

BETTER THAN CASH ALLIANCE



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BILL & MELINDA
GATES foundation



ON
OMIDYAR NETWORK™





The Better than Cash Alliance is a United Nations based partnership of over

50 MEMBERS

GOVERNMENTS
COMPANIES
INTERNATIONAL ORGANIZATIONS

that accelerates the transition from cash to digital payments to reduce poverty and drive inclusive growth.



We ADVOCATE
We RESEARCH
We CATALYZE

GOVERNMENTS

LATIN AMERICA



Mexico



Colombia



Uruguay



Peru



Dominican Republic

ASIA



Afghanistan



Bangladesh



India



Nepal



Pakistan



Philippines



Vietnam

AFRICA



Benin



Ethiopia



Liberia



Ghana



Kenya



Malawi



Rwanda



Senegal



Sierra Leone

MIDDLE EAST



Jordan

OCEANIA



Papua New Guinea



Fiji



Solomon Islands

EUROPE



Moldova

INTERNATIONAL ORGANIZATIONS & COMPANIES



and many others



WHY DIGITAL PAYMENTS: THE REALITY

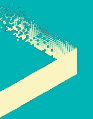


MORE THAN

2

BILLION
PEOPLE

the majority of whom are women, are still unable to participate in the formal financial system.



THE CHALLENGES WITH CASH

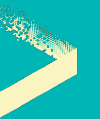


Expensive

Inefficient

Unsecure

Untraceable



THE BENEFITS OF DIGITIZING PAYMENTS

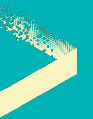


Cost savings through
efficiency and speed

Transparency

Financial inclusion

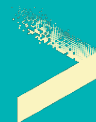
Inclusive growth



G20 High Level Principles on Digital Financial Inclusion (HLPs)



- **PRINCIPLE 1:**
PROMOTE A DIGITAL APPROACH TO FINANCIAL INCLUSION
- **PRINCIPLE 2:**
BALANCE INNOVATION AND RISK TO ACHIEVE DIGITAL FINANCIAL INCLUSION
- **PRINCIPLE 3:**
PROVIDE AN ENABLING AND PROPORTIONATE LEGAL AND REGULATORY FRAMEWORK FOR DIGITAL FINANCIAL INCLUSION
- **PRINCIPLE 4:**
EXPAND THE DIGITAL FINANCIAL SERVICES INFRASTRUCTURE ECOSYSTEM
- **PRINCIPLE 5:**
ESTABLISH RESPONSIBLE DIGITAL FINANCIAL PRACTICES TO PROTECT CONSUMERS
- **PRINCIPLE 6:**
STRENGTHEN DIGITAL AND FINANCIAL LITERACY AND AWARENESS
- **PRINCIPLE 7:**
FACILITATE CUSTOMER IDENTIFICATION FOR DIGITAL FINANCIAL SERVICES
- **PRINCIPLE 8:**
TRACK DIGITAL FINANCIAL INCLUSION PROGRESS



G20 Emerging Policy Approaches to Digital Financial Inclusion



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- **PRINCIPLE 4:**
EXPAND THE DIGITAL FINANCIAL SERVICES INFRASTRUCTURE ECOSYSTEM



KEY QUESTIONS

- *What approaches are policymakers and regulators taking to digital financial inclusion?*
- *What are the lessons learned to date?*
- *Where is more effort needed?*



HLP 1: Promote a Digital Approach to Financial Inclusion

Key Facets:

- Promote digital financial services as a priority to drive development of inclusive digital payments ecosystems, including through coordinated national strategies and action plans
- Policy leadership and coordination across the public and private sectors is critical
- Important to lead by example

Primary approaches to date:

