KEYNOTE SPEECH: CAMBRIDGE CENTRE FOR ALTERNATIVE FINANCE ANNUAL CONFERENCE, UNIVERSITY OF CAMBRIDGE

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Ladies and gentlemen, it is a pleasure to join you over video link and to be part of this wonderful event. Regrettably, for personal reasons, I am unable to be there with you. Thank you for the warm words of introduction and to the Cambridge Centre for Alternative Finance for your kind invitation.

For the last ten years, in my role as UN Secretary-General's Special Advocate for Inclusive Finance for Development, I have had a front-row seat to watch the really rapid improvements in financial inclusion.

Just to give you an idea, since 2011, a staggering 1.2 billion people have gained access to financial services. Almost 70 percent of all adults now have a financial account. Yet there is still much to do.

For the past few years, I have been closely following the role of fintech, by which I mean technology-enabled innovation in financial services.

Through my country visits and my regular convening of leading regulators, fintech innovators, and standard setters, I have become convinced that fintech has great potential to spur inclusion. This is particularly true for hard-to-reach populations. I also believe fintech can provide the solutions that customers need, and that can therefore drive usage, which is actually one of the biggest problems right now.

Some fintech start-ups are already changing how people pay, save, and borrow. Innovative products are being launched through partnerships between fintechs and traditional financial institutions. Technology giants like Google, Facebook, and WeChat, among many others, are increasingly turning their attention to financial services, embedding customer-centric products into their digital platforms. When these products are well designed and tailored to specific needs, they can strengthen the financial health of low-income customers—for example, by providing needs-based nudges to increase savings.

I would like to mention just a few examples to highlight the diversity of providers and the ways in which fintech can really bring new solutions to the financially excluded.

In Nigeria, an insurance start-up called Pula is using satellite technology and data to provide previously uninsured smallholder farmers with a better financial safety net. Farmers get compensation if their harvests are below average. But Pula's model has an additional twist. Instead of low-income farmers paying the insurance premiums, companies that sell inputs like seeds and fertilizer actually carry the cost. This structure creates a win-win solution. Insurance encourages farmers to invest in higher quality inputs, while input companies can sell more of their products to successful producers.

In India, a neo-bank called Kaleidofin helps underserved consumers, most often women, to meet their financial goals by providing tailored solutions via an intuitive mobile app. Kaleidofin builds on users' socio-economic and transactional data using machine learning algorithms to recommend personalized solutions. Consumers get access to products that combine credit, investment, insurance, and savings, curated according to their goals. The app aggregates all the data and provides them with a unified view of their financial lives and a simple visualization of their progress towards their goals. It also offers them spending analytics, as well as reminders to assist in building better financial habits.

In Mexico, BBVA is partnering with Juntos, a customer experience start-up, to improve the trust and engagement of newly-banked customers. BBVA has a segment of new low-income customers who are receiving government payments into accounts. Juntos is providing AI-enabled SMS conversation services, which prompt new customers to save more, gives them tailored advice, and offers assistance in setting financial goals.

These ingenious examples are genuinely exciting, but we all know that the fintech revolution also comes with risks for customers. Data privacy breaches, unfair lending practices, cyber-attacks, and discriminatory lending using big data can undermine consumer trust and harm clients. For example, Zest Finance, an AI-based alternative credit scoring company, uses customers' punctuation, capitalization, and spelling in their models as a proxy for quality of education. This has nothing to do with creditworthiness. Someone who is illiterate can still pay their bills.

Fintech products also often lack consumer focus in addressing grievances, or they have interfaces that can be difficult to navigate. This is particularly challenging for customers with limited digital and financial skills.

I would like to highlight two key challenges that we need to overcome together.

- First, regulators and supervisors have the responsibility to oversee financial systems, but the speed and complexity of fintech activities can be overwhelming. Such complexity could trigger over-reactions to new risks that slow down innovation in emerging and developing economies. Or, if these risks are left unaddressed, they could harm customers and threaten stability, of course.

The challenge is multifaceted with a need for regulators and supervisors to build the right mix of new skills, the capacity to evaluate risks, supervise fintech, and adapt regulatory approaches to a fast-changing landscape.

- The second is related to the prerequisites that need to be in place for fintech to really work for the poor. For example, you need ID for KYC, you need good data and internet connectivity, and people need to be digitally literate. Without these prerequisites, fintech's potential will remain the preserve of the well-off.

If we want to make sure that fintech is harnessed for the larger good, much remains to be done. To that end I have identified three key priorities:

First, we need to create systems to share and distill the lessons from new regulatory and supervisory approaches. These include regulatory sandboxes, innovation hubs, and regtech for regulators, which help regulators understand and manage the complexity of fintech activities.

Already, there are resources that we can build on. The UK's FCA has produced a report on lessons from early experiences with their sandbox. CGAP is analyzing regulatory approaches to financial innovations, and the World Bank is developing guidance on creating regulatory sandboxes.

The Cambridge Center for Alternative Finance is preparing a draft report for my fintech working group on these topics, too, with support from the Monetary Authority of Singapore. The report will set out lessons about regulating innovation for financial inclusion in emerging and developing countries. It will also include a draft set of principles for facilitating financial innovation for financial inclusion.

As a second priority, we need more support to improve the capacity of policymakers in emerging and developing countries to regulate and supervise fintech. Over the last year, I have been very encouraged by the increased activity of the World Bank, AFI, UNCDF, and IMF on this agenda. I look forward to supporting this work further.

Third, it is critical to put in place the policies and infrastructure needed for fintech to be inclusive. We need to showcase success stories for both the public and private sectors. Some of my development partners are starting to help governments establish foundational digital ID systems, build connectivity, and create regional cybersecurity hubs.

The private sector is also taking the lead in some of this work. GSMA, for example, is starting to establish privacy and security certifications for its members. Goodwell and the IFC have created Guidelines for Investing in Responsible Digital Financial Inclusion. And many governments, companies, and development actors are redoubling their efforts to build basic prerequisites such as cash-in/cash-out agent networks.

Finally, I would like to turn to all of you seated in this room and invite you to share with each other what you are doing on these priorities. I am sure that together, we can assist fintech to really seize its potential to drive usage, improve financial health, and provide the solutions that the financially excluded need.

I would like to thank you all wholeheartedly for your attention, and I hope that together we can make a lot of progress.