 2014. As a member of the working group he has been actively involved in developing knowledge products, contributing in peer reviews and leading the Working Group. Currently Mikhail is leading the DFS Basic Terminology update Subgroup, which intends to update the MFS Basic Terminology Guideline Note No. 1 to reflect the expansion of the Working Group's approach.

Co-chair: Elly Ohene-Adu (2014-present) Bank of Ghana

Ms. Elly Ohene-Adu is the Head of Banking Services & Payment Systems Oversight at Bank of Ghana. Elly was elected Co-Chair at the Tenth MFSWG-DFSWG meeting in Trinidad and Tobago in September 2014. As an active member of the working group Ms. Ohene-Adu leads the National Retail Payment Systems and Financial Inclusion Subgroup, which is currently developing a guideline note on national payment systems and the migration to retail electronic payments.

Co-chair: Elías Vargas (2015- present) Superintendencia de Banca y Seguros de Perú

Mr. Elías Vargas is the Senior Supervisor of the Operational Risk Unit at Superintendencia de Banca, Seguros y AFP de Perú. Elías was elected Co-chair at the Twelfth DFSWG Meeting in Maputo, Mozambique in September 2015. With his appointment as Co-Chair the Working Group managed once again to have multiple regional representation within its leadership team (Asia, Africa and Latin America), previously this Co-Chair position was held by the representative of Superintendencia de Bancos de Guatemala. Elías has contributed enormously to the WG with his technical insights and during the Eleventh DFSWG Meeting Kuala Lumpur meeting he participated as peer reviewer.

KNOWLEDGE PRODUCTS

With 8 technical publications, the DFSWG has an extensive library of knowledge products that capture the valuable knowledge and expertise of its members.

- > MFS Basic Terminology, Guideline Note No. 1 (March 2013)
- > MFS Technology Risks, Guideline Note No. 2 (March 2013)
- > MFS Regulatory Reporting, Guideline Note No. 3 (March 2013)
- > MFS Indicators for Measuring Access and Usage, Guideline Note No. 11 (August 2013)
- > MFS Supervision and Oversight of Mobile Financial Services, Guideline Note No. 12 (February 2014)
- > MFS Consumer Protection in Mobile Financial Services, Guideline Note No. 13 (March 2014)
- > MFS Mobile-Enabled Cross-Border Payments, Guideline Note No. 14 (August 2014)
- > MFS Assessing Levels of Interoperability, Guideline Note No. 15 (August 2014)

PLANNED ACTIVITIES

Subgroups and their upcoming Knowledge Products

Digital Financial Services Basic Terminology Subgroup Lead: Mikhail Mamuta, Central Bank of the Russian Federation

The DFS Basic Terminology Subgroup is currently updating the MFS Basic Terminology Guideline Note (No.1) in order to come up with a glossary that is consistent to the enhanced approach of the Working Group's expansion from mobile to digital financial services. The DFSWG will work in close collaboration with the Digital Financial Instruments and Services Inventory Subgroup to ensure concepts are properly integrated and terms aligned.

Inventory of Digital Financial Instruments and Services Subgroup Lead: Kennedy Komba, Bank of Tanzania

The Digital Financial Instruments and Services Inventory Subgroup is developing a DFS Inventory of all available DFS instruments and services currently offered in the markets represented in the Working Group. The Subgroup developed a draft matrix at the 11th DFSWG meeting in Malaysia and undertook further discussions at the 12th DFSWG meeting in Maputo, Mozambique.



DFSWG meeting, Kuala Lumpur, Malaysia, 2015

National Retail Payment Systems and Financial Inclusion Subgroup

Lead: Elly Ohene-Adu, Bank of Ghana

The National Retail Payment Systems and Financial Inclusion Subgroup is developing a guideline note that will include guidance on the processes of migrating to electronic retail payments and will also feature experiences of Malawi, Palestine, and Malaysia, as successful country cases.

PEER REVIEWS (12)

- > Royal Monetary Authority of Bhutan: E-Money issuing regulations
- > Reserve Bank of Malawi: Agent banking regulations
- > Bank of Papua New Guinea: MFS regulations
- > Central Bank of Liberia: Guidelines on mobile money services
- > Bank of Sierra Leone: Guidelines on mobile money services
- > National Bank of Ethiopia: MFS and agent banking service directives
- > Banque Centrale de la République de Guinée (BCRG): Circular letter on MFS and agent banking
- > Central Bank of Yemen: Regulations on mobile electronic money services
- > Bank of Tanzania: E-Money regulations (2011 draft and updated 2015 draft)
- > Bank of Ghana: Guidelines for E-Money issuers
- > Direction Générale du Trésor, Ministère des Finances et du Budget (Madagascar): Draft Law on E-Money and E-Money Issuers

3 NEW PEER REVIEWS CONDUCTED IN 2015**11th Meeting in Kuala Lumpur: Electronic Money Regulations**

Presented by Kennedy Komba on behalf of Bank of Tanzania;

Guidelines on E-Money Issuance

Presented by Clarissa Kudowor on behalf of Bank of Ghana.

Peer Reviewers: Tan Nyat Chuan, Bank Negara Malaysia; Raymond Estioko, Bangko Sentral ng Pilipinas; Elías Vargas,

Superintendencia de Banca y Seguros del Perú; Prajna Paramita, Bangladesh Bank; and Viktor Dostov, Russian Microfinance Center

12th Meeting in Maputo: Draft Law on E-Money and E-Money Issuers

Presented by Nivoarizay RAZAFINDRAKOTO on behalf of Direction Générale du Trésor, Ministère des Finances et du Budget (Madagascar)

Peer Reviewers: Stephen Mwaura, Central Bank of Kenya; Juliana Álvarez, Banca de las Oportunidades (Colombia) and Nadezhda Prasolova, Central Bank of the Russian Federation.

POLICY CHANGES

Members of the DFSWG have contributed to a number of policy changes related to either Mobile Financial Services policies or the expanded Digital Financial Services policy approach in their respective countries:

Colombia: Banca de las Oportunidades

- > Simplified account opening procedures

El Salvador: Banco Central de Reserva

- > Law on Financial Inclusion which regulates E-Money issuance (in progress)
- > Non-bank correspondents (agents) regulation

Ethiopia: National Bank of Ethiopia

- > Amendments to agent and mobile banking directives

Ghana: Bank of Ghana

- > E-Money guidelines
- > Agent banking guidelines

Guatemala: Superintendencia de Bancos

- > Mobile financial services (MFS) regulation
- > Regulations on agent banking supporting MFS
- > Collection and disclosure of MFS statistics in the Financial Inclusion Bulletin

Guinea: Banque Centrale de la République

- > Regulations on MFS and agent banking



DFSWG meeting, Kuala Lumpur, Malaysia, 2015



DFSWG meeting, Kuala Lumpur, Malaysia, 2015

Honduras: Comisión Nacional de Bancos y Seguros (CNBS)

- > Regulation allowing basic accounts to be opened through electronic channels

Liberia: Central Bank of Liberia

- > Mobile money regulations

Timor-Leste: Banco Central de Timor-Leste

- > Guidelines on the use of agents in branchless banking

Uganda: Bank of Uganda

- > Mobile money guidelines

Yemen: Central Bank of Yemen

- > Regulations on mobile electronic money services

INSIGHT INTO DIGITAL FINANCIAL SERVICES IN THE FIELD**11th DFSWG Meeting in Malaysia, 25-27 May 2015**

With the support of Bank Negara Malaysia, DFSWG members attending the 11th meeting participated in a field trip to the Touch n' Go Corporation (TnG) Headquarters in Bangsar, Kuala Lumpur and to MyKasih Foundation (MKF) offices in Puchong, Selangor.

TnG is the largest electronic micro payments specialized company in Malaysia. Its signature product is a prepaid electronic-cash card, which can be used for purchases as low as RM 1.00 (US\$ 0.24). TnG claims that the e-cash card is the only one in the world that can be accepted at retail outlets, parking sites, buses, trains and toll roads. The corporation processes more than 3 million transactions per day.

MyKasih Foundation is an organization that reaches 226,555 low-income households across more than 260 urban and rural locations in Malaysia. Its system leverages the innovative use of MyKad (national ID card), which ensures that welfare aid is electronically distributed to recipients accurately, efficiently and securely.

MOBILE FINANCIAL SERVICES ACCESS AND USAGE INDICATORS

In 2015 the DFSWG's access and usage indicators collection reached indicators from 19 countries, the most representative and largest collection of indicators the WG ever performed. Countries used the MFSWG Guideline Note No. 11 ("Mobile Financial Services Indicators for Measuring Access and Usage") as a basis for estimating their indicators.

The AFI MFS access and usage indicators (developed in 2013) are considered among AFI's Second Tier Set of financial inclusion indicators.

KEY TAKEAWAYS**Touch 'n Go corporation**

- > E-Money is available in prepaid cards or linked to National Identity Card (MyKad), debit or credit card; and,
- > Future plans (subject to Bank Negara Malaysia approval, as the Financial Regulator) are: online reload and payment, mobile reload via NFC, mobile wallet and expansion of loyalty scheme.

Issues for further discussion within the DFSWG:

- > Interoperability with other E-Money schemes or payment cards;
- > Benefits for advancing Financial Inclusion; and,
- > Utility of loyalty scheme .

MyKasih Foundation

- > Leverages on National Identity Card (MyKad) to deliver targeted welfare aid in a digital platform;
- > Chip and PIN verifications for payments security; and,
- > Rely on bar code scanners to ensure benefits are spent on the intended purpose.

Issues for further WG discussion

- > Potential for chip card to support multiple payment applications;
- > Reluctance to use National Identity Card as a payment instrument (fear of loss or theft); and,
- > Limitation of bar code scanners in preventing misuse of the benefits received (E.g. collusion between welfare recipient and merchant).

DFSWG WORKING GROUP MEETINGS

2010	2011	2012	2013	2014	2015
1st: Cape Town, South Africa	3rd: Bangkok, Thailand	5th: Moscow, Russia	7th: Antigua Guatemala, Guatemala	9th: Arusha, Tanzania	May: 11th DFSWG meeting, co-hosted by Bank Negara in Kuala Lumpur, Malaysia
2nd: Bali, Indonesia	4th: Riviera Maya, Mexico	6th: Cape Town, South Africa	8th: Kuala Lumpur, Malaysia	10th: Port of Spain, Trinidad and Tobago	
					September: 12th DFSWG meeting, co-hosted by Banco de Moçambique in Maputo, Mozambique

MEMBER INSTITUTIONS (59)

- > Central Bank of the Russian Federation (Chair)
- > Bank of Ghana (Co-Chair)
- > Superintendencia de Banca, Seguros y AFP del Perú (Co-Chair)
- > Da Afghanistan Bank
- > Central Bank of Armenia
- > Bangladesh Bank
- > Microcredit Regulatory Authority of Bangladesh
- > National Bank of the Republic of Belarus
- > Ministère des Finances, du Budget et de la Privatisation du Burundi
- > National Bank of Cambodia
- > People's Bank of China
- > Banca de las Oportunidades, Colombia
- > Ministerio de Hacienda y Crédito Público de Colombia
- > Banque Centrale du Congo
- > Superintendencia General de Entidades Financieras de Costa Rica
- > Banco Central de Reserva de El Salvador
- > Banco Central del Ecuador
- > Superintendencia del Sistema Financiero de El Salvador
- > National Bank of Ethiopia
- > Superintendencia de Bancos de Guatemala
- > Banque Centrale de la République de Guinée
- > Comisión Nacional de Bancos y Seguros de Honduras
- > Bank Indonesia
- > Bank of Jamaica
- > Central Bank of Kenya
- > Central Bank of Lesotho
- > Central Bank of Liberia
- > Direction Générale du Trésor, Ministère des Finances et du Budget, Madagascar
- > Banque Central de Madagascar
- > Reserve Bank of Malawi
- > Bank Negara Malaysia
- > Comisión Nacional Bancaria y de Valores (CNBV), Mexico
- > Financial Regulatory Commission of Mongolia
- > Banco de Moçambique
- > Bank of Namibia
- > Superintendencia de Bancos y de Otras Instituciones Financieras de Nicaragua
- > Central Bank of Nigeria
- > State Bank of Pakistan
- > Palestine Monetary Authority
- > Superintendencia de Bancos de Panama
- > Banco Central del Paraguay
- > Ministerio de Desarrollo e Inclusión Social del Perú
- > Bangko Sentral ng Pilipinas
- > Russian Microfinance Center
- > National Bank of Rwanda
- > Ministère de l'Economie, des Finances et du Plan du Sénégal
- > Central Bank of Seychelles
- > Bank of Sierra Leone
- > Central Bank of Sri Lanka
- > Central Bank of Sudan
- > Bank of Tanzania
- > Bank of Thailand
- > Banco Central de Timor-Leste
- > Ministère de l'Economie et des Finances du Togo
- > Bank of Uganda
- > Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO)
- > Central Bank of Yemen
- > Bank of Zambia
- > Reserve Bank of Zimbabwe

For more information
about the DFSWG contact
dfswg@afi-global.org



DFSWG, Kuala Lumpur, Malaysia 2015

FINANCIAL INCLUSION DATA (FID) WORKING GROUP

Financial Inclusion Data (FID) Working Group explores the area of financial inclusion data and shares expertise in data collection and measurement to build capacity across the AFI Network. FIDWG members are data practitioners and policymakers from countries where data initiatives are in various stages of development.

Over the last year, the FIDWG has been developing the Online Progress Dashboard – an interactive data platform where AFI members can share and track the progress of their fellow members' Maya Declaration Commitments, using indicators recommended by the FIDWG.



3.03 billion People are represented by regulators in the FIDWG

Represents 41.88% of the world's population

10 countries have conducted a demand-side survey

6 countries are considering conducting a survey

6 FIDWG countries already have a national financial inclusion strategy

9 FIDWG countries are working on a national financial inclusion strategy

6 countries have completed GIS mapping

6 countries have an index for measuring financial inclusion

OBJECTIVES

- > Consolidate and harmonize data collection activities
- > Develop a common understanding of measurement frameworks and methodologies
- > Determine the topline indicators to track at country and global levels
- > Support the development of new indicators
- > Support the national data collection and target-setting activities of AFI member institutions.

 43 member institutions  38 countries



FIDWG meeting, Port of Spain, Trinidad and Tobago, 2014



Amani Itatiro



Mynard Mojica

LEADERSHIP TEAM

Chair: Amani Itatiro (2015-present)

Bank of Tanzania

Mr. Amani Itatiro is a Senior Financial Analyst in the Directorate of National Payment Systems at the Bank of Tanzania. Mr. Amani joined the FIDWG in 2012 and was elected Chair in September 2015. He has been an active member of the working group, involved in subgroups that have developed guideline notes for demand-side surveys, SME finance and indicators for mobile financial services, as well as capacity building and peer learning initiatives within the AFI Network.

Mynard Mojica

Bangko Sentral ng Pilipinas

Mynard Mojica is a Bank Officer at the Inclusive Finance Advocacy unit of the Bangko Sentral ng Pilipinas (Central Bank of the Philippines) where he is primarily responsible in financial inclusion data and measurement. Mr. Mojica joined the FIDWG in 2013. He has been an active member of the working group, participating in peer reviews and leading the subgroup that developed the SME Finance Indicators together with the SME Finance Working Group. He was elected Co-chair in September 2015.