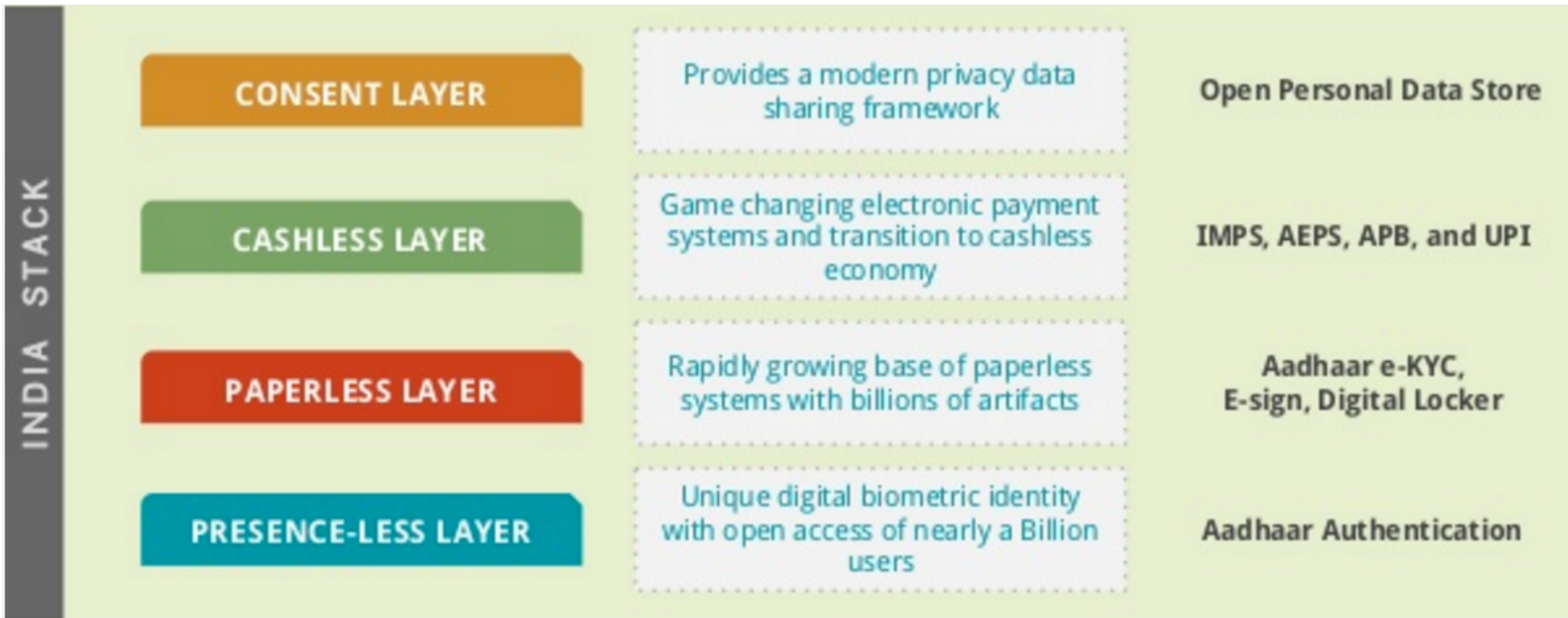
- National FI strategies with digital focus, e.g., Mexico, Pakistan, Philippines, China, Tanzania
- AFI Maya Declarations with increasing focus on digital elements
- Digitizing G2P payments, e.g., Brazil, Mexico, Turkey, many others in process

Report examples:

