INFORMAL REMARKS AT THE STANDARD-SETTING BODIES' MEETING ON FINANCIAL INCLUSION: DIGITAL FINANCIAL INCLUSION, FINANCIAL EXCLUSION, AND DE-RISKING: A CONVERSATION WITH THE SSBS
30 Sep 2016

Mr. Caruana, Governor Ingves, esteemed governors, colleagues, ladies and gentlemen, it is a great pleasure to be once again here in Basel at the BIS. This building has a long history of being among the world's most important meeting places for the financial regulatory and supervisory community. I believe I can also confidently say it is also beginning to assume similar importance for the world's financial inclusion community as well. This is the fourth time we have met together in this forum, and the work we have done together so far, in my view, is a global success story of collaboration. And that is really thanks to your commitment and thorough work in this field.

During my numerous country visits, including most recent ones in Indonesia and Mexico, I have found that rapid progress, often driven by new forms of financial services delivery and players, gives rise to challenges and risks that can seem overwhelming to national-level regulatory and supervisory authorities. Although laws, regulations and supervisory practices at the national level shape actual financial inclusion outcomes, the engagement of the standard-setting bodies is still extremely critical.

You play an essential role in providing guidance to them. Your guidance as well as in-depth research in many important fields help countries to stay on top of financial inclusion developments and of course tackle the challenges. Continued coordinated leadership by the standard-setting bodies will also help promote coordination and peer learning among in all countries with their own jurisdictions.

We are working hard to do our part to support your efforts. Our commitment is strong. It manifests itself not only in this forum but also in the upcoming 3rd Conference on Standard-setting Bodies and Financial Inclusion. The Conference will be hosted here in a month's time by the BIS and G20's Global Partnership for Financial Inclusion, for which I am extremely proud to serve as honorary patron.

Today we will talk about digital financial inclusion, financial exclusion and de-risking. Let me share my perspectives and expectations for the discussions that we will have today.

We all are aware of the incredible potential that digital technologies can offer in providing financial services to unserved and underserved customers around the entire globe. It reduces costs of delivery, reaches places never reached before and gives us the opportunity of providing new customer-centric products that previously were extremely difficult to design.

This I have seen in many countries I have recently visited, like Bangladesh, Pakistan and Myanmar. New products, approaches and players hold great promise to transform economies and address many bottlenecks that have clogged our efforts so far. Digital services lower transaction costs and enable a range of payments and services that would otherwise be expensive to make before. For example distributors partner with companies offer pay-as-you-go technology in many countries such as Kenya, Tanzania, Ghana and Peru. By this way they can offer energy services to off-grid areas and the cost and size of loans for financing energy services among users are significantly reduced. Also the utilization of data, from the payment side or from the e-commerce side, has allowed better risk assess of SMEs and has therefore facilitated lending to this important sector.

Having said all this, we need to keep in mind that innovations through the provision of digital financial services cannot flourish without the right ingredients. The private sector needs a business case to invest and reach scale, and customers need financial services that meet their needs and really work for them. Laws, regulations and policies need to enable competition and foster innovation whilst safeguarding the integrity of the system.
Rapidly advancing technologies, evolving customer expectations and a changing regulatory landscape are opening doors to transformative innovation in financial services, not only in developing countries, but also in the developed world. From mobile payments to peer-to-peer lending, fintech innovations hold great promise in advancing financial inclusion.

The nature and extent of the impact of these innovations is at the center of our attention. I am pleased that we have representatives from the fintech world who will provide us with insights on the opportunities and the challenges they are having in their work. They can also tell us what is needed from regulators to advance further in a safe and stable manner and in a way that consumers are protected.

I hope that this gathering will be the first of a continuous dialogue between standard setters and fintech that in a way will explore multiple perspectives on how provision and usage of financial services are likely to be changed in the future. I would like to support this collaboration so that it becomes a long-term continuous platform between standard setters and fintech companies and eventually a platform that national level regulators could benefit from.

Let me also say a few words about de-risking. De-risking has the potential to revert a lot of the progress made so far in financial inclusion. This is an issue that defies easy answers, therefore a joint approach is needed to address this problem and find solutions. For example, more clarity is needed from standard-setting bodies in defining risk-based approaches that prevent an overly stringent application of AML/CFT framework at the country level. Profitability concerns should also be addressed. In parallel, it is important to think about how technology can help to address the issue such as establishing stronger ID systems. Biometric screening, for example, could reach to large populations of poor and underserved citizens with financial services while at the same time achieving CFT/AML goals effectively and efficiently.

In Pakistan in 2015, biometric SIM card registration enabled 5 million people to open new mobile accounts in a safe integrated way. Banco de Mexico, along with other Mexican financial authorities, is starting implementation of a centralized database of cross-border transactions that would allow verification of customer and facilitate better risk assessment.

Finally, please allow me to suggest a few next steps. Last month in Beijing the G20 endorsed the recommendations of the 2016 GPFI Progress Report. I'm sure it did not come as a surprise to you that the G20 called on the standard-setting bodies to act on the recommendations set out in the white paper. I am ready to support you in this process together with my partners. And as I mentioned above, the establishment of a platform for regular dialogue between the fintech world and standard-setters that would increase understanding and enhance collaboration is extremely important.

Let me close by thanking all for taking time from your busy schedules to be here today, and for your contributions to this meeting. It is extremely important we do this jointly, among all standard setting bodies in a coordinated manner. If we do so, we will probably see more coordination at the country level—an issue that tends to prevent advancement of financial inclusion in many countries.