SSBS CAN HAVE POSITIVE IMPACT ON PEOPLE’S FINANCIAL LIVES
27 May 2019

Opening Remarks by Her Majesty Queen Máxima of the Netherlands, the United Nations Secretary-General’s Special Advocate for Inclusive Finance for Development (UNSGSA), during the Fifth High-Level Meeting on Financial Inclusion for global financial standard-setting bodies (SSBs) and the financial community at the Bank for International Settlements (BIS) in Basel, Switzerland.

Dear Mr. Cœuré and Mr. Carstens—thank you for your warm welcome to Basel and for giving us an opportunity to again talk about financial inclusion.

Ladies and gentlemen,

It is a pleasure to be here for this fifth high-level meeting on financial inclusion with the global SSBs and financial community.

I am pleased to note that much has been accomplished since this group first convened in 2011. According to the latest Global Findex, 3.8 billion people have access to formal financial services. That represents nearly 70% of all adults and is an increase from 50% in 2011.

This progress matters greatly. Research from the BIS, IMF, and CGAP demonstrates how financial inclusion reinforces the core objectives of financial regulators, including stability, integrity, competition, and consumer protection. For example, with increased financial inclusion, a wider set of customers can save and borrow across different regions, income levels, and gender. This can better diversify the sources of funding and lending opportunities for financial institutions, which in turn improves financial stability.

Despite this progress, there are still 1.7 billion adults excluded from the formal financial sector. Hard-to-reach groups such as the poor, women and rural communities remain especially vulnerable to exclusion. And financial exclusion also persists in many advanced economies with the FDIC reporting that 7% of US households are unbanked. This number does not consider the many underbanked as well. In these groups, population segments may need tailored financial instruments to lead healthy financial lives.

The work of SSBs can have a very positive impact on people’s financial lives. For instance, the FATF’s mandated risk-based approach and recognition of simplified customer due diligence gave national policymakers options to help financially excluded customers overcome the barriers posed by ID and verification requirements.

My mandate, as the UN Special Advocate, is to support policies and business practices that advance universal access to affordable, effective, and safe financial services. With that in mind, I would like to highlight two key achievements in the last eight years since we started to meet.

**First**, all the SSBs are engaged, and they all have identified some financial inclusion aspects related to their core mandates.

Some SSBs have provided guidance on core principles or on the application of standards. For example:

- BCBS developed guidance on the applications of its core principles for effective banking regulation and supervision relevant to financial inclusion.
- CPMI and the World Bank identified the key payment aspects of financial inclusion.
- IAIS wrote several application papers on how inclusive insurance can assist national regulatory authorities.
- And FATF outlined its treatment of financial inclusion through a series of guidance notes on risk-based
Various standard-setting bodies have even established permanent workstreams, such as IAIS's Financial Inclusion Working Group.

And, as I referenced, all SSBs now integrate financial inclusion aspects specifically into their work.

This includes FSB's recommendations to improve access, in its work that addresses the decline in correspondent banking relationships. Another good example is IOSCO's research report on fintech, which in part examined how innovation in securities could lead to greater inclusion. And IADI's forthcoming report on the trends in insuring digital stored-value products and their effect on financial inclusion.

**The second key accomplishment** is that we have created a forum for SSBs to exchange information on financial inclusion at the BIS.

The SSBs biannual high-level meetings are a good illustration of this. We also now have regular check-in meetings, and FSI-GPFI events, with the support of many partners who are in this room.

Another example is the CPMI partnership, where the Gates Foundation, ITU, and the World Bank work on the Financial Inclusion Global Initiative to help emerging markets better utilize digital technologies.

All this progress is particularly relevant to the rapid advancement the world has experienced by harnessing the power of digital technology in recent years. The fast growth of fintech, which comes with opportunities and threats, is of high relevance for SSBs and financial inclusion.

As you know, this is a topic that is at the center of my work.

The most recent tracking table of SSBs activities on fintech and financial inclusion illustrates this trend.

In many markets, such as China and India, fintech has been instrumental in enabling hundreds of millions of people to enter the formal financial sector. But as we all know this progress comes with many risks for customers, and potentially the financial system.

The two focus topics selected by BIS in consultation with the SSBs for today's discussions are very much related with the opportunities and challenges of technology-enabled financial solutions.

**The first issue we will discuss is ensuring effective competition.**

How do we create a competitive environment for technology to promote inclusion while ensuring stability, integrity and customer protection? New fintech payment providers and lenders may provide cheaper, faster and more convenient products. For the unbanked, their emergence can be critical in accessing financial services for the first time. But how do we keep a level playing field and protect customers effectively if these innovative providers fall outside the regulatory perimeter?

For example, MNOs which create dominant digital networks can use access to their platforms as barriers to prevent innovative banks and fintech companies competing with them. They can do this for example by limiting entry, giving low quality services, or charging high prices for the use of their platforms. I am looking forward to hearing CPMI's insights on how they have seen central banks deal with this.

**The second issue we have in this new era is the appropriate use of data.**

The use of AI and machine learning on big data is central to the provision of most cutting-edge fintech solutions from insurance to credit. This holds significant potential for the financial inclusion of hard-to-reach segments, such as to SMEs through providing credit based on their digital footprints. Incumbent banks are also using this new technology, not only new entrants.
Yet these technologies can lead to discriminatory outcomes and errors which might leave customers without recourse. With limited and uncoordinated national policy responses to date, how can we ensure that a customer’s data is used appropriately? Is it time to consider global standards? Given the serious consequences on customers, standard-setters such as the IAIS have already highlighted the need for supervisors’ guidelines to ensure appropriate and responsible use of new technologies.

Our two topics for discussion also highlight the growing complexity that fintech poses to national regulators. And they demonstrate the increasing demands for more collaboration, coordination, and information sharing at the global level.

In this regard, I would like to lend my support to the enhanced coordination arrangements among SSBs and the financial inclusion community that Mr. Restoy will present later.

Before concluding, I would like to raise a few key questions for consideration during our discussions.

First, for the leaders of the standard-setters and financial inclusion community.

What do you see as the most promising opportunities for collaboration among SSBs on fintech and financial inclusion to pilot the enhanced cooperation arrangements? And how can I, along with the financial inclusion partners at this table, support you in this?

Second, for leaders from the standard-setters:

Where do you expect your SSB will be in two years when it comes to integrating financial inclusion or linking it with your work? And what do you view as a concrete success for your SSB in collaboration with other SSBs in that time period?

Thank you all for taking time to be here today and to collaborate which is critical for us to advance.