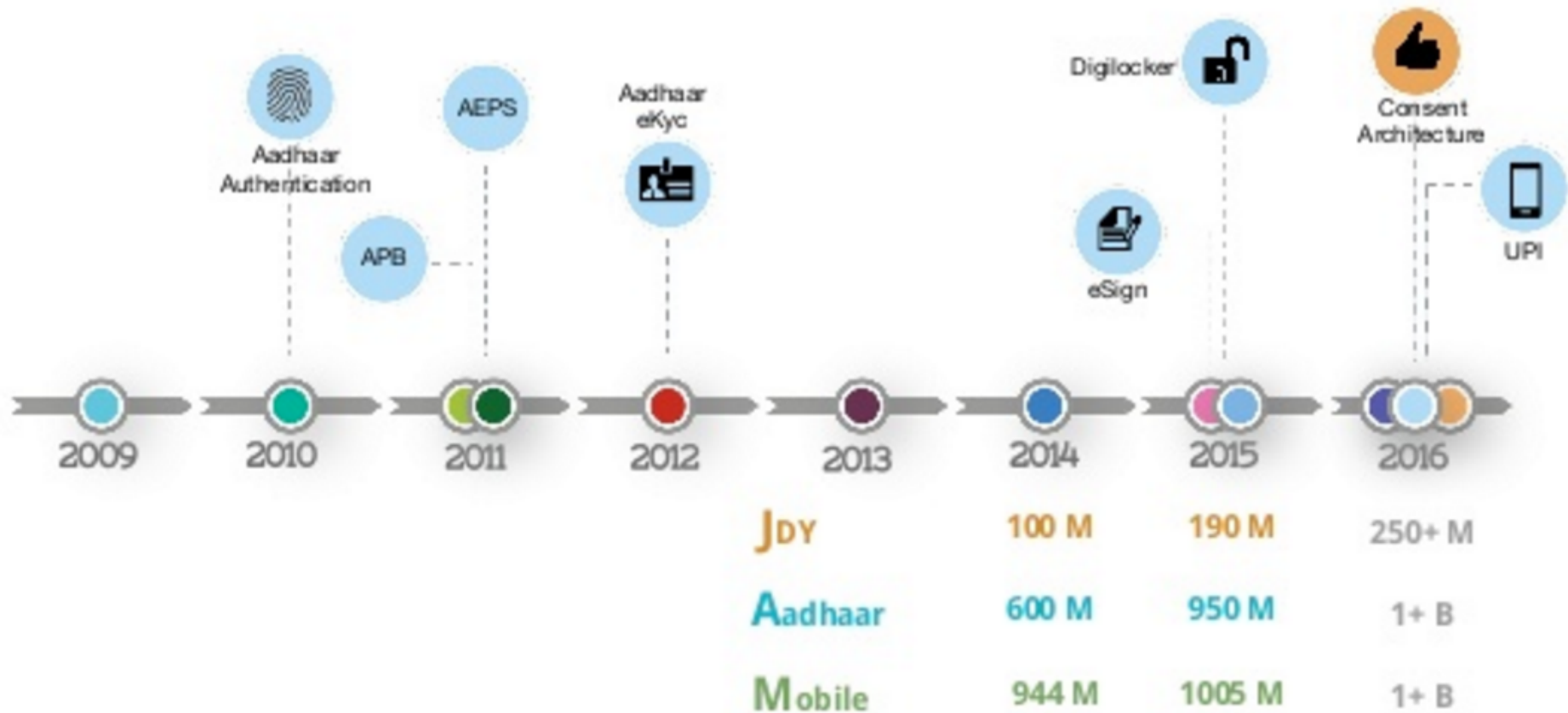
- Public commitments (BTCA, NFIS)
- India (India Stack, multiple policy and regulatory initiatives)
- China (multiple policy and regulatory initiatives, rural digital expansion program)



India: The JAM Trinity and “India Stack”



Evolution of the India Stack – Built on JAM



HLP 2: Balance Innovation & Risk to Achieve Digital Financial Inclusion

Key Facets:

- Innovation is essential for expanding financial inclusion, but also introduces new risks – both individual and systemic— that need to be identified and effectively addressed in a timely fashion
- Growing recognition that not all risk can be eliminated

Primary approaches to date:

- Expanded learning and information sharing between regulators and the private sector, including through “test and learn” piloting processes for introducing innovative services
- Adjusting existing regulations to make them proportionate to size of business and scale of risks
- Adapting regulations and oversight to accommodate new digital distribution channels, including increased cooperation with counterpart regulators (communications, insurance)



UK: The FCA's Regulatory Sandbox

- Part of larger Project Innovate
 - Framework for experimentation & innovation in small-scale, controlled environment
 - Approved pilot parameters, structured communication & information sharing
 - Testing lasts 6 months under specified conditions
 - Lowered barriers to testing within existing regulatory framework while guarding against risk to consumers
 - Aimed at both regulated and unregulated businesses who don't fit into existing regulatory framework
 - 24 FinTech firms chosen for first cohort in November 2016, second cohort applicants under review
- Three main tools:
 - Individual guidance
 - Waivers or modifications to FCA's rules (but not to national/int'l law)
 - No enforcement action letters (NALs)
 - Criteria for entry:
 - Genuine innovation
 - Consumer benefit
 - Is the firm in scope?
 - Need for sandbox testing
 - Readiness to test