MAIN OUTCOMES

- > Development of a measurement framework defining the dimensions of financial inclusion
- > Produced the AFI Core Set of Financial Inclusion Indicators
- > Extended the Financial Inclusion Indicators to include digital financial services, indicators of quality and SME Finance indicators
- > Financial Inclusion Data Tracking and Measurement: Developed a guideline note on Demand-Side Surveys to Inform Policymaking
- > Developed the AFI Basic Financial Inclusion Index
- > Developed the online database for measuring financial inclusion
- > Published case studies on the use of data for financial inclusion policy-making
- > Undertaken peer reviews of members' financial inclusion surveys and reports
- > Development and participation in 2 training courses on financial inclusion strategy and data
- > Strategic partnerships outside the AFI network to enhance information sharing and to build capacity

KNOWLEDGE PRODUCTS

- > Financial Inclusion Data Tracking and Measurement
- > Financial Inclusion Measurement for Regulators: Survey Design and Implementation
- > Better Measurement for Better Policies
- > Core Set of Financial Inclusion Indicators
- > AFI Financial Inclusion Index
- > SME Financial Inclusion Indicators Base Set
- > Guideline for Quality Indicators for Financial Inclusion
- > The AFI Online Progress Dashboard website
- > The Use of Financial Inclusion Data in South Africa, the Philippines and Peru
- > The Use of Financial Inclusion Data in Mexico, Bangladesh and Burundi

SUBGROUP UPDATES

SME Finance Subgroup

Members: Bank Negara Malaysia,, Bangko Sentral ng Pilipinas, Bank of Thailand, Bank of Tanzania, Bank of Ghana and Bangladesh)

This is a joint subgroup with the SME Finance Working Group (SMEFWG). The main objective of the subgroup is to develop financial inclusion indicators for SME finance to support evidence-based policymaking. The indicators are based on three dimensions – access, usage and quality – and limit the scope to formal financial services and formally registered SMEs. The guideline note was released in September 2015.

Quality Indicators Subgroup

Members: Bank of Thailand, Bank of Tanzania, Bank Negara Malaysia, Banco Central do Brasil, Central Bank of Kenya and Superintendencia de Banca, Seguros y AFP del Perú

The goal of the subgroup is to measure the quality of regulated financial services and their market environment, taking into account affordability, transparency, convenience, consumer protection, literacy, choice and fair treatment. The sub-group completed the guideline note on indicators of the quality dimension of financial inclusion in September 2015.

AFI Financial Inclusion Index Subgroup

Members: Bank Negara Malaysia, Bangko Sentral ng Pilipinas, Bank of Thailand, Banco Central de Reserva de El Salvador, Banca de las Oportunidades Colombia

This subgroup was formed to develop a methodology to calculate a basic financial inclusion index based on the AFI Core Set. The AFI Financial Inclusion Index consolidates key indicators into a single, comprehensive number to quantify and reflect the state of financial inclusion in a country at a given point in time. The guideline note was released in September 2015.

8 PEER REVIEWS

- > Bank of Zambia: Topline findings of the FinScope Zambia 2009 survey
- > CNBV Mexico: Second national financial inclusion report
- > Banco Central do Brasil: National financial inclusion report
- > Banque de la République du Burundi: Demand-side financial inclusion survey
- > Bank of Uganda: Demand-side survey methodology and findings and the Uganda 2013 FinScope report
- > Bangko Sentral ng Pilipinas: National demand-side survey questionnaire
- > Bank of Tanzania: Tanzania 2013 FinScope report
- > Central Bank of Kenya: Kenya 2013 FinScope report
- > Bank of Thailand: Financial Access Survey of Thai Households 2013

POLICY CHANGES

30 AFI members have revised their data and measurement policies based on AFI's Core Set of Financial Inclusion Indicators, which were formulated by the FIDWG.

The Core Set measures the most basic and important aspects of financial inclusion, helping policymakers develop appropriate regulations and monitor the progress of financial inclusion over time.

THE AFI ONLINE PROGRESS DASHBOARD

The FIDWG has been instrumental to the development of the AFI Online Progress Dashboard - a repository of key financial inclusion data. The Dashboard allows AFI members to track, evaluate and learn from the progress of their fellow members using indicators recommended by FIDWG.

The Dashboard also strengthens the monitoring and evaluation of the Maya Declaration by enabling AFI members with Maya Commitments to regularly report on their progress, update their targets and benchmark their work against the data posted by their peers.

The Online Progress Dashboard 2.0 not only gives AFI members enhanced user rights based on their membership status, but the website also includes a new analytics feature that visualizes the rapid progress of our members' efforts.



AFI Online Progress Dashboard - www.afi-dataportal.org

INSIGHT

Reviewed: Bank of Thailand

Reviewers: Banco Central de Reserva de El Salvador and Bank of Tanzania

The Bank of Thailand requested a peer review of their 2013 Financial Access Survey of Thai Households.

Survey objective: To gauge the level of financial access in Thailand to formulate appropriate policies for promoting financial inclusion.

Sample size: 10,613

Focus group: Households from all regions of Thailand in both urban and rural areas.

General results: 87.99% of households have access to financial services, up from 84.58% in 2010.

The Bank of Thailand was able to use discussion points from the peer review to develop new products.

NEXT STEPS: NEW TRENDS AND DEVELOPMENTS IN FINANCIAL INCLUSION DATA

- > Qualitative studies to complement quantitative surveys
- > Monitoring and evaluation of national financial inclusion strategies
- > Link financial inclusion data to regulatory initiatives through country case studies and regulatory impact assessments
- > Development of Financial Inclusion Databases and Systems
- > Impact measurement for Financial Inclusion

FIDWG MEMBER UPDATES

Peru

The National Financial Inclusion Strategy for Peru was approved after two years in development. The NFIS includes 69 actions in different thematic areas. Peru is in the process of undertaking a national demand-size survey, completed the design of the questionnaire for a demand side survey and field work began in September 2015. A website for financial inclusion was launched.

Brazil

In the process of developing a Financial Inclusion database platform. The financial inclusion data report was published in November 2015. A project was started on promoting financial literacy.

Uganda

Established a reporting framework for supply side data on 6 months basis and preparing to undertake a national demand-side survey in 2016.

Tanzania

Implementation of their National Financial Inclusion Framework (NFIF) is progressing well. A database is currently being built and the first report on the progress of the implementation of the NFIF is out. Plan to start a GIS mapping project soon.

South Africa

A demand-side survey was launched in November 2015, setting up a National Financial Inclusion Forum (NFIF) that will develop and implement their National Financial Inclusion Strategy (NFIS).

Malaysia

They are undergoing their second demand-side survey. GIS mapping of bank branches and agents nationwide is completed. Plan to publish financial inclusion data on BNM website.

Burundi

They undertook their last demand-side survey in 2012 and plan for the next in 2016. The national financial inclusion strategy (NFIS) was launched at the end of 2014, but resources are needed for the implementation of the NFIS.

Namibia

A National Financial Sector strategy has been developed that includes:

1. Access to finance: SME finance strategy, challenge fund, credit guarantee scheme and venture capital fund
2. National Financial Literacy program that was already rolled out nationwide.

Currently in planning phase for a demand side survey that will start in 2016.

Nigeria

The national financial inclusion strategy (NFIS) was launched in 2012, now in implementation. Three Financial Inclusion working groups (WGs) have been established at the Central Bank of Nigeria (CBN): Product WG, Channels WG and Financial Literacy WG.

Swaziland

Is in process of finalizing their national financial inclusion strategy (NFIS), received support from FINMARK Trust to promote financial inclusion in the country.

Bangladesh

A financial inclusion (FI) department was established, working on finalizing the national financial inclusion strategy (NFIS) that is expected to be launched by March 2016. A reporting format was established by Bangladesh Bank (BB) to collect supply-side data quarterly, 21 Micro-finance institutions (MFIs) offer remittance services and 10 MFIs were established to offer mobile financial services (MFS).

Ghana

An e-money guideline was finalized and approved; a reporting framework was developed for supply-side data for mobile network operators (MNOs) and financial institutions and information is available on the Bank's website; Steering Committee for the NFIS is in place.

Mozambique

A payments systems department was established and is dealing with all FI issues. A national financial inclusion strategy (NFIS) is in consultation process. A Finscope demand and supply-side survey was conducted in 2014 and a new demand-side survey is planned for 2016. Mozambique reported that they have no comprehensive set of indicators and need assistance with this.

Senegal (BCEAO)

National financial inclusion strategies for eight countries development is underway. A microfinance strategy was finalized in December 2015. They just concluded their demand and supply-side surveys.

Rwanda

An action plan for financial inclusion was reviewed and development of an NFIS started. National targets include:

1. The target of 80% of the population to be financially included by 2017, was changed to 90% of population included by 2020;
2. A financial education strategy to be implemented - focus will be on education programs in schools;
3. To have in place a National Payments strategy;
4. To undertake a consumer protection diagnostics, the law is in development;
5. New regulation on key fact statement in development;
6. Assessment of financial inclusion supply side data
7. 3rd FINSCOPE survey was concluded
8. A monitoring and evaluation framework was drafted.

Indonesia

Data collection was completed in June 2015. Coordination for development of NFIS in progress. A financial literacy survey was conducted in 2015 and a financial education strategy is in the final phase of development.

Sudan

A dedicated department on financial inclusion to be established soon.

Fiji

The final report on the demand-side survey was completed; formulation of the national financial inclusion strategy was completed in September 2015. Fiji is in the process of developing a financial inclusion index. Three national level taskforces have been established on: financial literacy; SMEs and consumer protection issues (recently added inclusive insurance).

Mexico

The second phase of the national financial inclusion strategy was signed in November 2015. Data collection for the national demand-side survey is completed and a report drafted.

Kenya

GIS mapping for financial inclusion has been completed. The fourth demand-side survey is in planning. A national consumer protection framework is being developed and they are also finalizing draft law on banking models.

Costa Rica

Work is ongoing to develop financial inclusion indicators.

El Salvador

The law on the use of e-money was approved by the Congress, a national demand-side survey is set to commence in December 2015.

Philippines

A national financial inclusion strategy was launched in July 2015. Results have been compiled from the national baseline survey to complement supply-side data which are collected regularly. A training was held recently to increase the capacity of BSP staff in communicating data to the general public

Thailand

Phase 3 of the financial sector master plan for the period 2015-2020 covering the corporate, SME and retail sectors is in implementation. Developing the questionnaire for the fourth demand-side survey to be conducted in 2016.

India

17 million bank accounts were opened recently with the new campaign of RBI 'Bank accounts for all'. All Government payments will go through the financial system, which now also includes payment banks and small finance banks. A national financial inclusion strategy and roadmap for financial inclusion are under development.

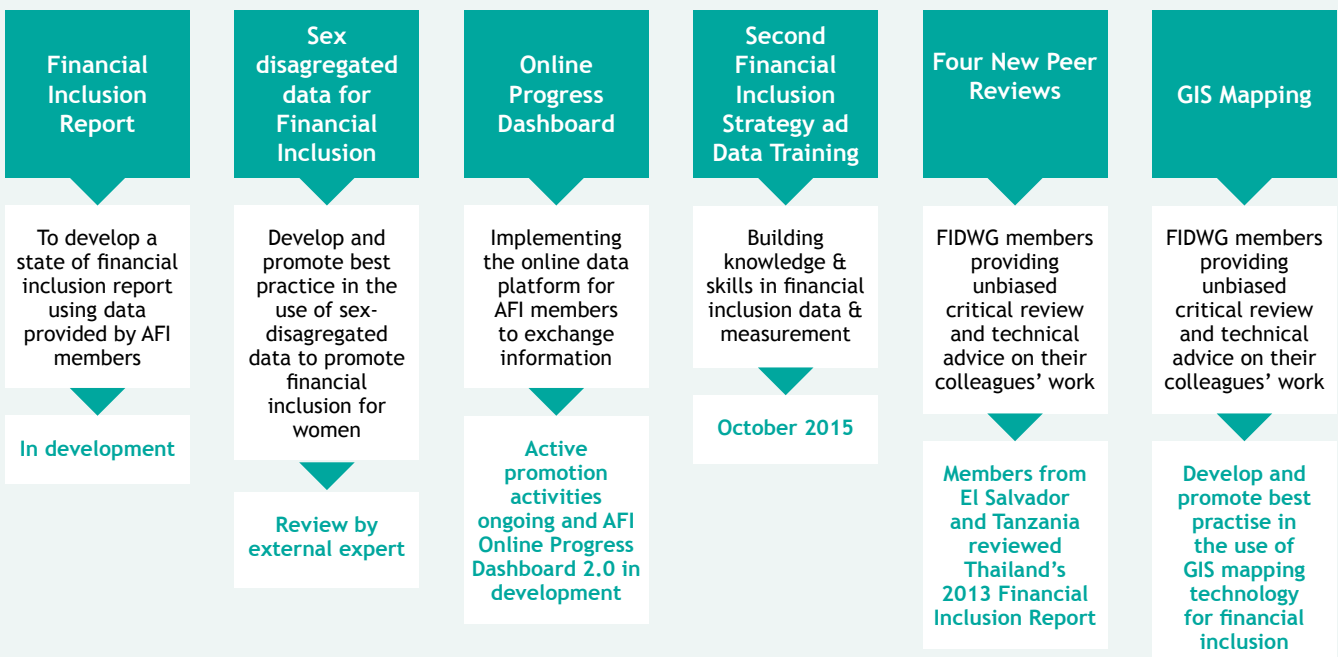
Turkey

A national financial inclusion strategy and related action plans are in the implementation phase.

Malawi

A report from the demand-side survey conducted in 2014 is now available; implementation of financial literacy strategy is in progress.

