BALI OUTCOME STATEMENT
ON THE LINKAGES BETWEEN FINANCIAL INCLUSION AND FINANCIAL STABILTY

Global Conference **“Maximizing the Power of Financial Access: Finding an Optimal Balance Between Financial Inclusion and Financial Stability”**, co-hosted by Bank Indonesia and the Alliance for Financial Inclusion (AFI), with the participation of AFI members and partners including: the International Monetary Fund (IMF); the World Bank Group; the Financial Stability Board (FSB); the South East Asian Central Banks (SEACEN) Research and Training Centre; and academic institutions, was held successfully on November 30th and December 1st 2016. The following is the summary of the conference and the final Bali Outcome Statement.

THE CONFERENCE AGREES ON:

> **Acknowledged** that financial inclusion will bring positive impact on economic growth and financial and macroeconomic stability, as long as the efforts to promote it are conducted on the footing of solid financial system supervision and sound regulatory environment.

> **Recognized** the need for regulators to keep apace with the rapid advancement of technologies in financial sector, as the emergence of various new forms of digital financial services (DFS) provide the opportunities to drive sustainable economic growth, whilst remaining vigilant for potential stability and integrity risks.

> **Identified** the need for regulators to play a proactive role with regard to the development of new technology-based lending practices for SMEs, the approach of which should be balanced between anticipating the risks and giving rooms for innovation.

> **Discussed** various measures to ensure that the expanding consumer base of financial products would not harm financial system stability, with regulators suggested to remain risk-aware but not risk-averse in promoting their financial inclusion goal.

> **Supported** stronger engagement on the issue of financial inclusion and financial stability among policymakers, academic researchers, global standard setting bodies and private sector including new players in the financial sector such as telecommunication firms and financial technology (fintech) startups.

- > **Stressed** the need for greater collaboration and dialogue among domestic regulators including financial, telecommunication, insurance, and data regulators to foster greater understanding on the linkages between financial inclusion and financial stability as well as monitor emerging risks to financial stability.
- > **Welcomed** the recognition by global standard setters that financial exclusion poses risk to their core objectives of financial stability and integrity, and noted new SSB guidance to assist the application of proportionate regulatory and supervisory approaches.
- > **Noted** that the decline in correspondent banking relationships is posing a risk to financial stability and financial inclusion in affected jurisdictions and therefore requires concerted global actions to mitigate the impacts in worst affected countries and to prevent such risks from escalating to become a systemic concern.

THE CONFERENCE ACCORDINGLY CALLS FOR:

- > **Promoting** wider financial outreach to the underserved with little or no access to financial services, but with calibrated measures to check the risks to financial system stability that it might entail.
- > **Improving** financial education and literacy in the grassroots level of society, the most vulnerable consumers segment, as well as financial service providers themselves, who might be unfamiliar to the new types of formal financial services and therefore require stronger protection.
- > **Building** stronger financial services infrastructure such as agent banking in rural areas to foster a more conducive ecosystem for unbanked people to utilize financial service products for stronger financial system stability.
- > **Creating** infrastructure or mechanisms for information sharing among regulators, supervisors, and providers, such as credit information bureaus, to prevent and monitor risks to financial system stability.
- > **Supporting** greater efforts carried out by both banks and non-bank financial institutions to mobilize savings and deposits among the currently unbanked populace, which would allow an economy to have a more diversified funding sources and make it more resilient to foreign funding sources susceptible to sudden outflows.
- > **Adapting** correspondingly to the rapid growth of digital financial services (DFS), through robust and proportionate regulatory framework that can provide clearer guidance as more non-bank institutions, from fintech start-ups to mobile network operators (MNOs), have now moved to offer new financial services products to previously underserved customers.
- > **Tailoring** rules related to mobile banking and electronic money that could allow the banks and non-bank financial institutions to compete healthily on a level playing field.
- > **Exploring** tailored and proportionate regulatory approach to allow innovative solutions to develop within a test-and-learn environment.
- > **Developing** a set of indicators which reflect a healthy complementarity between financial stability and financial inclusion.
- > **Encouraging** AFI members to provide further practical examples and case of successful application of proportionality in practice in implementation of global standards for financial stability, which can complement SSBs' guidance.
- > **Providing** practical support to countries with the highest demand for technical assistance and capacity building linked to their national financial inclusion commitments and in-country implementation priorities.
- > **Ensuring** stronger protection for consumers and financial system stability from new risks arising from more advanced and digitized financial services environment, especially cyber risks such as hacking, or personal data theft.

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