

Betalingsverkeer en  
Marktinfrastuctuur  
Betalingsverkeer  
beleid

**Re:**

DNB vision on financial inclusion

This vision document describes why financial inclusion is important to DNB, what relevant trends are identified in the Netherlands, and what areas DNB can focus on in its role as central bank and financial supervisor.<sup>1</sup>

**Date**

9 January 2018

**1. DEFINING FINANCIAL INCLUSION**

**Financial inclusion is a situation in which – virtually – everyone has access to affordable financial services.** Although no generally accepted global definition of financial inclusion exists, it is typically measured by three factors:

- (i) Access to financial services
- (ii) Use of financial services
- (iii) The quality of products and the provision of services.

In view of these factors and other definitions in use, this vision document has opted to use the above definition of financial inclusion in bold. This broad definition also includes financial education and influencing behaviour/financial resilience. Pursuing financial inclusion is in line with DNB's mission and the role it plays in society.

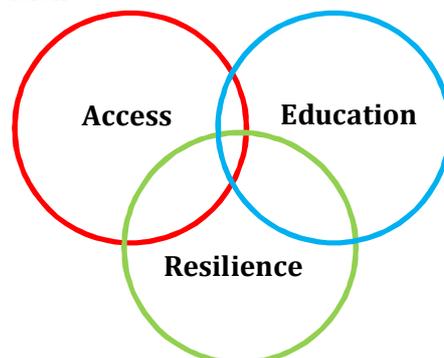
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Figure 1: financial inclusion



<sup>1</sup> It includes the outcomes of the 13 April 2017 brainstorming session with the divisions involved (Supervisory Policy Division, Financial Stability Division, Communications, Payments & Markets Infrastructures, Cash and Economics and Research).

## 2. ECONOMIC AND SOCIAL TRENDS

**Unlike many other countries, the Netherlands does not have major issues with access to financial services.** Virtually everyone in the country has access to standard services, while the 2001 Covenant on a Package of Primary Payment Services – and the Financial Supervision Act (Wet op het financieel toezicht – Wft) since 2016 – guarantees that vulnerable groups such as asylum seekers and the homeless have access at least to basic payment services.

That is not to say that the Netherlands faces no financial inclusion challenges. Below are a number of economic and social trends that influence the level and quality of financial inclusion in the country, and that serve as input for DNB's vision.

**Innovation and far-reaching digitalisation of financial payment services are the future.** As they increase their market share, innovative financial payment services (payment innovations) will play an ever greater role in society. Payment innovations can have a significant impact on the security, reliability and efficiency of the payment system, but also on its accessibility and usability. Many banking and payment services are conducted through internet and mobile banking, while an exponential increase is expected for digital shopping and payment, the use of e-wallets and new technologies for online and offline payments, and electronic authentication such as biometric recognition.

Ongoing digitalisation and changing customer needs are prompting banks to rationalise their physical office networks and ATMs, and this trend is also set to continue.

As a result, financial inclusion is morphing into digital inclusion. For many consumers, these trends will bring opportunities in the shape of new, more consumer-friendly, and possibly also more accessible products and services. However, they may bring risks to financial inclusion at the same time, as the Netherlands still has groups of people who cannot or do not want to hop on the ever-accelerating digitalisation bandwagon. Potentially, then, digital inclusion can cause problems to different groups of people identified relative to pure financial inclusion, both in terms of access and in terms of education and influencing behaviour.

**Responsible financial behaviour increasingly important.** Citizens are expected to make an increasing number of financial decisions, with often major

consequences. These are usually complex decisions and the wrong choice can have a big impact and sometimes cause – serious – financial problems, such as taking on too high a mortgage or facing a pension shortfall.

Also, financial services providers increasingly develop service models that see them offer or broker products on an execution-only basis. Execution-only implies that consumers choose a product themselves, without taking advice first.

**Data analyses will provide more personalised financial services.**

Increasingly, financial services providers collect data about their customers to build holistic customer profiles. Mining this data offers more insight into the risks and product requirements of individual customers. Analysis of these insights helps them tailor pricing and develop personalised services. There may be a downside to all this, though, as customers with high-risk profiles or which generate insufficient returns may find themselves excluded from some financial services, while customer privacy might also be in jeopardy.