CURRENT WORK OF THE FIDWG



FIDWG WORKING GROUP MEETINGS

2010	2011	2012	2013	2014	2015
June: FIDWG workshop and launch co-hosted by Bank Negara Malaysia in Kuala Lumpur, Malaysia	March: Third FIDWG meeting co-hosted by Superintendencia de Banca, Seguros y AFP (SBS) del Perú in Lima, Peru	March: Fifth FIDWG meeting co-hosted by the Bank of Zambia in Livingstone, Zambia	March: Seventh FIDWG meeting co-hosted by Bangko Sentral ng Pilipinas in Manila, Philippines	April: Ninth FIDWG meeting co-hosted by Bank Al-Maghrib in Casablanca, Morocco	April: 11th FIDWG meeting co-hosted by Bank Negara Malaysia in Kuala Lumpur, Malaysia
September: Second FIDWG meeting held at the 2010 GPF in Bali, Indonesia, co-hosted by Bank Indonesia	September: Fourth FIDWG meeting held at the 2011 GPF in Riviera Maya, Mexico, co-hosted by the Comisión Nacional Bancaria y de Valores (CNBV)	September: Sixth FIDWG meeting held at the 2012 GPF in Cape Town, South Africa, co-hosted by the South African National Treasury	September: Eighth FIDWG meeting held at the 2013 GPF in Kuala Lumpur, Malaysia, co-hosted by Bank Negara Malaysia	September: Tenth FIDWG meeting held at the 2014 GPF in Port of Spain, Trinidad and Tobago, co-hosted by the Central Bank of Trinidad and Tobago	September: 12th FIDWG meeting co-hosted by Banco Mozambique in Maputo, Mozambique

MEMBER INSTITUTIONS

> **Superintendencia de Banca, Seguros y AFP del Perú (Chair)**

> **Bank of Tanzania (Co-chair)**

- > Bangladesh Bank
- > Microcredit Regulatory Authority of Bangladesh
- > National Bank of the Republic of Belarus
- > Banco Central do Brasil
- > Banque de la République du Burundi
- > Ministère des Finances, du Budget et de la Privatisation du Burundi
- > National Bank of Cambodia
- > Banca de las Oportunidades
- > Banco de la República de Colombia
- > Superintendencia General de Entidades Financieras de Costa Rica
- > Banco Central del Ecuador
- > Banco Central de Reserva de El Salvador
- > Superintendencia del Sistema Financiero de El Salvador
- > Reserve Bank of Fiji
- > Bank of Ghana
- > Comisión Nacional de Bancos y Seguros de Honduras
- > Reserve Bank of India
- > Bank Indonesia
- > Central Bank of Kenya
- > National Bank of the Republic of Macedonia
- > Direction Générale du Trésor, Ministère des Finances et du Budget, Madagascar
- > Reserve Bank of Malawi

- > Bank Negara Malaysia
- > Comisión Nacional Bancaria y de Valores
- > Bank Al-Maghrib
- > Banco de Moçambique
- > Bank of Namibia
- > Central Bank of Nigeria
- > Ministerio de Desarrollo e Inclusión Social del Perú
- > Superintendencia de Banca, Seguros Y AFP del Perú
- > Bangko Sentral ng Pilipinas
- > National Bank of Rwanda
- > Central Bank of Samoa
- > Ministère de l'Economie, des Finances et du Plan du Sénégal
- > National Treasury of the Republic of South Africa
- > Central Bank of Sudan
- > Bank of Tanzania
- > Bank of Thailand
- > Undersecretariat of Treasury, Republic of Turkey Prime Ministry
- > Bank of Uganda
- > Central Bank of Yemen
- > Bank of Zambia
- > Reserve Bank of Zimbabwe

For more information
about the FIDWG contact
fidwg@afi-global.org



The Financial Inclusion Data Working Group (FIDWG), Kuala Lumpur, Malaysia

FINANCIAL INCLUSION STRATEGY (FIS) PEER LEARNING GROUP

Financial Inclusion Strategy (FIS) Peer Learning Group is a platform that promotes the development and implementation of national financial inclusion strategies. These financial inclusion strategies encourage the coordination of public and private sector stakeholders under a common vision and mutual goals to meet commitments made under the Maya Declaration and to the G20 through the Financial Inclusion Peer Learning Program.

FISPLG's success is marked by a significant increase in membership this year, which has risen to 48 member institutions from 39 in 2014. FISPLG also provides a mechanism for the 17 countries that committed to the G20 to develop and implement national strategies under its peer learning program, supported by AFI.



“The AFI Financial Inclusion Strategy Peer Learning Group is playing a critical role in the global advancement of financial inclusion, and FISPLG is in fact at the core of this important movement. We are now witnessing the evidence indicating countries with national financial inclusion strategies – particularly with measurable targets included in their Maya Declaration Commitments – are outperforming their peers.”

Alfred Hannig, Executive Director at AFI

4.2 billion people are represented by regulators in the FISPLG's 44 member institutions

The FISPLG's 44 member institutions represent 58% of the world's population

OBJECTIVES

- > Facilitate peer learning on the various approaches to strategy development and implementation across the AFI Network.
- > Provide a platform for peer reviews of draft strategies and action plans.
- > Develop joint guidance on aspects of national strategy formulation and implementation.
- > Support the capacity of members to develop and implement financial inclusion strategies, including through connections to expert stakeholders.



52 member institutions



44 countries



FISPLG 6th meeting, Kuala Lumpur, Malaysia, 2015

WHAT IS FINANCIAL INCLUSION STRATEGY?

A financial inclusion strategy (FIS) is a comprehensive public document developed through a broad consultative process involving, among others, private and public sector stakeholders involved in financial sector development to systematically accelerate the level of financial inclusion.

Typically, an FIS will include an analysis of the current state of financial inclusion in a country, a measurable financial inclusion goal, how the country expects to reach this goal and by when, and how it would assess its progress and achievements

LEADERSHIP TEAM

Co-chair: Deputy Governor Eden Dema (2014-present) Royal Monetary Authority of Bhutan

Deputy Governor Eden Dema is one of the Deputy Governors of the Royal Monetary Authority of Bhutan (RMA). She has initiated various reforms of the financial sector in Bhutan, namely the establishment of the Credit Information Bureau, Central Registry, and the Financial Institutions Training Institute, among others. She was also Chair of the National Financial Inclusion Policy Working Group for Bhutan. Ms. Dema joined the FISPLG in 2014 and was elected co-chair at the working group's fourth meeting in Fiji, 2014.

Co-chair: Alper Batur (2015-present) Undersecretariat of Treasury

Mr. Alper Batur is Head of Department for Financial Sector Policies and Coordination at Undersecretariat of Turkish Treasury. He serves as secretariat for the Financial Stability Committee, which has prepared the national financial inclusion strategy for Turkey. He wears several hats, including G20 PLP coordinator for Turkey, Bureau Member of OECD Committee on Financial Markets and member of the COMCEC Financial Cooperation Working Group. Mr. Batur's accumulated experience and broad expertise in the financial sector has contributed to a holistic perspective on financial inclusion. He was elected as co-chair at the sixth FISPLG meeting in June 2015. He is also a member of the AFI Advisory Committee on Shadow Banking.



Eden Dema



Alper Batur



Joseph Attah

Co-chair: Joseph Attah (2015-present) The Financial Inclusion Strategy Coordination Office of the Financial Inclusion Secretariat of Central Bank of Nigeria

Mr Joseph Attah, is the Head of the Financial Inclusion Strategy Coordination Office of the Financial Inclusion Secretariat of Central Bank of Nigeria. In the past, he has headed the Microfinance Management Office of the Central Bank of Nigeria, during which time he served as Secretary to the National Microfinance Policy Consultative Committee and the Microfinance Advisory Board. He managed data on unlicensed microfinance institutions in Nigeria and has since been the Editor to the Nigeria Microfinance Newsletter. He coordinated the drafting of the National Financial Inclusion Strategy, launched on 23 October 2012. In his current position, Mr. Attah handles collaborations with stakeholders such as banks, financial services regulators, governments and microfinance banks/institutions. Mr. Attah has been a member of the FISPLG since the Central Bank of Nigeria hosted its first meeting in October 2012, and was elected co-chair at its 6th meeting in June 2015.

FISPLG'S NEW MEMBERS

- > National Bank of Cambodia
- > Bank Indonesia
- > Reserve Bank of India
- > Nepal Rastra Bank
- > Reserve Bank of Vanuatu
- > Comision Nacional de Bancos y Seguros, Honduras
- > Central Bank of Sri Lanka
- > Central Bank of Sudan
- > Superintendencia General de Entidades Financieras de Costa Rica

FISPLG WORKING GROUP MEETINGS

2012

1st: Abuja, Nigeria

2013

2nd: Bangkok, Thailand
 3rd: Kuala Lumpur, Malaysia

2014

4th: Nadi, Fiji
 5th: Port of Spain, Trinidad and Tobago

2015

March: 6th FISPLG meeting, co-hosted by Bank Negara in Kuala Lumpur, Malaysia
 September: 7th FISPLG meeting, co-hosted by Banco de Moçambique in Maputo, Mozambique

CAPACITY BUILDING PROGRAM

Financial Inclusion Data & Strategy

In November 2014, the Bank of Tanzania, together with Bank Negara Malaysia and AFI, organized a capacity building course that aimed to enhance the capacity of policymakers to develop and implement national financial inclusion strategies. 45 participants from 26 countries took part.

Training Objectives: Enhance participants' knowledge and understanding of effective financial inclusion strategies. This includes:

- Data collection and diagnostics
- Developing a national financial inclusion strategy
- Implementing a national financial inclusion strategy
- Monitoring and evaluation

In October 2015, Bank Negara Malaysia and AFI together with Bank of Tanzania and Central Bank of Nigeria organised the follow-up training program on data and strategy. 46 participants took part from 33 countries.

Training Objectives:

- Cultivate methods of formulating inclusive financial inclusion strategies
- Measure the current state of financial inclusion and enhance financial inclusion strategies and policies by using financial inclusion data
- Analyse best practices in developing financial inclusion strategies

Financial Inclusion Strategy Training

In November 2015, AFI's FISPLG organised a one-day training on Financial Inclusion and Employment in the Arab Region, in partnership with GIZ. This is in line with the G7 Deauville Partnership's Action Plan for Financial Inclusion in

the Middle East and North Africa region launched in April 2015. FISPLG members from the Philippines, Tanzania and Palestine participated as resource persons.

PEER REVIEWS CONDUCTED IN 2015

The National Financial Inclusion Strategy

Reviewed: Bangko Sentral ng Pilipinas

Reviewers: Banque de la République d'Haiti, Bank of Tanzania, Central Bank of Nigeria and the Undersecretariat of Treasury, Republic of Turkey Prime Ministry

National Financial Inclusion Strategy

Reviewed: Superintendencia de Banca, Seguros y AFP del Perú

Reviewers: Banque de la République d'Haiti, Bank of Tanzania, Central Bank of Nigeria and the Undersecretariat of Treasury, Republic of Turkey Prime Ministry

KNOWLEDGE PRODUCTS

Special Report - National Financial Inclusion Strategies: Current State of Practice

In recent years, national financial inclusion strategies have become an increasingly common policy approach in many AFI member institutions. In October 2015, FISPLG published the National Financial Inclusion Strategies: Current State of Practice Report with the objective to provide an overview of the practices different AFI members have adopted and highlight recent global developments.

The report focuses on the four main phases of any NFIS:

- 1 Data collection and diagnostics
- 2 Strategy formulation
- 3 Strategy implementation
- 4 Monitoring and evaluation

THE STAGES OF A NATIONAL FINANCIAL INCLUSION STRATEGY

1 Data Collection and Diagnostics

Activities:

- > Collection of supply-side data
- > Collection of demand-side data
- > Data analysis

2 Strategy Formulation

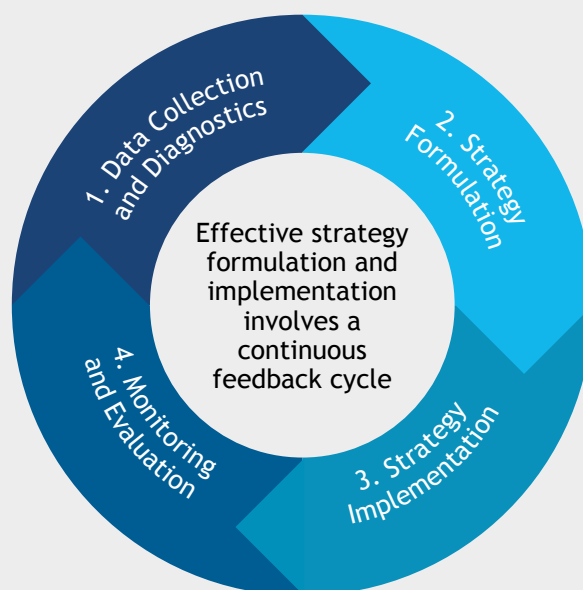
- > Agreement of definition and vision for financial inclusion
- > Consultation with public and private stakeholders
- > Development of action plan and targets

3 Strategy Implementation

- > Policy reforms
- > Private sector response
- > Establishment of architecture for implementation (e.g. National Council or Task Force)

4 Monitoring and Evaluation

- > Tracking progress against core indicators
- > Identifying whether strategy is on track and any response is needed





PAKISTAN'S NATIONAL FINANCIAL INCLUSION STRATEGY - JUNE 2015

Pakistan's strategy aims to build a dynamic and inclusive financial sector to support the country's growth.

Vision of Financial Inclusion:

"Individuals and firms can access and use a range of quality payments, savings, credit and insurance services which meet their needs with dignity and fairness."

Despite long-standing efforts, Pakistan's persistent financial exclusion has motivated the development of a comprehensive National Financial Inclusion Strategy (NFIS). The introduction of the NFIS is coinciding with rapid technological development and vast expansion of branchless banking, all of which will transform the state of financial inclusion in Pakistan.

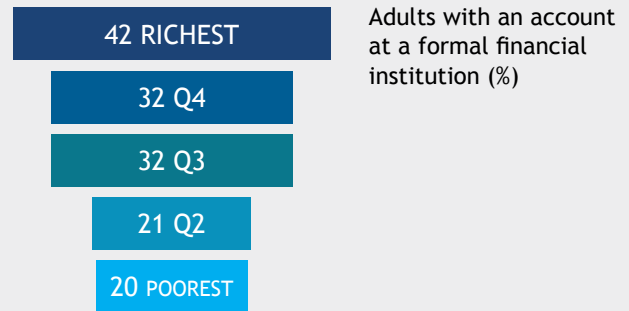
The NFIS is designed to guide financial inclusion efforts over the next five years beginning in June 2015. With closely monitored objectives and goals, the strategy will be a living document, able to adapt to future developments.

A set of cross-cutting conditions will be addressed to lay the foundation for an inclusive financial ecosystem in Pakistan and to achieve the country's financial inclusion vision:

- 1) Public and private sector commitment to the NFIS and coordination
- 2) Enabling legal and regulatory environment
- 3) Adequate supervisory and judicial capacity
- 4) Financial payments and information and communications technology (ICT) infrastructure

Pakistan's NFIS lays emphasizes customer needs while respecting their right to dignity and fairness. This special focus is intended to address historically marginalized

ACCOUNT PENETRATION BY WITHIN-ECONOMY INCOME QUINTILE



segments, such as low-income households (e.g. small farmers) women, and micro- and small- enterprises. It will require coordinated and parallel efforts to:

- 1) Diversify the range of basic payments, remittance and savings products offered to the public and enterprises through DTAs and bank accounts
- 2) Increase the financing opportunities for urban and rural micro-, small- and medium- enterprises, including agricultural finance for men and women small farmers
- 3) Increase the penetration of insurance services
- 4) Bring pensions to more workers, including those in the informal sector
- 5) Foster Islamic finance to serve those who prefer Islamic products or who are excluded or underserved due to their religious beliefs
- 6) Ensure consumer protection and increase financial awareness and literacy, as two pillars of responsible financial inclusion

FRAMEWORK FOR ACTION AND HEADLINE TARGETS



Current State of Practice Report highlights:

- > 13 new Maya declarations, 10 of which include Financial Inclusion Strategy
- > 37 AFI members now have a financial inclusion strategy
- > Growing strategy knowledge and the availability of empirical evidence and data contribute to improved practices in formulation and process improvements

Guideline - Defining Financial Inclusion in National Strategies

There is no universal definition of financial inclusion; instead, AFI members define it in terms of the impact financial inclusion would have in their countries and on the lives of individuals.

An example of the impact of financial inclusion on a customer's life - Bank of Tanzania

Woman running a household

- > Manages the household and cares for school-age children; (food and education)
- > Runs a small business of selling vegetables
- > "Top-ups" from husband's income (who works in town) and long-distance support from family members
- > Saves secretly in a kibubu (box)

Which financial services are essential for her?