HLP 3: Provide an Enabling & Proportionate Legal & Regulatory Framework for Digital Financial Inclusion

Key Facets:

- Need a legal and regulatory framework that is predictable, risk-based and fair; that allows for new entrants and is technology-neutral; and that does not impose excessive, non-risk-based compliance costs
- Framework must be effectively and efficiently supervised with the requisite supervisory capacity and resources

Primary approaches to date:

- Increasing use of risk-based regulation and supervision, including a risk-based approach to customer due diligence (CDD) for the purposes of AML/CFT
- Growing recognition that reporting and monitoring systems need to become more sophisticated, with a greater focus on direct linkages to financial institutions' information systems along with real-time monitoring capabilities



China: Tiered Regulation & Industry Self-Regulation

2016 PBOC rules tighten CDD requirements for non-bank payments, with three tiers, including real-name registration of all accounts and increasing scrutiny as transaction levels increase

New focus on tiered regulation of payment platforms:

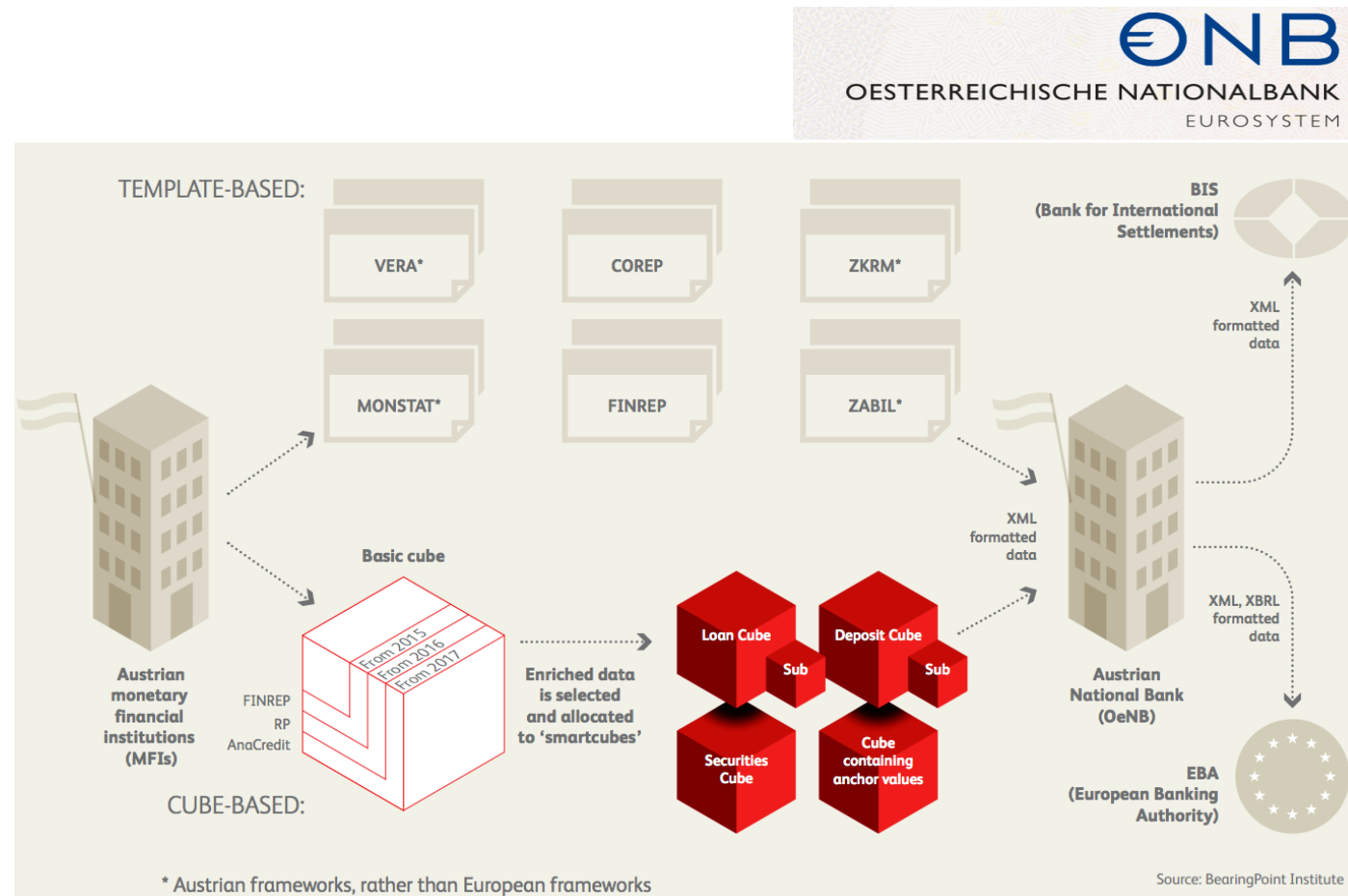
- Payment platforms rated based on verification methods, with tighter methods earning higher ratings
- Platforms with higher ratings have fewer restrictions, while lower-rated platforms face extra scrutiny from regulators
- Platforms with higher ratings can offer users higher daily limits (annual limits remain unchanged)