**Sustainability increasingly important in financial services.** There is a growing interest in sustainable finance, with increasing numbers of sustainable financial services marketed, such as sustainable investment funds, green funds and savings products. Meanwhile, crowdfunding of responsible initiatives – including sustainable energy projects – is gaining popularity. Many sustainable financial services are typically more expensive and still very much a niche market at this point, with mostly only wealthier consumers able to afford such services. In the longer term, sustainable financial services are expected to become mainstream and within reach of everyone or virtually everyone.

### 3. VISION ON FINANCIAL INCLUSION AND DIGITAL FINANCIAL INCLUSION

**Widespread and easy access to the financial system helps to foster and accelerate sustainable economic growth, create employment and encourage people's social and personal development.** As part of its core tasks and taking on board economic and social trends, DNB is able and willing to promote policies that facilitate and encourage financial inclusion, both digital and otherwise. Monitoring solid access to affordable financial services and promoting financial awareness contributes to confidence in the financial sector, while a healthy financial sector with reliable directors helps to create a climate conducive to financial inclusion.

In line with its mission, DNB will focus its financial inclusion activities on the Netherlands first of all. In addition, much is happening in the area of financial inclusion, both Europe-wide and across the world. Of course, DNB can and will

chip in on issues within its field of competence and depending on available capacity. For more background information, please turn to the appendix.

In payments, DNB needs to ensure that **innovation and far-reaching digitalisation** does not obstruct accessibility and availability. A key area of focus for both financial stability and payments/supervision is **financial education and financial resilience/self-reliance**. In close collaboration with others in the Money Wise Platform, through its own visitor centre and by supporting Child and Youth Finance International, DNB helps to raise public awareness of the tremendous impact of financial decisions on their lives. Lastly, financial stability includes **sustainability**, as the Netherlands feels it is important that economic growth does not come at the expense of the environment or the climate. Encouraging accessible and affordable sustainable financial services can have a key role to play.

Needless to say, other Dutch financial authorities such as AFM and ACM as well as a whole host of ministries promote financial inclusion and DNB can seek to enhance its collaboration with these parties.

#### 4. ACTIVITIES TO PROMOTE FINANCIAL INCLUSION IN THE NETHERLANDS

To promote financial inclusion – digital or otherwise – and so implement its vision, DNB seeks make use of the following bodies and activities:

- *National Forum on the Payment System*

**The National Forum on the Payment System (*Maatschappelijk Overleg Betalingsverkeer*) is committed to maintaining the social efficiency of the Dutch retail payment system.** This means that the payment system must be safe, reliable and efficient, as well as available and accessible to all. The Forum constantly focuses on accessible payment services for vulnerable groups in view of the ongoing shift from physical to digital payment services. In addition, a range of innovations can help achieve financial inclusion, and new payment products and channels are tested for social risks under the innovation assessment framework adopted for this purpose in May 2015. Where possible, the Forum can bring order to these changes and highlight socially desirable development pathways.

- *Money Wise Platform*

**The Money Wise Platform, an initiative of the Dutch Ministry of Finance, has in place an explicit national strategy on financial awareness and education (its 2014-18 National Strategy), which DNB endorses and also helps to implement.** Partners from the financial sector, academia, government,

education and consumer organisations join forces in this platform to promote responsible financial behaviour in the Netherlands. Her Royal Highness Queen Máxima is its honorary chair. Its steering group includes representatives of: the Dutch finance ministry, the Dutch Banking Association, the Dutch Association of Insurers, the Federation of Dutch Pension Funds, DNB (Nicole Stolk), Nibud and AFM. All these bodies also engage in independent activities in the area of financial inclusion.

- *Financial education and skills*

**DNB has a wide range of means for sharing its knowledge with the Dutch public, including opening its visitor centre.** DNB not only provides

information about its own tasks and activities, but also about money and the financial world in a wider sense. This helps people take better financial decisions. For this purpose, in September 2016 DNB drew up its policy vision on financial education and plan of action for teaching resources (“Beleidsvisie financiële educatie en plan van aanpak onderwijsmiddelen DNB”).