- > Proximity to a banking services outlet to deposit/withdraw cash
- > Convenient payment mechanisms to send and receive money
- > Bank account to store cash payments and save for future expenses
- > Insurance against funerals and illness

TANZANIA'S DEFINITION OF FINANCIAL INCLUSION

"Regular use of financial services, through payment infrastructures to manage cash flows and mitigate shocks, which are delivered by formal providers through a range of appropriate services with dignity and fairness."



FISPLG meeting, Kuala Lumpur, Malaysia, 2015

It is important to get the definition and vision right early on; the definition will shape policy decisions and the vision will shape policy decisions and the vision will motivate action and support coordinated actions such as:

- > Setting long-term financial goals
- > Creating a foundation for financial inclusion strategies or action plans
- > Providing direction on the establishment of policy priorities
- > Consistent measurement through appropriate indicators
- > Collecting data to track progress

SUBGROUP UPDATES

At the fourth FISPLG meeting in Nadi, Fiji in 2014, the FISPLG established three subgroups to complete guideline notes on the following focus areas:

FIS Toolkit

The Financial Inclusion Strategy Toolkit Subgroup is preparing advisory guidelines on formulating and implementing national financial inclusion strategies, led by the Bank of Uganda.

FIS Toolkit Structure

- > Pre-formulation
- > Formulation
- > Implementation
- > Monitoring and evaluation

Leadership & National Coordination Case Studies

The Leadership and National Coordination Subgroup is preparing case studies led by the Undersecretariat of Treasury of the Republic of Turkey. The subgroup identifies which countries have financial inclusion strategies and the types of coordination mechanisms they use.

Principles for Public Engagement in National Strategies

The Public and Private Partnership Subgroup is producing principles on public-private engagement, led by Bank Negara Malaysia.

NEXT STEPS

The FISPLG has identified four priority areas:

- > Effective public-private partnerships for financial inclusion
- > Issues related to the sequencing of financial inclusion, financial education and financial consumer protection strategies
- > Data for financial inclusion strategies including diagnostic exercises and national target setting
- > Identifying key challenges and barriers in strategy formulation and implementation

PARAGUAY'S NATIONAL FINANCIAL INCLUSION STRATEGY - DECEMBER 2014

In December 2014, Paraguay demonstrated its resolve to create more opportunities for its citizens to live better lives and build stronger futures through financial inclusion.

Vision of financial inclusion

Quality and affordable financial services for all people in Paraguay who want them through a diverse and competitive marketplace.

Objectives

- 1) Reduce the financial vulnerabilities of families at the base of the pyramid
- 2) Promote the expansion of financial services in a competitive and secure marketplace
- 3) Aid economic development and growth by increasing access to financial products for MSMEs and large companies

- 4) Promote financial inclusion while balancing financial sector stability, integrity and consumer education and protection

To meet Paraguay's Maya Declaration commitments and support the National Development Plan, the Central Bank of Paraguay, together with the Ministry of Finance, Secretary of Planning and National Institute of Cooperatives, put forward a national financial inclusion strategy. The main goal of the strategy is to reduce poverty and encourage economic growth and shared prosperity in Paraguay. This will be achieved by leveraging the combined power of the private, non-profit, public sectors and civil society to identify realistic targets and work in unison to achieve them.

The NFIS has 7 thematic focus areas to be achieved by 2018: savings, credit, insurance, payments, financial education, consumer protection and vulnerable populations. Each of these areas is linked to a key performance indicator (KPI) with a tangible and high-impact "quick win" activity that will have observable results.

THEMATIC AREA & KEY INDICATORS

SUPPORTING QUICK WIN

Savings Increase savings account ownership from 29% to 50% of the adult population and usage from 14% of population saving formally to 30%.	Financial Innovation & Regulation Issue clear guidance on the requirements for opening a regular savings account.
Credit Increase responsible credit to MSMEs from 30% to 40% and increase the share of responsible borrowing at formal financial institutions from 23% to 28 % of adults.	Financial Innovation & Regulation Ensure BCP's and INCOOP's credit risk information systems communicate with each other.
Insurance Increase insurance coverage from 26% to 36% of adults.	Financial Innovation Explore the possibilities of implementing agricultural insurance for small and medium producers.
Payments Decrease usage of cash/check for salary and wage payments from 76% to 20%.	Financial Innovation & Regulation Convert 80% of all central government payments to consumers electronic and make 100% of all new central government vendor payments electronic via any authorized institution.
Financial Education Increase the percentage of adults (15+) who reported having received some training / advice or support on how to manage personal finances and administration money from 10% to 20%.	Financial Education & Vulnerable Population Develop financial education tools, guidelines and content for educational institutions, social service agencies and financial institutions, with an emphasis on vulnerable populations and their characteristics (topics may include credit cards, interest payments, loans, savings and insurance).
Consumer Protection All institutions that provide regulated and non-regulated financial services have and publicize arrangements for dealing with customer complaints and queries that take into account the realities of all income groups, including the financially vulnerable.	Consumer Protection & Regulation Improve the regulation on transparency of interest rates and fees to include total initial credit costs for all lenders.
Vulnerable populations Extend financial services via cost effective channels to all 69 financially excluded and more populated districts in the country, with an emphasis on the 17 vulnerable priority districts that are part of the government's plan to end extreme poverty.	Financial Innovation & Vulnerable Population Leverage the widespread use of mobile phones and coverage of mobile network operators to expand savings among vulnerable populations.

FRAMEWORK OF THE NATIONAL FINANCIAL INCLUSION STRATEGY



MEMBER INSTITUTIONS

- > **Undersecretariat of Treasury of the Republic of Turkey (Co-chair)**
- > **Central Bank of Nigeria (Co-chair)**
- > **Royal Monetary Authority of Bhutan (Co-chair)**
- > Bangladesh Bank
- > Microcredit Regulatory Authority of Bangladesh
- > Ministry of Finance Bangladesh
- > National Bank of the Republic of Belarus
- > Banque de la République du Burundi
- > Ministère des Finances et de la Planification du Développement Economique du Burundi
- > National Bank of Cambodia
- > Ministerio de Hacienda de Chile
- > People's Bank of China
- > Superintendencia General de Entidades Financieras de Costa Rica
- > Banco Central del Ecuador
- > Ministerio de Inclusión Económica y Social de Ecuador
- > Banco Centrale de Reserva de El Salvador
- > Superintendencia del Sistema Financiero de El Salvador
- > Reserve Bank of Fiji
- > Banque de la République d'Haiti
- > Comision Nacional de Bancos y Seguros, Honduras
- > Reserve Bank of India
- > Bank Indonesia
- > National Bank of the Republic of Macedonia
- > Direction Générale du Trésor, Ministère des Finances et du Budget, Madagascar
- > Bank Negara Malaysia
- > Comisión Nacional Bancaria y de Valores (CNBV) Mexico
- > Secretaría de Hacienda y Crédito Público de México
- > Bank of Mongolia
- > Nepal Rastra Bank
- > State Bank of Pakistan
- > Palestine Monetary Authority
- > Bank of Papua New Guinea
- > Ministerio de Economía y Finanzas Perú
- > Superintendencia de Banca, Seguros y AFP (SBS) del Perú
- > Bangko Sentral ng Pilipinas
- > Ministry of Finance and Economic Planning Rwanda
- > Central Bank of Samoa
- > Ministère de l'Economie et des finances du Sénégal
- > Bank of Sierra Leone
- > Central Bank of Sri Lanka
- > Central Bank of Sudan
- > Ministry of Finance of Swaziland
- > Bank of Tanzania
- > Ministère de l'Economie et des Finances du Togo
- > Bank of Uganda
- > Reserve Bank of Vanuatu
- > Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO)
- > Central Bank of Yemen

For more information
about the FISPLG contact
fisplg@afi-global.org



Financial Inclusion Strategy Peer Learning Group (FISPLG) Working Group, Kuala Lumpur, Malaysia 2015

GLOBAL STANDARDS PROPORTIONALITY (GSP) WORKING GROUP

The successor of the AFI Financial Integrity Working Group (FINTWG), the Global Standards Proportionality (GSP) Working Group provides a platform for peer learning on issues policymakers and regulators face in balancing financial integrity, stability and inclusion.

It focuses on the proportionate implementation of global standards set by the global Standard-Setting Bodies (SSBs), such as anti-money laundering and combating the financing of terrorism (AML/CFT), the Financial Action Task Force (FATF) Requirements and the Basel Committee on Banking Supervision (BCBS) global financial stability standards.

The GSPWG has helped to bring developing country voices into the global policy dialogue on proportionate financial regulation and standard setting, which balances traditional safety and soundness concerns with the promotion of financial inclusion.



GSPWG meeting, Kuala Lumpur, Malaysia, 2015

3.09 billion people are represented by regulators from FIDWG's 34 member institutions

Represents 42.74% of the world's population



36 member institutions



34 countries

OBJECTIVES

- > Provide technical support to the AFI Global Standards Sub-Committee (GSSC) on the proportionate application of global standards
- > Support, exchange and discuss measures that strengthen and balance financial sector integrity, financial stability and financial inclusion
- > Provide a platform for policymakers to learn, share information and disseminate lessons learned
- > Establish a consultative mechanism with stakeholders, such as the FATF (Financial Action Task Force), FATF-style Regional Bodies (FSRBs) and other global Standard-Setting Bodies (SSBs)
- > Identify promising cases of regulation in emerging and developing countries that have responded flexibly to new business models that impact financial inclusion
- > Broaden understanding of the flexibility of the FATF 40 Recommendations and provide tools to support implementation of the recommendations and strengthen financial integrity and inclusion
- > Exchange information on the risks new technologies pose to financial sector integrity and consumer confidence, and compare the risks in different countries



Marina Kahar



Lhassane Benhalima

LEADERSHIP TEAM

Chair: Marina Kahar (2014-present)
Bank Negara Malaysia

Ms. Marina Kahar is the Director of Development Finance & Enterprise at Bank Negara Malaysia and oversees how effectively development finance institutions (DFIs) are meeting their mandates. Prior to this, she was the Director of the Banking Supervision Department. Her extensive experience in supervision includes supervising various commercial and investment banks, as well as DFIs. She was elected chair of the GSPWG in June 2014 and will facilitate the work required to achieve the working group's mandate, including documenting case studies of proportionate regulation; identifying points of friction between global standards and financial inclusion policies; and contributing to the development of an extended risk framework that takes the risks of financial exclusion into account.

Co-chair: Lhassane Benhalima (2013-present)
Bank Al-Maghrib

Mr. Lhassane Benhalima is Head of the Banking Supervision Department of Bank Al-Maghrib (Central Bank of Morocco). He is co-chair of the GSPWG participating in the activities of various subgroups and implementing Bank Al-Maghrib's Maya Declaration Commitments.

GSPWG ACTIVITIES

- > Provided input to the FATF Review of the Standards, FATF Guidance Paper on AML/CFT and Financial Inclusion and the FATF's new assessment methodology
- > Provided input to the Basel Committee on Banking Supervision consultative document, "Sound Management

of Risks Related to Money Laundering and Financing of Terrorism"

- > Surveyed GSPWG members on national implementation of the FATF Recommendations on risk-based approaches to AML/CFT
- > Published the guideline note, "Risk-based Approaches to AML/CFT: Balancing Financial Integrity and Inclusion"
- > Organized webinars for AFI members in Spanish and English on conducting effective national risk assessments
- > Organized the global symposium, "Towards Proportionality in Practice: Financial Inclusion and Implementation of Global Standards" in May 2015
- > Published the discussion paper, "Potential Impacts of Global Standards on National Financial Inclusion Policies," presented at the October 2014 Basel meeting of H.M. Queen Máxima and the Heads of the global Standard-Setting Bodies.

GSPWG MEMBER EXAMPLES OF PROPORTIONALITY IN PRACTICE

Bangladesh

- > Adopted risk-based guidelines for banks
- > Adopted simplified due diligence for specific products
- > Implemented Basel 3 in January 2015; Basel 2 and 3 will run in parallel for three years

Cambodia

- > Has a regulation for banks and another for non-bank financial institutions (NBFIs)
- > Using Basel 1

Costa Rica

- > Applying aspects of Basel 3

El Salvador

- > Law on Customer Due Diligence (CDD) is being drafted and will allow for proportionate implementation in practice
- > Developed regulations for financial correspondents (2013)
- > All companies that have a supervisor must also have a compliance officer

GSPWG MEETINGS

2010

FINTWG
1st: Bali, Indonesia

2011

2nd: Lima, Peru
3rd: Riviera Maya, Mexico

2012

4th: Lilongwe, Malawi
5th: Cape Town, South Africa

2013

6th: Kuala Lumpur, Malaysia

2014

7th: Frankfurt, Germany
1st GSPWG meeting: Port of Spain, Trinidad and Tobago

2015

2nd GSPWG meeting: co-hosted by Bank Negara in Kuala Lumpur, Malaysia
3rd GSPWG meeting: co-hosted by Banco de Moçambique in Maputo, Mozambique

Fiji

- > Adopted a risk-based approach and issued guidelines

Honduras

- > Developed a law on banking agents
- > Developed a law on electronic money
- > Warranty law to provide a guarantee to those without resources
- > Allow banks to accept other types of warranty

Indonesia

- > Simplified CDD is in place
- > Implemented Basel 3
- > Introduced risk-based supervision
- > Developed a new data platform for financial inclusion

Kenya

- > KYC: Has a national ID card system. A birth certificate or guardian’s card required for customers under 18.
- > Pillar 1 of Basel 2 was implemented in 2014
- > Pillar 3 in implementation phase

Malaysia

- > Agent banking guidelines are in place
- > Has simplified KYC for financial inclusion

Paraguay

- > All financial institutions must adopt AML and CFT
- > Accounts can be opened online for individuals using local currency
- > E-money accounts are offered by banks and non-banks

Peru

- > Adopted simplified, general and enhanced AML regulations
- > Introduced simplified deposit accounts with low volumes; no national ID card required
- > A basic deposit account can be opened through a retail agent

Senegal

- > Developed special regulations on proportionality, i.e. mobile money regulations for money transfers
- > Revised regulation for AML that incorporated 2004 FATF recommendations
- > Implemented Basel 2