PBOC encouraged the establishment of China National Internet Finance Association (NIFA) as a way to self-police the industry



Rwanda & Austria: Leveraging Technology to Build Oversight Capacity

- Shift from manual or template-based to input-based data collection
 - Effort to move beyond self-reporting
- Increased use of standardized reporting formats (XML, XBRL)
- Improved data collection, quality, and analysis



HLP 4: Expand the Digital Financial Services Infrastructure Ecosystem

Key Facets:

- Policymakers and industry must work together to achieve a robust, open and efficient digital infrastructure, including a widely accessible retail payments system and ICT infrastructure
- Areas of particular focus for national authorities include retail and online payments infrastructure that involve interoperable platforms linked to a wide range of POS, ATM and agent networks, bill payment platforms, credit reference systems, and digital asset registries (particularly for movable assets)

Primary approaches:

- Retail payments interoperability initiatives
- Expanding credit reference systems and including alternative data
- Expanded merchant acceptance of digital payments instruments



Peru & Tanzania: Two Approaches to Interoperability

Peru:

- “Modelo Peru,” interoperable payments platform launched by Bankers Association of Peru (ASBANC) and supported by government, central bank
- Supported by 2013 National Law for Electronic Money, which helped set the ground rules
- Platform brings together over 30 financial institutions, government, MNOs and large payers/payees into one shared payments infrastructure
- System still facing challenges around transaction volumes and rural coverage, as well as integrating BIM into existing bank and merchant POS systems

Tanzania:

- Industry-led effort, supported by Bank of Tanzania, to agree mobile money payment scheme rules, including exchange fees, dispute resolution and settlement arrangements
- Utilizes existing infrastructure
- Cross-operator P2P transactions grew from 100K/month to 4M/month and still growing



Mexico: Transactional Database

- Banco de Mexico database to provide banks with overall picture of customer international transaction histories across multiple banks
- Aimed at strengthening AML/CFT efforts and to help mitigate de-risking
- Secretariat of Finance and Public Credit (SHCP) has issued regulations mandating incorporation of this data in future risk analyses performed by banks
- Will allow banks to see individual and aggregated customer data, make on-demand inquiries when clients solicit new international transfers, and conduct comprehensive, up-to-date risk analyses
- Anticipated benefits include data validation, aggregated data on customer transactions throughout financial system, and access to data by national authorities, allowing for greater oversight



Lessons Learned (to date)

- Proactive **leadership and political will** are cross-cutting success factors, including coordination across national authorities to address the range of issues relevant to harnessing digital technology
- More progress on **digital tools** is needed, to help regulators do their job. Supervising digital financial service providers requires more sophisticated and automated systems that can provide real-time monitoring and analysis.

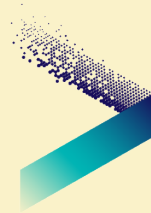


Lessons learned (cont.)

- Promoting **interoperable, open technology platforms** for digital financial services helps establish a broad-based ecosystem for public and private entities to better reach consumers and ultimately improve their financial lives
- National governments need to prioritize availability of robust and easily verifiable **digital ID**, whether biometric or other types of data-based forms, to facilitate access to digital financial services. Need to also address privacy and civil liberties issues, along with effective ways to oversee issues such as data security, quality of service and network reliability.




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