- *Child and Youth Finance International*

DNB also supports Child and Youth Finance International (CYFI), a global organisation that helps children in over 100 countries to develop financial awareness and financial skills. DNB has been serving on CYFI's Supervisory Board and Executive Committee since early 2016. Examples of recent CYFI projects include SchoolBank, YE!, Global Money Week and Youth Engagement.

## 5. EUROPEAN AND GLOBAL CONTRIBUTION TO FINANCIAL INCLUSION

DNB also contributes to financial inclusion at a European and global level, for instance through technical cooperation.

### *a) Technical cooperation*

**DNB offers technical cooperation to fellow central banks and supervisors in countries developing into market economies**, the aim being to transfer knowledge and share best practices. In October 2015, for instance, DNB hosted its first international seminar on financial inclusion, with a second one scheduled for 20-22 September 2017. In addition, DNB holds an annual conference about retail payments in Macedonia, which also links to financial inclusion. A bi-annual seminar for Bank Indonesia prioritises financial inclusion, while DNB also cooperates on this issue in the Caribbean Netherlands.

### *b) European*

**The Payment Accounts Directive requires that all EU Member States offer a basic current account.** The Netherlands largely meets this requirement, but there still a lot of work to at European level, as around 80 million consumers in the EU do not have a current account. In addition, DNB supports the initiative of the Eye Association Netherlands, the National Forum on the Payment System and the EU Pay-Able platform to promote the accessibility and uniformity of ATMs, and have these included in the European Accessibility Act. The legislative proposal is now at the trilogue stage and its scope includes ATM accessibility.

**DNB also serves on the Euro Retail Payments Board (ERPB) on a rotating basis, which promotes the development of an integrated market for retail payments in the EU.** DNB has joined forces with AGE Platform Europe to set up an informal working group to investigate the accessibility of financial services in Europe, while it also safeguards the importance of accessibility in ERPB-linked European Forum for Innovation in Payments.

### *c) Global*

**Financial inclusion has been topping the agendas of global summits and organisations for quite a few years now, such as the G20, the United Nations, the BIS and the World Bank.** Financial inclusion similarly matters to central banks, as access to payments contributes to financial stability. Across the years, the BIS and the World Bank have conducted various studies on payments, the most recent of which was the 2016 Payment Aspects of Financial Inclusion (PAFI) report. In a sense, DNB also contributed to this report as it also gave feedback on its drafts. In a separate development, the World Bank et al recently launched a three-year programme to support designated countries in their

financial inclusion work (FIGI). Three working groups have been set up under the programme: (i) security, (ii) digital ID for financial services and (iii) electronic payments acceptance. DNB participates in the working group promoting the acceptance of electronic payments.

Meanwhile, the G20's Global Partnership for Financial Inclusion (GPMI) released its 'Global Standard-Setting Bodies and Financial Inclusion – the evolving landscape' report in March 2016. And although financial inclusion is not exclusively part of the Financial Stability Board's mandate, the FSB does recognise its importance: all six standard-setting bodies have incorporated financial inclusion in their standards/recommendations, implying that all financial regulators – including DNB – take this on board in their supervisory tasks. The standard-setting bodies also conduct research on financial inclusion and publish best practices and reports.<sup>2</sup> (See 2017 Financial Inclusion Action Plan.)

## 6. DNB financial inclusion working group was launched in early 2018

DNB's activities related to promoting financial inclusion are assigned to various divisions at DNB, and a broad-based working group will coordinate initiatives and activities from the beginning of 2018.

This working group's remit will be as follows:

- To coordinate financial inclusion subjects within DNB, bringing together vision and activities into a single focused and coherent programme
- Monitoring trends in financial inclusion
- Analysing the interaction between financial inclusion and financial stability
- Conducting research in such areas as financial literacy, consumer behaviour and accessibility
- Discussing with the Youth Council how payment instruments provide insight in budgets
- Collecting data to measure financial inclusion
- Participating in the FIGI working group for promoting the acceptance of electronic payments
- Preparing DNB's third international seminar about financial inclusion in September 2019.

<sup>2</sup> Examples include the 'Best practice paper on customer due diligence and financial inclusion' (FATF), 'Guidance on the application of the Core Principles for effective Banking Supervision to the regulation and supervision of institutions relevant to financial inclusion' (BCBS) and the 'Issue paper on conduct of business in inclusive insurance' (IAIS).