Tanzania

- > Gradual implementation of Basel 2 and 3 standards

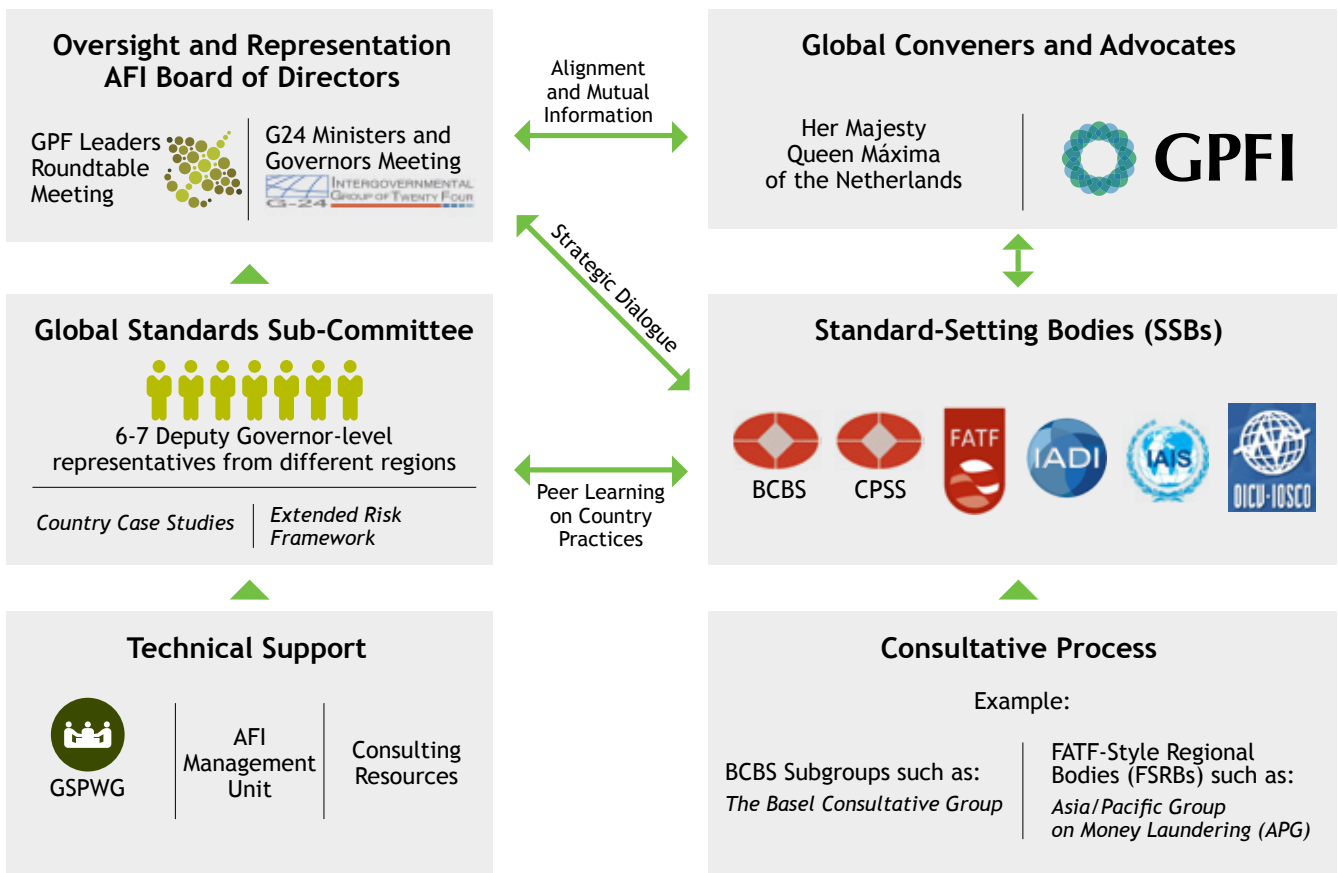
Turkey

- > Issued new guidelines for reporting financial crimes
- > Turkey will undertake a regulatory consistency program in 2016

Uganda

- > Issued mobile money guidelines

HOW AFI’S PEER LEARNING PROGRAM WITH THE SSBs WORK



DISCUSSION PAPER: “POTENTIAL IMPACTS OF GLOBAL STANDARDS ON NATIONAL FINANCIAL INCLUSION POLICY OBJECTIVES”

Presented at the Basel meeting on Global Standards and Financial Inclusion, October 2014

AFI was invited to submit a short summary paper highlighting the potential impacts of global standards on national financial inclusion policies.

This discussion paper was prepared in consultation with AFI members under the leadership of the AFI Global Standards Sub-Committee (GSSC). The paper summarizes some of the most pressing issues raised by members during the consultation.

The discussion paper identified two major challenges in the proportionate implementation of global standards:

- > Implementing proportionate AML/CFT requirements can be complicated due to practical challenges in implementing simplified due diligence, over-compliance by financial institutions and inconsistencies between different global standards.
- > Implementing Basel II and Basel III requirements can have unintended consequences if they are applied too early to non-systemic financial institutions active in financial inclusion, and higher capital requirements could restrict financing for SMEs and the microfinance sector.

The paper also identified a number of issues that could become part of a joint learning initiative with the SSBs:

- > The de-risking strategies of international banks
- > The need to deploy innovative technologies in developing and emerging economies
- > The need to break down silos, which can hinder effective implementation of global standards and national financial inclusion policies

The following recommendations from AFI members could become the basis for further dialogue.

Proportionate AML/CFT requirements

- > Explicitly incorporate financial inclusion in training assessments
- > Further guidance on how flexibility is allowed on practice
- > Possible further guidance on the requirement in BCO 29 for strict CDD rules and feedback on case studies

Basel II and Basel III regulations

- > Allowing countries to establish a timeline for DFIs and microfinance deposit-taking institutions based on their capabilities
- > Be mindful of the unintended consequences that arise from prudential requirements and of greater incentives to finance underserved segments of the population (e.g. SMEs)

De-risking activities of international banks

- > Support early engagements between international banks and host regulators before exiting business relationships to mitigate risks to financial inclusion

Deployment of innovative technologies

- > Closer dialogue between SSBs and policymakers and regulators from the AFI Network

Greater information flow and alignment

- > Two-way information sharing
- > Convene and coordinate across SSBs on common concerns
- > Collaborate on the development of an extended risk framework



Global Symposium, Kuala Lumpur, Malaysia, 2015



Global Symposium, Kuala Lumpur, Malaysia, 2015

GLOBAL SYMPOSIUM: TOWARDS PROPORTIONALITY IN PRACTICE: FINANCIAL INCLUSION AND IMPLEMENTATION OF GLOBAL STANDARDS

An event co-hosted by Bank Negara Malaysia, the Toronto Centre and the Alliance for Financial Inclusion (AFI), and supported by AFI's technical working groups

GSPWG played a key role in developing the "KL Resolution on Proportionality in Practice," adopted at the conclusion of the Global Symposium on Proportionality in Practice held in Kuala Lumpur, Malaysia, in May 2015.

The meeting highlighted the importance of the principle of proportionality in advancing a balanced approach to financial inclusion, stability and integrity, and discussed the challenges of achieving proportionality in practice.

The symposium called for:

1. Collection of data and evidence on the impact of implementing global financial stability standards in developing countries, highlighting the costs of unintended consequences and the benefits of proportionate approaches
2. Documentation of successful regulatory and supervisory approaches to implementing proportionality (e.g. tiered KYC requirements, internal rating-based approach to accurately define risks for SMEs)
3. Communication of such practices to stakeholders, including regulators, supervisors, SSBs, international organizations and financial institutions
4. Support from international organizations and donors to build the capacity of regulators, supervisors, assessors and financial institutions to implement proportionate approaches
5. Public-private cooperation at national and global levels to advance the implementation of proportionate approaches
6. Leveraging of technology to achieve financial inclusion in a safe and sound manner, complementing proportionate regulation
7. Continuation of peer learning about successful approaches to implementing proportionality globally
8. Encouragement to SSBs to continue integrating proportionality in practice into their work

DE-RISKING: THE IMPACT ON FINANCIAL INCLUSION

An important topic the GSPWG discussed this year was de-risking, which is defined as "any instances in which banks have adopted increasingly stringent financial crime-related policies to reduce their exposure to potential money laundering, terrorist financing, corruption and sanction risk. More specifically, it relates to the strategies adopted by banks to reduce or lower their risk exposure."

There is now widespread concern that de-risking by international banks could have negative consequences for financial inclusion in some developing countries. For example, there appears to be some instances of international banks exiting entire areas of business, such as relationships with money transfer operators (MTOs), which leaves these businesses unable to provide remittances services for their customers, who are primarily migrant workers sending money home to low-income family members.

The GSPWG is therefore undertaking further work to examine the impact of de-risking with AFI members. The Global Policy Forum in Maputo, Mozambique and a specially convened Governors and Ministers Roundtable at the IMF and World Bank Annual Meetings in Lima, Peru (7th October 2015) provided further opportunities for AFI members and key stakeholders to discuss the scale of the challenges and begin to identify practical solutions.

FINANCIAL INCLUSION AND SHADOW BANKING

A conference on "Financial Inclusion and Shadow Banking: Innovation and Proportionate Regulation for Balanced Growth", was held in Moscow, Russia, on 12-13 November 2015, co-hosted by the Bank of Russia and AFI.

The conference concluded with the adoption of the Moscow Resolution on Financial Inclusion and Shadow Banking. Participants also identified specific and practical actions to be taken forward by AFI and relevant network partners, including:

- > An information gathering exercise with AFI members to improve the evidence base on shadow banking in developing countries;
- > Documentation of case studies on successful approaches in implementing proportionate regulatory frameworks;
- > A guide to the terminology around different manifestations of shadow banking;
- > Guidance on proportionate regulation and supervision of non-bank financial institutions, and;
- > The incorporation of the topic of regulatory and supervisory frameworks which support innovation while managing risks into the AFI Public-Private Dialogue (PPD) platform.

To take forwards implementation of the Resolution, the GSPWG will establish a new subgroup on Shadow Banking in 2016.

1 (De-risking: Global Impact and Unintended Consequences for Exclusion and Stability, Background Paper prepared for FATF Plenary.)

MEMBER INSTITUTIONS

- > **Bank Negara Malaysia (Chair)**
- > **Bank Al-Maghrib (Co-chair)**
- > Bangladesh Bank
- > Royal Monetary Authority of Bhutan
- > Ministère des Finances et de la Planification du Développement Economique du Burundi
- > National Bank of Cambodia
- > People's Bank of China
- > Superintendencia General de Entidades Financieras de Costa Rica
- > Banco Central del Ecuador
- > Banco Central de Reserva de El Salvador
- > Superintendencia del Sistema Financiero de El Salvador
- > Reserve Bank of Fiji
- > Comisión Nacional de Bancos y Seguros de Honduras
- > Bank Indonesia
- > Central Bank of Kenya
- > Reserve Bank of Malawi
- > Comisión Nacional Bancaria y de Valores (CNBV), Mexico
- > Secretaría de Hacienda y Crédito Público de México
- > Banco de Moçambique
- > Bank of Namibia
- > Central Bank of Nigeria
- > State Bank of Pakistan
- > Banco Central del Paraguay
- > Superintendencia de Banca, Seguros y AFP (SBS) del Perú
- > Bangko Sentral ng Pilipinas
- > Ministry of Economic Development of the Russian Federation
- > National Bank of Rwanda
- > Ministère de l'Economie et des Finances du Sénégal
- > National Treasury of the Republic of South Africa
- > Central Bank of Sudan
- > National Bank of Tajikistan
- > Bank of Tanzania
- > Central Bank of Trinidad and Tobago
- > Autorité de Contrôle de la Microfinance de la République Tunisienne
- > Undersecretariat of Treasury, Republic of Turkey Prime Ministry
- > Bank of Uganda

For more information
about the GPSWG contact
gspwg@afi-global.org



Global Standards and Proportionality Working Group (GPSWG), Kuala Lumpur, Malaysia, 2015

SME FINANCE (SMEF) WORKING GROUP

The vision of the SME Finance (SMEF) Working Group is to contribute to the development of SMEs in developing and emerging countries through better financial services.

Since September 2013, when it was originally launched, the SMEFWG has promoted the elaboration and implementation of policy frameworks and interventions that advance SME finance, and provide a platform for AFI members to discuss the challenges and opportunities and engage in peer-to-peer learning.

As one of the largest instruments of economic growth, SME finance plays a major role in generating jobs and income, while simultaneously fostering social stability.



OBJECTIVES

- > **Advance a shared understanding** of how access and use of financial services contribute to the development and sustainability of SMEs in developing and emerging countries.
- > **Identify policy frameworks** and interventions that enable and enhance the socio-economic role of SMEs, with a specific but not exclusive focus on financial sector policy.

Regulators in SMEFWG 42 member institutions represent 4.6 billion people & 63.3% share of the world's population



50 member institutions



42 countries



SMEFWG meetings, Maputo, Mozambique, 2015



Yunita Resmi Sari



Md. Ashrafal Alam



John Mwaka

LEADERSHIP TEAM

Chair: Yunita Resmi Sari (2015 -present)

Bank Indonesia

Yunita Resmi Sari is the Director of SME Development Group from the Department of Financial Inclusion and SME Development of Bank Indonesia.

Bank Indonesia has been an AFI member institution since 2009 and Ms. Resmi Sari was elected SMEFWG's Chair in September 2015 during the 5th Working Group meeting. She was originally elected as Co-Chair at the SMEFWG inaugural meeting in September 2013.

Co-chair: Md. Ashrafal Alam (2015- present)

Bangladesh Bank

Mr Md. Ashrafal Alam is the Deputy Project Director of the Financial Sector Project for the Development of Small and Medium Enterprises and also the Deputy General Manager of the SME & Special Programs Department at Bangladesh Bank. Bangladesh Bank has been an AFI member institution since 2009 and MR Alam was elected Co-Chair during the 4th SMEFWG Meeting that took place in May 2015 in Kuala Lumpur, Malaysia. Currently Ashrafal is leading the SME Finance Basic Terminology Subgroup.

Co-chair: John Mwaka (2015- present)

Sacco Societies Regulatory Authority (Kenya)

Mr John Mwaka is the Manager of the Research, Policy and Development unit in Project Director of the Financial Sector Project for the Development at Sacco Societies Regulatory Authority in Kenya. John was elected Co-Chair during the 5th SMEFWG Meeting that took place in September 2015 in Maputo, Mozambique. Currently John is leading the SME Finance Policy Catalogue Subgroup.

KNOWLEDGE PRODUCTS

Guideline Notes

SME Financial Inclusion Indicators Guideline Note (SME Finance Base Set), Guideline Note No. 16

The guideline note on the SME Financial Inclusion Indicators Base Set (SME Finance Base Set), Guideline Note No. 16, was developed by AFI's SME Finance Working Group (SMEFWG) in consultation with the Financial Inclusion Data Working Group (FIDWG). The Base Set is intended to serve as a tool for measuring the access, usage and quality of financial services for small and medium enterprises (SMEs) in different countries. The SME Finance Base Set is a limited set of indicators, but should still provide a reasonably comprehensive view of the state of financial inclusion for SMEs in a given country. This indicators are expected to be used in conjunction with at least the AFI Core Set of Financial Inclusion Indicators to provide an overall assessment of the state of financial inclusion in a country.

Case Studies

Enhancing SME Access to Finance (Joint Paper)

This Joint Paper about case studies is the result of a global effort to collect and codify real-life examples of policy interventions and regulatory changes that promote the growth of small and medium enterprises (SMEs) through improved access to finance.

It is well known that in the aftermath of the recent financial crisis, the need for policy and regulatory support for SMEs came sharply into focus. Many countries enacted policy reforms intended to promote SME growth. Yet little was really known about which policy levers are most effective in different contexts to promote the growth of SMEs.

Even as progress has been made in recent years to identify current gaps and challenges for SME finance, and highlight the important contribution SMEs must make to new job creation, little solid evidence exists on policy interventions that work. The Global Partnership for Financial Inclusion (GPII) SME Sub-group initiated this project to capture successful policy initiatives from G-20 and other countries in response to that need, and the SMEFWG contributed with the views of AFI members to enrich such valuable case collection.



SMEFWG Meeting, Kuala Lumpur, Malaysia, 2015

Global Engagements

The SMEF Working Group engages regularly with international organizations active in SME finance, such as the G20 Global Partnership for Financial Inclusion (GPFI), the SME Finance Forum and the World Bank, pursuing to ensure a constant and rich exchange of information with this relevant global stakeholders.

Peer Reviews

Since September 2014, the SMEFWG has conducted two new peer reviews: Bangladesh Bank's 'Prudential Regulations for Small Enterprise Financing', and the National Treasury of the Republic of South Africa's 'South Africa's SME Finance Infrastructure Projects: Partial Credit Guarantee System, Movable Assets Registry and Small Enterprise Shared Credit Information Services'. Valuable and unbiased feedback was received from fellow Working Group members from Indonesia, India, El Salvador, Kenya and Bangladesh.

PLANNED ACTIVITIES

To enhance knowledge exchange, the SME Finance Working Group agreed to focus on:

- > Drafting case studies on successful experiences related to the SME Finance regulatory framework
- > Agricultural finance, particularly, on the key risks and issues related to reduce information asymmetry in rural loans.
- > Gender, women's roles in households and as entrepreneurs
- > AML and proportionate regulation
- > Integrating efforts and raising awareness, understanding non-financial barriers, and highlighting access to finance as a key constraint for SME development

SMEFWG SUBGROUPS ACTIVITIES:

1. SME Finance Basic Terminology Subgroup

Subgroup Lead: Md. Ashraf Alam, Bangladesh Bank

The Subgroup is developing a SME Finance Basic Terminology Guideline Note that will offer a comprehensive set of several SME Finance related terms, which will enable the AFI Network to reach a common understanding of the SME finance technical language.

2. The Role of Financial Regulators in SME Finance Subgroup

Subgroup Lead: Mr. Ahmad Haniff, Bank Negara Malaysia

The Role of Financial Regulators in SME Finance Guideline

Note pursues to clarify what a central bank and a financial regulator can do to responsibly improve SME access to finance. Highlighting topics such as information asymmetry, prudential regulations, financial literacy, and SMEs access to capital markets in several countries, this publication will present a comprehensive country overview for other countries to evaluate.

3. SME Finance Policy Catalogue,

Subgroup Lead: John Mwaka, Sacco Societies Regulatory Authority (Kenya)

To create a policy catalogue, the Subgroup designed a survey covering three main policy areas of SME Finance: a) Legal and Regulatory Framework for SME Finance, b) Direct Monetary Interventions and Policy and c) Market Development Initiatives (with additional sub-categories to each of these areas). Based on the results of prior member surveys, the subgroup suggested dividing the catalogue survey into five categories. A new survey will be distributed by AFI, which will then be analyzed by the Subgroup and compiled into a concise and final SMEFWG catalogue.

INSIGHT INTO SME FINANCE IN THE FIELD

Kuala Lumpur, Malaysia | 25 - 27 May 2015

The participants of the 4th SME Finance working group meeting went on a field visit to the Credit Guarantee Corporation Malaysia and the Credit Bureau Malaysia.

The Credit Guarantee Corporation Malaysia

The Credit Guarantee Corporation (CGC) is an institutional arrangement enabling SMEs to access financing. By offering guarantee to loans acquired by SMEs, CGC addresses the issue of collateral - one of the main challenges for SMEs. The current structure of CGC is a parent company to three subsidiaries, Credit Bureau Malaysia Sdn Bhd., Danajamin Nasional Bhd. And Aureos CGC Adviser Sdn. Bhd.

CGC's Vision: "to be an effective financial institution dedicated to promoting the growth and development of competitive and dynamic SMEs"

To meet its vision and targets, the CGC maintains 'Basic Guarantee Principles':

- > To influence and direct the flow of credit to any desired businesses or sectors.
- > It does not utilize funds to be given out as loans but, funds are used to back loans granted by lending institutions.

SMEFWG MEETINGS

2013

1st: Kuala Lumpur, Malaysia

2014

2nd: Yogyakarta, Indonesia

3rd: Port of Spain, Trinidad and Tobago

2015

4th: co-hosted by Bank Negara in Kuala Lumpur, Malaysia

5th: co-hosted by Banco de Moçambique in Maputo, Mozambique

- > Funds available to build up reserves to back issuance of new guarantees.
- > Lenders are expected to shoulder risk responsibility by exercising due diligence in loans guaranteed via a 'risk-sharing' principle.

The Working Group members learnt that not only does CGC offer credit guarantee products but that it also engages with direct loans to commercial undertakings.

CGC's current strategy used to achieve its objectives is to provide a wider product range through more products, the promote sound credit cultures amongst SMEs by creating a universal industry credit rating system, and to lower the cost of financing for SMEs by using risk adjusted pricing and rebates.

Credit Bureau Malaysia (Credit Guarantee Corporation's subsidiary)

The Credit Bureau Malaysia is collaboration between the Credit Guarantee Corporation Malaysia Sdn. Bhd. (CGC), Dun & Bradstreet Malaysia Sdn Bhd and the Association of Banks in Malaysia (ABM).

The initiative seeks to enhance access to financing for SMEs and micro-businesses by maintaining an online database of credit information on borrowers, obtained from members of the bureau, public databases and other external databases. It aims to serve as a convenient one-stop center for financial institutions and businesses to retrieve credit information and ratings of SMEs for credit evaluation purposes.

The visit also highlighted risks and challenges faced by SMEs such as a tight cash flow, weak payment track records, high credit risk exposure and limited availability of business details in hurdles to obtaining adequate financing. To lessen this hurdle, the credit bureau seeks to develop good measurement tools that make an SME's financial picture and creditworthiness transparent for creditors. In order to achieve this, the Credit Bureau maintains a data sharing platform to provide an interchange of information that shows positive and

negative payment behaviour of customers/debtors from participating companies of various industries.

The key take away message for the group is the benefit of such a platform, which is that credit risk is managed effectively, that there is a passive recovery from collection activity, improves management of account receivables and the mitigation of bad debts.

POTENTIAL IMPACTS OF BASEL STANDARDS ON SME FINANCE (JOINT SESSION WITH THE GSPWG)

During the 4th SME Finance Working Group meeting in Kuala Lumpur, the Working Group members discussed the potential unintended consequences of Basel III's.

SMEFWG member countries currently implementing Basel III are South Africa, Malaysia, Swaziland, Turkey, Bangladesh, Tanzania, Indonesia, Philippines, Senegal, Timor-Leste, Mongolia, Turkey, Cambodia, Sri Lanka and Uganda. Kenya was the first SMEFWG member country to implement these Basel standards.

The main conclusions of the working group's Basel III discussion were that Basel III standards are meant for large financial institutions in developed countries, and therefore developing countries will be disproportionately affected. They Working Group also stressed the need for a timeline for implementation and that to avoid non-compliance, different jurisdictions will need to be flexible in how they treat SMEs.

SMEFWG members also pointed out that AFI should engage with Basel and other SSB on country-specific implementation procedures and collect industry statistics to gauge the outcomes of Basel III.

Furthermore, AFI should consult with SSBs on the specific risk weights for SMEs lending, as current requirements do not give banks incentives to enter the SME sector.

BASEL III IMPLEMENTATION ISSUES FOR SME FINANCE

KEY ISSUES

Higher liquidity requirements and capital requirements may impact lending activities by banks:

- > Higher minimum CAR level
- > Common Equity Tier I (CET1): 7%
- > Total Capital Requirement (CAR): 10.5%
- > Higher liquidity buffers required
- > Liquidity Coverage Ratio: 0% recognition for SME finance as High Quality Liquid Assets (HQLA)

UNINTENDED CONSEQUENCES FOR FINANCIAL INCLUSION

- > Higher capital requirements could translate into higher financing costs to customers, with a greater impact on lower income segments and SMEs
- > Higher liquidity buffers would reduce the capacity of banks to issue more loans
- > Emergence of shadow banking (e.g. moneylenders and crowd funding not under purview of regulators)

RECOMMENDATIONS

- > Longer timeline may be required for implementation of Basel III
- > Expand the definition of HQLA (perhaps to include provident fund, national mortgage securitization house and GLCs)
- > Banks operating in sovereigns with high debt/GDP may find it difficult to meet liquidity requirements (sovereign unable to issue more government papers)

MEMBER INSTITUTIONS

- > **Bank Indonesia (Chair)**
- > **Bangladesh Bank (Co-Chair)**
- > **Sacco Societies Regulatory Authority, Kenya (Co-Chair)**
- > Microcredit Regulatory Authority of Bangladesh
- > Ministry of Finance Bangladesh
- > National Bank of the Republic of Belarus
- > Royal Monetary Authority of Bhutan
- > Banque de la République du Burundi
- > Ministère des Finances, du Budget et de la Privatisation du Burundi
- > National Bank of Cambodia
- > People's Bank of China
- > Banque Centrale du Congo
- > Superintendencia General de Entidades Financieras de Costa Rica
- > Banco Central de Reserva de El Salvador
- > Superintendencia del Sistema Financiero de El Salvador
- > Reserve Bank of Fiji
- > Comisión Nacional de Bancos y Seguros de Honduras
- > Reserve Bank of India
- > Direction Générale du Trésor, Ministère des Finances et du Budget, Madagascar
- > Bank Negara Malaysia
- > Comisión Nacional Bancaria y de Valores (CNBV), Mexico
- > Secretaría de Hacienda y Crédito Público de México
- > Bank of Mongolia
- > Financial Regulatory Commission of Mongolia
- > Central Bank of Nigeria
- > State Bank of Pakistan
- > Palestine Monetary Authority
- > Ministerio de Economía y Finanzas Perú
- > Superintendencia de Banca, Seguros y AFP del Perú
- > Bangko Sentral ng Pilipinas
- > Ministry of Trade and Industry, Rwanda
- > Central Bank of Samoa
- > Ministère de l'Économie, des Finances et du Plan du Sénégal
- > Central Bank of Seychelles
- > National Treasury of the Republic of South Africa
- > Central Bank of Sri Lanka
- > Central Bank of Sudan
- > Ministry of Finance of Swaziland
- > National Bank of Tajikistan
- > Bank of Tanzania
- > Bank of Thailand
- > Banco Central de Timor-Leste
- > Ministère de l'Économie et des Finances du Togo
- > National Reserve Bank of Tonga
- > Undersecretariat of Treasury, Republic of Turkey Prime Ministry
- > Bank of Uganda
- > Reserve Bank of Vanuatu
- > Banque Centrale des États de l'Afrique de l'Ouest (BCEAO)
- > Central Bank of Yemen
- > Reserve Bank of Zimbabwe

For more information
about the SMEFWG contact
smefwg@afi-global.org



SMEFWG meeting, Kuala Lumpur, Malaysia, 2015

THE AFRICAN MOBILE PHONE FINANCIAL SERVICES POLICY INITIATIVE (AMPI)

The African Mobile Phone Financial Services Policy Initiative (AMPI) was created as a platform for AFI member institutions in Africa to provide high-level leadership on the development of mobile financial services (MFS) policy and regulatory frameworks, and to coordinate regional peer learning efforts. This in turn will broaden AFI's knowledge base and promote MFS policy development throughout the entire AFI Network.

AMPI is a framework through which AFI members can cooperate with policymakers and regulators, private sector players, development partners and research institutions to foster MFS across the African continent. AMPI also serves as a mechanism to drive responsible uptake of mobile financial services in Africa and to contribute to mutual learning and best practices.

AMPI was launched in Zanzibar, Tanzania in February 2013 by AFI's African members, together with representatives from financial services providers, telecommunications companies and international development agencies, which agreed on the following objectives:

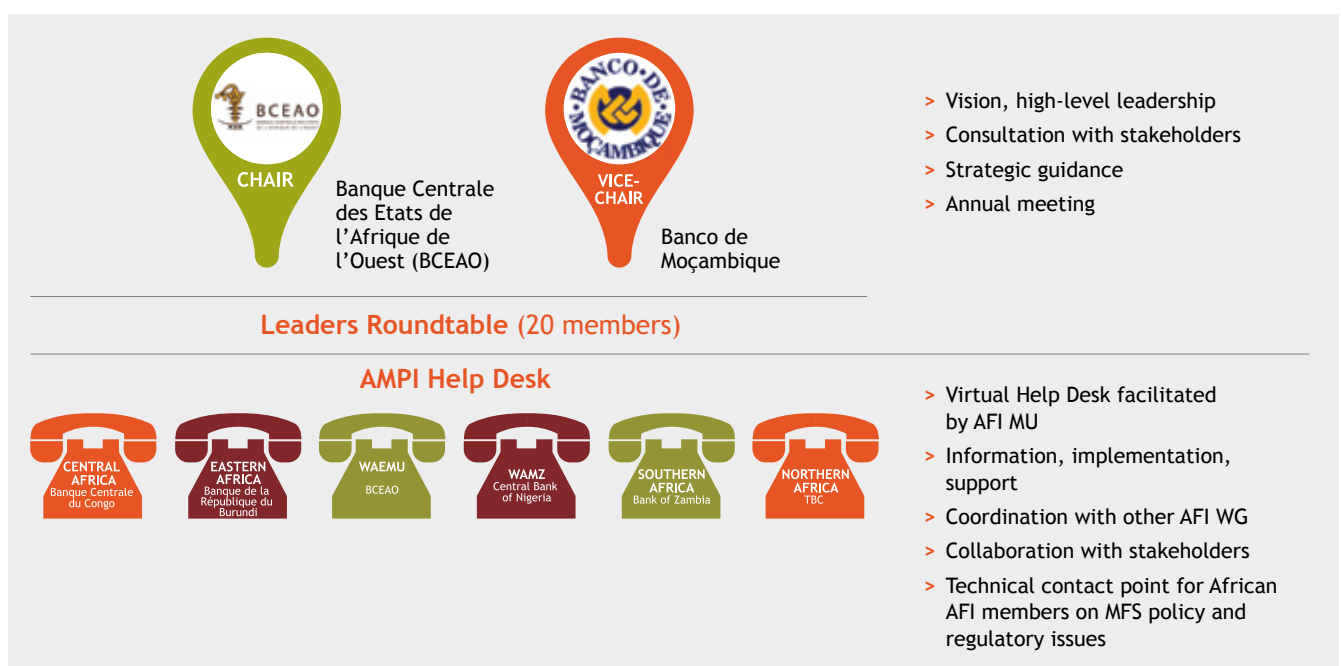


- > Determine effective policy solutions to advance mobile financial services in Africa
- > Serve as a peer learning platform for AFI members in Africa to coordinate efforts and share knowledge and experiences on MFS issues
- > Facilitate high-level discussion among leaders to identify barriers that impede the uptake of MFS in Africa and to harmonize regulations related to MFS

In February 2014, AMPI leaders and other stakeholders met in Naivasha, Kenya, to discuss the relevance of AMPI and agreed it was an ideal platform for expanding MFS in Africa. The AMPI Strategic Plan 2014-2016 was drafted and subsequently approved by AMPI leaders in April 2014. The strategic objectives are to:

- > Promote innovative policy solutions to support financial inclusion in African countries
- > Facilitate policy advisory and capacity building for effective regulation and supervision
- > Promote cooperation and engagement with private sector players and development partners to achieve AMPI's vision and objectives
- > Strengthen the operational and organizational capacity of the AMPI Help Desk, a virtual secretariat responsible for the technical coordination of AMPI activities

THE AMPI GOVERNANCE STRUCTURE:



AMPI Chair Mr. Tiémoko Meyliet Kone

Governor Kone of Banque Centrale des États de l'Afrique de l'Ouest (BCEAO) has been the Chair of AMPI since February 2014. During his term as AMPI Chair, Governor Kone is committed to sensitizing central banks and African states to become more involved in the AFI Network and AMPI activities.

AMPI Vice-Chair - Governor Ernesto Gove of the Banco de Moçambique has been the vice-chair of AMPI since 2014.

AMPI NEWSLETTERS

AMPI's first two newsletters underscore the importance of sharing information on the progress and achievements of AMPI and new trends in MFS development in Africa. The newsletters also keep leaders informed about the new policies and initiatives their peers are implementing and help to speed the expansion and adoption of innovative MFS policies across Africa.

CAPACITY BUILDING ACTIVITIES FOR AFI MEMBERS IN AFRICA

- > AMPI organized a capacity building workshop in collaboration with AFRITAC East in Kampala, Uganda in November 2014 on agency banking. Two AMPI members, Bank of Uganda and Bank of Tanzania provided technical assistance to support this workshop, which was meant to enhance capacity in agent supervision.
- > AMPI organized a second regulatory capacity building workshop in partnership with MasterCard, within the framework of AFI Public Private Dialogue (PPD) in Yamoussoukro, Cote d'Ivoire from 20-21 July 2015. The attendees participated in different exchanges and activities that enhanced their understanding of developments in interoperability and interconnectivity, improved their ability to manage underlying technology risks and ensure the integrity of digital payment systems through compliance.



AMPI meeting, Yamoussoukro, Côte d'Ivoire, 2015

ANNUAL AMPI LEADERS ROUNDTABLE

AMPI has become a high-level convening power where high-level leaders from AFI member institutions in Africa come together once a year to discuss policy issues related to mobile financial services, empowering countries in the region to adopt innovative policy solutions based on tested approaches. The most recent AMPI Leaders Roundtable was held in Yamoussoukro, Cote d'Ivoire, 23-24 July 2015.

WAY FORWARD

At their meeting in Yamoussoukro in July 2015, AMPI leaders decided to:

- > Change the one (1) year tenure of the Chair to two (2) years
- > Extend the mandate of the current Chair (BCEAO) to February 2016
- > Closely examine appropriate ways of having a physical AMPI presence in Africa
- > Hold an AMPI Leaders meeting in Maputo in September 2015, in conjunction with the Global Policy Forum (GPF), to explore ways to broaden the scope of AMPI beyond mobile financial services (MFS) and consider the gender dimension of financial inclusion policymaking, as well as the connections between mobile financial services and microfinance institutions (MFIs).

AMPI aims to catalyze a robust ecosystem around MFS and, more broadly, digital financial inclusion in Africa.



AMPI meeting, Yamoussoukro, Côte d'Ivoire, 2015

AMPI MEMBER INSTITUTIONS

Western Africa

- > Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO)
- > Banque Centrale de la République de Guinée
- > Central Bank of Nigeria
- > Ministère de l'Economie et des Finances du Sénégal
- > Bank of Sierra Leone

Eastern Africa

- > Banque de la République du Burundi
- > Ministère des Finances et de la Planification du Développement Economique du Burundi
- > Central Bank of Kenya
- > Central Bank of Sudan
- > Bank of Tanzania
- > Bank of Uganda

Central Africa

- > Banque Centrale du Congo

Southern Africa

- > Banque Centrale de Madagascar
- > Coordination Nationale de la Microfinance (CNMF)
- > Ministère des Finances de Madagascar
- > Reserve Bank of Malawi
- > Banco de Moçambique
- > Bank of Zambia
- > Reserve Bank of Zimbabwe

All AFI member institutions from Africa are invited to join AMPI and participate in its activities.

AMPI HELP DESK

The Help Desk is responsible for all logistical arrangements and overall technical coordination of AMPI activities. The Help Desk is comprised of AFI member institutions from different regions of Africa:

West African Economic and Monetary Union (WAEMU)

- > Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO)

West African Monetary Zone (WAMZ)

- > Central Bank of Nigeria

Central Africa

- > Banque Centrale du Congo

Southern Africa

- > Bank of Zambia

Eastern Africa

- > Banque de la République du Burundi



3rd annual AMPI meeting, Yamoussoukro, Côte d'Ivoire, 2015



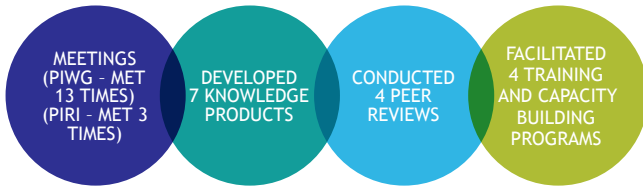
PACIFIC ISLANDS REGIONAL INITIATIVE (PIRI)

The Pacific Islands Regional Initiative (PIRI) was created in 2014 at the Global Policy Forum (GPF) in Trinidad and Tobago and officially launched on 7th May 2015 in Dili, Timor Leste. Before being elevated to a Regional Initiative, PIRI was known as the Pacific Islands Working Group (PIWG). Originally founded in 2009, at the request of the central banks of Fiji, Samoa, Solomon Islands, Vanuatu, Papua New Guinea and Timor Leste and later joined by the National Reserve Bank of Tonga in 2012

7 Countries

7 Member Institutions

10.82 million People are represented by regulators in the PIRI seven member countries



Over the past six years PIWG has undertaken a wide scope of financial inclusion policy issues covering digital financial services, consumer protection and financial education, data and financial integrity, access to broader financial services, as well as micro-insurance and building national strategies for financial inclusion. Its members have convened 13 meetings, developed 21 policy reforms to advance financial inclusion and created six knowledge products. Furthermore PIWG also took part in several AFI peer reviews and PIRI is the first AFI made seven measurable commitments under the Maya Declaration to help unlock the economic and social potential of their unbanked citizens through financial inclusion.

TRANSFORMATION FROM WORKING GROUP TO REGIONAL INITIATIVE

When regulatory institutions come together as equals, they can create policies that are right for their specific needs and circumstances.

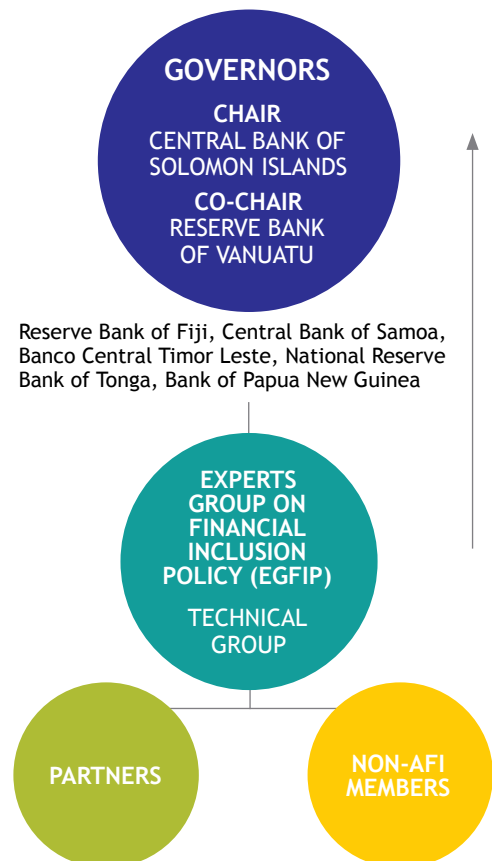
PIRI members recognized that a stable continuity of their islands' union and stark bond was required to better address the unique constraints to increasing financial inclusion throughout a region with one of the highest unbanked rates in the world due to factors that include geographically dispersed islands with low density populations, as well as the challenges related to physical and banking infrastructure.

Launching this regional initiative now unlocks a resilient and long-term prospect for member institutions to share a common vision, while safeguarding the furtherance of efforts to scale up financial inclusion in the Pacific Islands.

In May 2015 the governors from each PIRI member institutions recognized and agreed upon the all-encompassing vision, mission, objectives and financial inclusion policy areas for the initiative, which are outlined and described in the Dili Consensus.

We, the members of PIRI, recognize the critical importance of financial inclusion for inclusive growth and development that places shared prosperity at the center of development in developing and emerging economies. We wholeheartedly support the global and regional efforts aimed at promoting financial inclusion, and concur policy and regulatory bodies must include financial inclusion in their mandate. It is with this understanding, spirit and commitment we have come together under the Pacific Islands Regional Initiative (PIRI) to reach the goal of financial inclusion for the region.

CURRENT GOVERNANCE STRUCTURE



CURRENT LEADERSHIP OF EXPERTS GROUP ON FINANCIAL INCLUSION POLICY (EGFIP)

Chair: Deputy Governor Gane Simbe (2013-present) Central Bank of Solomon Islands

Mr. Gane Simbe is the Deputy Governor of the Central Bank of Solomon Islands. He has worked for the Central Bank for 27 years joining as Assistant Manager of the Currency and Banking Operations Department in 1986. He has also served as Manager of the Banking Supervision, Exchange Control (International Department) and Financial Institutions Department. He was elected chair of the PIWG at the tenth working group meeting in Honiara. During his term, Deputy Governor Gane has led the working group in achieving its mandate on microinsurance (with the support of PFIP), developing a factsheet to promote consumer protection (an initiative led by the Reserve Bank of Fiji) and the Regional Data Project (led by the Central Bank of Samoa). Since the transformation of the the working group to a regional initiative, the term of the Chair was renewed with Deputy Governor Gane continuing his term as the Chair for the Experts Group for Financial Inclusion Policy (EGFIP).

Co-chair: Deputy Governor Peter Tari (2008-present) Reserve Bank of Vanuatu

Mr. Peter Tari Merakali is the Deputy Governor of the Reserve Bank of Vanuatu and currently the co-chair of the Experts Group for Financial Inclusion Policy (EGFIP). He is the longest serving member of the region and was elected co-chair for the second time after holding the same position in 2008 when the working group was first established. Deputy Governor Tari is an active member, involved in the development and formulation of the group's deliverables and work plan and the publication of knowledge products. While working with the Reserve Bank of Vanuatu, he has also chaired a number of internal committees, including the Investment Committee, Currency Review Committee and Monetary Policy Facilities Review Committee. He also serves as the vice-chair of the Monetary Policy Committee and Management Committee of the Reserve Bank of Vanuatu.



Gane Simbe



Peter Tari

KNOWLEDGE PRODUCTS

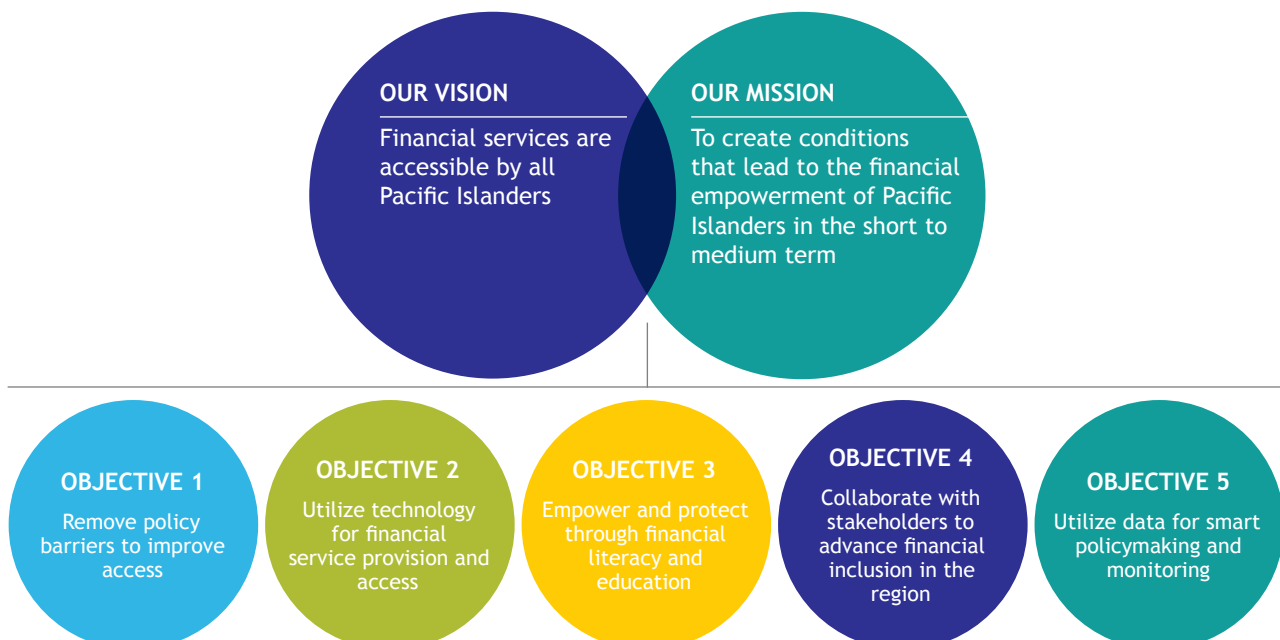
6 Guideline Notes

- > Trust Law Protections for e-Money Customers: The Lessons and Model Trust Deed Arising from Mobile Money Deployments in the Pacific Islands
- > Techniques for Supervising Deposit-taking Microfinance Institutions (DMFIs)
- > Mobile Financial Services Regulatory Action Planning Tool
- > Response to the Asia/Pacific Group on Money Laundering (APG)
- > National Financial Inclusion Strategy Development: Lessons Learned

Peer Reviews and Knowledge Exchanges

- > Mobile Financial Services and Microfinance knowledge exchange hosted by the BSP in Manila, 2010
- > Financial Inclusion Data knowledge exchange hosted by Bank Negara Malaysia in Kuala Lumpur, 2012
- > Peer review conducted in Papua New Guinea on MFS regulation
- > Peer review on the Reserve Bank of Fiji's Key Fact Sheet on Credit Products

THE FOLLOWING VISION AND MISSION GUIDES THE WORK OF THE PIWG



Training and Capacity Building

- > Regional training for microfinance supervisors, Nadi, Fiji, 2011
- > Pan-Pacific Microinsurance Regulators Workshop, Nadi, Fiji, 2012
- > Financial Competency National Strategy Workshop, Fiji, Solomon Islands and Papua New Guinea (facilitated by the Pacific Financial Inclusion Programme), 2013
- > Consumer Protection Regulatory Training, Nuku'alofa, Tonga, 2015

Member Surveys

- > Regulatory analysis of financial inclusion policies
- > Survey on national legal frameworks for consumer protection
- > Financial competency survey for low-income households aimed to help members
- > Regulatory survey on SME Finance

MEMBER FINANCIAL INCLUSION INITIATIVE UPDATES

Reserve Bank of Fiji

The NFIT and the three working groups continued to meet regularly over the course of the year. A new sub committee was formed on Micro insurance. The RBF has been liaising with the Minister for Finance on rolling out a bundled product which will be the first of its kind with a premium of FJD50 with a policy cover of FJD 10,000 covering life, health and fire. The Government has supported the idea and the next budget is expected to also introduce tax rebates to those offering such products. The RBF has been working with ADB on rolling out Secured Transaction Processing in Fiji. The taskforce has met 5 times to deliberate on the draft document and this will be tabled in the parliament in due course. SME credit guarantee scheme in Fiji has been very effective in providing access to finance. The National Demand Side Survey (DSS) has been completed and results published in September 2015.

The key aim is now to establish the real findings on what can be used as part of the next National Financial Inclusion Strategy. In the next NFIT meeting, a draft strategy will be tabled. A national workshop will be convened where all stakeholders will discuss and finalize the new strategy.

Bank of Papua New Guinea

National strategy for financial literacy launched in 2013 and on its Maya commitments, have reached 1 million by 2015 with 50% being women (Maya commitments). Targeting the unbanked - mostly done by FI and NGO including licensed Microbanks and Savings & Thrifts society. Licensed the only woman micro bank - to ensure the reaching of the 50% as committed in the Maya declaration. Five licensed micro banks was licensed in the last 2 years to assist in achieving the 1 million unbanked. At the end of 2014, 0.5 million unbanked people were achieved. Following this, in March 2015, data captured showed that it is more than 1 m with 45% of women. In terms of its second commitment under the Maya, BPNG is achieving this through visiting schools, visiting province and collaborating with Government and BSPs to inculcate savings in the young mind - using institutions on the ground to reach out to the youths and the young. To date, 98,000 students banked (primary to secondary) since 2014 - 22 provinces - 5/6 have been visited where seminars and workshops were undertaken, identify gaps etc.

Central Bank of Samoa

CBS Maya Commitments (2014-2017) continue to be the guide in the absence of a Financial Inclusion Strategy. While work is progressing in the commitments, CBS continued to regularly collect data based on the PIRI framework indicators. The demand side survey was completed on 1 April 2015. In terms of capacity building, CBS nominated staff to attend the AFI-BNM training programmes in Business Conduct and Consumer Protection Programme, Access to Financial Services for the Micro, Small and Medium Enterprises (MSMEs), and Financial Inclusion Data and Strategy (all in later part 2014). In

TAKEAWAYS FROM FIJI'S DEMAND-SIDE SURVEY REPORT ON FINANCIAL INCLUSION



Reserve Bank of Fiji (RBF) Governor Barry Whiteside speaks at a financial inclusion exposition in August 2014

Fiji's 2014 demand-side survey provides an overall view of the access and usage among Fiji's adults and the quality of financial services and products, both formal and informal. It offers a mechanism for measuring and benchmarking Fiji's financial inclusion efforts against other countries around the world. Key findings:

60% of adults have an account with a formal institution, but 27% are completely excluded

71% of adults in Fiji saved in the last year compared with 28% and 35% of adults in lower-middle and upper-middle income countries Global Findex Survey (GFS)

Only 6.5% of adults have a mobile money account

1/3 of urban women received a remittance in the last year

1/4 of adults received money from acquaintances that live in Fiji or abroad

addition, it also attended the ADB-PFIP organized Regional Workshop for Pacific Insurance Supervisors (March 2015). For financial education, CBS completed a study visit to observe the Fiji FinED. The Samoan Education ministry is on board and CBS now working towards concrete activities on implementation. Conducted financial literacy “Be Money Wise” poster competition and “Money Smart” comic competition, in conjunction with the Global Money Week organized by Child Youth and Finance International (CYF). Currently reviewing the PIRI template on consumer protection regulations and exploring the possibility of incorporating it as part of its Financial Institutions Act review that is underway. The work with the World Bank continues and now reviewing regulations as well as putting together a payments strategy. Work is also in progress for an Automatic Transfer System (ATS).

Central Bank of Solomon Islands

By June 2015, it was noted that number of bank accounts opened by commercial banks in Solomon Islands reached 174,099 surpassing the target of 70,000. The National Demand Side Survey has been successfully completed and the results have been presented to the NFIT. The Solomon Islands National Financial Inclusion Strategy will be reviewed at the end of the year for the next 5 years. The results of the National Demand Side Survey will be used to formulate the new strategy. The NFIT continues to meet regularly on a quarterly basis. Currently the CBSI is working on two new policies: Policy around agent cash management and liquidity and another one on consumer protection. In addition, there are a number of Acts would be reviewed which includes: Credit Union Act, Insurance Act and Financial Institution Act. The National Payments System bill is still in draft form. The CBSI hosted the 2015 Pacific Microfinance Week (PMW) in September in Honiara, Solomon Islands.

Banco Central de Timor Leste

The TL National Strategic Plan (5-year plan from 2016-2020) on Financial Literacy was launched on 28 August 2015, which provides a roadmap to improve financial literacy levels of the population and to improve their ability to manage their personal financial affairs. Five key focus areas of the plan are: building sectoral capacity and capability, providing leadership, reaching the target audience, maintaining the quality of financial advice and sharing what works. A children savings account “Ha’u-nia Futuru” was launched on 28 August 2015. The key

objective of this was to encourage and attract the interest of children to save money through having savings account at a bank. A financial literacy awareness campaign with three important theme of plan, save and protect has been conducted around Timor Leste. To date, the program has covered 10 municipalities reaching approximately 10,500 people. In November 2015, a ToT program for financial literacy for teachers was conducted. The draft legislation on National Payments System (with support from World Bank and the ADB) had been promulgated by the President on 18 June 2015 and consequently published as Official Gazette on 25 June 2015. The agent banking guidelines was issued on 25 February 2015 and there are plans to have trainings for selected agents. Work is in progress for other regulatory frameworks such as code of conduct and revision of Banking Law. The Central bank is also taking the lead role in agent banking and works closely with commercial banks in identifying potential agents.

National Reserve Bank of Tonga

In driving its financial inclusion mandate, NRBT acknowledged the support from the Pacific Financial Inclusion Programme (PFIP). In 2016, a stakeholder workshop was undertaken. For its demand side survey, NRBT has tentatively set the dates for November 2015 to undertake the exercise. In addition, with results of the survey and the stakeholder workshop, NRBT intends to develop its National Financial Inclusion Strategy (NFIS) and work towards committing to the Maya Declaration. Under its financial literacy initiative, in May 2015 through partnership with the ANZ Bank, it launched the Money Minded product. Furthermore, on consumer protection the NRBT (Amendment) Act 2014 gives power to the NRBT to regulate new areas of business, such as electronic & mobile banking, and protection of financial consumers.

Reserve Bank of Vanuatu

The country has been heavily impacted by the recent devastation caused by hurricane Pam. For financial education, RBV has benefited from a study visit to Fiji’s FinED in 2013. The Junior Secondary level of curriculum is currently in its development stage. Assistance is needed on reviewing of the curriculum and also on developing teaching resources such as teachers’ guide and students’ handbook. A draft payment system act is in place and currently undergoing review and consultation with various stakeholder groups. The RBV is yet to conduct both the FinComp Survey and Demand Side Survey. In terms of

TIMELINE OF MEETINGS

2010	2011	2012	2013	2014	2015
1st: Port Vila, Vanuatu	4nd: Apia, Samoa	7th: Port Moresby, Papua New Guinea	10th: Nadi, Fiji	12th: Nadi, Fiji	1st PIRI meeting, May: Dili, Timor Leste
2nd: Nadi, Fiji	5th: Port Vila, Vanuatu	8th: Nadi, Fiji	11th: Kuala Lumpur, Malaysia	13th: Port of Spain, Trinidad and Tobago	2nd PIRI meeting, September: co-hosted by Banco de Moçambique in Maputo, Mozambique
3rd: Bali, Indonesia	6th: Riviera Maya, Mexico	9th: Cape Town, South Africa			

PIWG Indicators, request has been sent to commercial banks for data to be collected on a quarterly basis. ADB to review the current Personal Property Security Arrangement and report to NFIT during next meeting. Following the cyclone, RBV introduced 2 new lending facilities; Import Substitution & Export Finance Facility to assist in the Import/Export sector and the Disaster Reconstruction Credit Facility to assist businesses in the SME sector recover after the cyclone.

EGFIP SUBGROUP DELIVERABLE UPDATE

ACCESS TO CREDIT

SUBGROUP LEAD: RESERVE BANK OF FIJI

Action Items from Trinidad Meeting

- > Present outcome of stock-take survey on 'access to finance and access to broader financial services'

Broad Conclusions from Focus Areas

- > **Laws** - Need to review effectiveness of existing legislation and or develop a focused piece of legislation. Consider developing a template for PIRI.
- > **Government Policies & Procedures** - Need to review effectiveness of implementation and monitoring of Govt. vision, national strategy and policies and realign for those countries that need realignment. For those that do not, develop PIRI template.
- > Central Banks to review enabling prudential regulatory environment through proportionate regulations and effective SME market based lending.
- > Credit Assessment and Collateralisation requirements needs clear acceptance of moveable assets by financial institutions. Full information for creditworthiness of SMEs is important and complete submission of project proposal taking into account credit risk requirements is warranted.
- > **Business processes and cost of doing business** - must allow for grow of SME. In some places, responses do not match world bank ratings
- > Support services to SME to enable bankable proposals are important.
- > Extended SME Survey / stock take to be repeated in 2017.

Next steps

- > AFI to assist PIRI on overarching SME legislation.
- > Secured Transaction Law - Why is collateral still a problem with those that currently have? Can AFI / ADB unearth the problems and how to address these.



PIRI Meeting, 2015

ACCESS TO BROADER FINANCIAL SERVICES

(SUBGROUP LEAD: CENTRAL BANK OF SAMOA/ RESERVE BANK OF VANUATU)

- > Conducted a new survey "access to broader financial services"
- > Reserve Bank of Vanuatu volunteered to take over as lead in this priority area from Central Bank of Samoa.

CONSUMER PROTECTION

SUBGROUP LEAD: CENTRAL BANK OF SOLOMON ISLANDS

Under consumer protection, CEMC has come up with 5 priority focus areas:

- > Avenues for help and Redress
- > Responsible Lending
- > Transparency and Disclosures
- > Financial Literacy/education
- > Institutional Framework and Supervision

What has been done:

- > Designed a sample for Consumer protection regulation
- > Different stages of development and guiding jurisdiction are taken into consideration when addressing consumer protection
- > So the intension of formulating the sample regulation guide is to highlight the 5 key priority areas, so that member institutions can use in whatever format, applicable to them, such as; To Issue guideline, circular, etc, on certain aspects and Start working towards a regulation.

MEMBER INSTITUTIONS

- > Reserve Bank of Fiji
- > Bank of Papua New Guinea
- > Central Bank of Samoa
- > Central Bank of Solomon Islands
- > Central Bank of Timor-Leste
- > National Reserve Bank of Tonga
- > Reserve Bank of Vanuatu

For more information
about the PIRI contact
piri@afi-global.org



PIRI Meeting, 2015

DILI CONSENSUS ON FINANCIAL INCLUSION IN THE PACIFIC ISLANDS

Governors at the inaugural launch and first meeting of PIRI agreed on the broad vision, mission, objectives and financial policy areas of the initiative, endorsed through the “Dili Consensus”. The Consensus articulates 11 clear strategies to promote financial inclusion from the bottom up, including better policies to improve data quality and policy impact assessments.

Vision: Appropriate financial services are widely accessed and used by all Pacific Islanders.

Mission: To create conditions that lead to the financial empowerment of Pacific Islanders in the short to medium term.

- 1 The PIRI members support the global and regional efforts aimed at promoting financial inclusion, and concur that policy and regulatory bodies must include financial inclusion in their mandate.
- 2 The PIRI members are fully aware that achieving financial inclusion in the Pacific Islands is a complex and difficult task for which active and sustained participation of a multitude of stakeholders is essential. More efficient use of new technology and public-private dialogues is particularly important for this task.
- 3 They recognize the vital role the private sector has in advancing financial inclusion and will strengthen their efforts to engage with the private sector at the regional level, particularly through AFI’s Public-Private Dialogue Platform.
- 4 They believe evidence-based policies must be at the center of our efforts to address the problem of financial exclusion. They will put particular emphasis on building a comprehensive database by gathering demand-side data to supplement supply-side data systematically collected and analyzed by our central banks.
- 5 They re-affirm their commitments to the Maya Declaration and ensure that their targets remain clearly defined, measurable and regularly updated on the AFI Online Progress Dashboard.
- 6 They will harness the potential of agent banking for financial inclusion by addressing issues such as: the criteria of selection agents, location of agents, the type of services to be provided, and the issue of inactive agents.
- 7 They recognize the significance of unlocking the growth potential of SMEs for employment generation and to increase financial inclusion in the Pacific. To revitalize SMEs, PIRI members will continue to implement policies that remove their hurdles to using formal financial services at reasonable costs. They aim to build a database on SMEs and strengthen our on-going efforts to support robust credit information systems, effective collateral regimes and secured transactions systems. The PIRI members are also determined to build a SME-financing friendly policy and regulatory environment as early as possible.
- 8 They are deeply concerned with the trend of de-risking, or de-banking, and its negative impact on the Pacific. They support the dialogue that AFI has pioneered with the Standard-Setting Bodies (SSBs) to bring the weight of the voice of developing and emerging economies into the guidelines of SSBs, and hope AFI’s dialogue with SSBs will help us to resolve this issue. They concur this issue should be elevated to the G20 countries for the benefit of the poor and low-income people both in the Pacific and worldwide.
- 9 They recognize that inclusive insurance is becoming an important dimension of financial inclusion in developing economies and many PIRI members have included it in their national financial inclusion strategies and Maya Declaration Commitments. They support the need to develop a medium-term strategy and a roadmap on inclusive insurance that is concrete and measurable.
- 10 They reaffirm their commitment to financial consumer protection and financial education and capability development as an integral part of the financial inclusion process in their economies, and will improve their regulatory framework in support of these areas.
- 11 They remain resolute in their commitment to financial inclusion to enable Pacific Islanders to actively participate in the development process and share the prosperity the process will create. They reaffirm their shared view that financial inclusion is a means to an end, not an end in itself.



President of Timor-Leste with Governors and representatives of the Pacific Islands Regional Initiative (PIRI) at the launch in Dili, Timor-Leste.

FEEDBACK FROM AFI MEMBERS

This year, AFI had the pleasure of welcoming more than 170 participants to Kuala Lumpur for working group meetings. After every AFI event, we ask participants to give us feedback on the logistical aspects of the meeting, after which each session is scrutinized and rated on both content and relevance.

Members' voices are heard throughout this evaluation; the feedback informs enthusiasm for certain sessions or content, highlights areas where AFI is doing well and how it can improve to better meet the needs of members.

91.6% of AFI members state that the working groups are meeting the objectives they set out to meet

This extremely positive response is an encouraging sign that AFI is engaging members, meeting their needs effectively, targeting key areas of interest and tailoring them to global priorities.

For instance, looking across the spectrum of AFI working groups, it is clear members value the subgroup breakout sessions, where they come together to develop knowledge products.

AFI will continue to monitor and evaluate its performance across all service areas.

It is motivated by the positive responses received thus far, and will strive to maintain that standard.

SATISFACTION LEVELS WITH SUBGROUP BREAKOUT SESSIONS



The evaluation system currently in place ensures rigorous and comprehensive data collection, providing a wide-ranging overview of how our members experience the services AFI offers.

By including both a quantitative and qualitative aspect in the evaluations, members have the option of assigning a numerical value to their experience, as well as highlighting any specific issues or feedback they may have. Based on these comments, AFI can extract helpful insights and suggestions for future meetings.



Global Policy Forum, Port of Spain, Trinidad and Tobago, 2014

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