## Bijlage bij concept-visie DNB op financial inclusion

This appendix summarises the most important global and European initiatives for DNB in promoting financial inclusion. It is followed by a review of key initiatives run by the G20, the United Nations (UN), the World Bank, the OECD, the Financial Stability Board and Standard-Setting Bodies, as well as a number of worldwide charity programmes.

### SUMMARY OF MOST IMPORTANT GLOBAL AND EUROPEAN INITIATIVES PROMOTING FINANCIAL INCLUSION

#### A. *Global initiatives*

For some years now, financial inclusion has been topping the agendas of global summits and organisations, such as the G20, the United States, the Bank for International Settlements and the World Bank. These are listed in order of importance, followed by a broader overview.

- *UNSGSA<sup>3</sup>*

Queen Máxima champions universal access to financial services, both in the Netherlands and abroad, improving consumer protection and financial skills.

In 2009, she was appointed Special Advocate to the UN's Secretary-General for inclusive development finance. In this capacity, she advises the Secretary-General and works internationally to make financial services accessible to all, including those on low incomes and small and medium-sized companies. Since 2011, she has been honorary patron of the G20's Global Partnership for Financial Inclusion (GPMI). Read the UNSGSA's 2017 Annual Report for her recent activities.

- *World Bank et al – Financial inclusion global initiative (FIGI)*

In June 2017, the World Bank, the International Telecommunications Union and the Bill & Melinda Gates Foundation with support from the BIS/CPMI started a three-year programme aimed at accelerating progress towards universal access to financial services.

- *BIS and World Bank – PAFI report findings*

Co-authored by the BIS and the World Bank and published in April 2016, the PAFI report found that a desirable aspect of financial inclusion is to promote a

<sup>3</sup> UN Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA).

basic current account, as this paves the way for other financial services. The PAFI report proposed seven policy recommendations:

1. Encourage public and private sector organisations to disseminate financial inclusion (stakeholder management).
2. Ensure that the legal and regulatory framework underpins financial inclusion by effectively addressing relevant payment system risks, while at the same time fostering competition and innovation.
3. Ensure that the payment system is robust and efficient.
4. Ensure the existence of solid current accounts and payment products meeting a broad range of transaction needs at fair and low prices.
5. Ensure broad access to the payments system for both consumers and small and medium-sized customers.
6. Promote awareness of financial products so that consumers know their benefits and risks, and enjoy adequate consumer protection.
7. Generate economies of scale in payments, including remittances to other countries, regions.

In a sense, DNB also contributed to this report as it also gave feedback on its drafts. At this point, PAFI assessments are carried out for several countries, e.g. Albania.

- *BIS and World Bank – statistics*

International institutions such as the BIS and the World Bank actively engage in producing statistics (Findex) and analyses in the field of financial inclusion, involving data about the availability and demand for financial services and about their quality. These data inform strategy development.

- *OECD – financial education en consumer protection*

The OECD has developed high-level principles for financial education that member states can draw on to create their own national strategies for financial inclusion. In addition, the OECD has conducted a survey to measure financial education, with the aim of developing practical tools for financial education.

- *Financial Stability Board and Standard-Setting Bodies – best practices and reporting*

Although financial inclusion is not exclusively part of the Financial Stability Board's mandate, the FSB does recognise its importance: all six standard-setting bodies have incorporated financial inclusion in their standards/recommendations. This means that central banks and supervisors establish whether regulated financial institutions comply. In addition, the relevant standard-setting bodies also conduct research on financial inclusion and publish best practices and reports. Examples include the PAFI report (CPMI), the

'Best practice paper on customer due diligence and financial inclusion' (FATF<sup>4</sup>), the report 'Guidance on the application of the Core Principles for Effective Banking Supervision to the regulation and supervision of institutions relevant to financial inclusion' (BCBS) and the 'Issue paper on conduct of business in inclusive insurance' (IAIS). In March 2016, the G20's GPMI released its report 'Global Standard-Setting Bodies and Financial Inclusion – the evolving landscape'.

DNB serves on the Financial Stability Board and the standard-setting bodies both directly or indirectly, and thus influences their activities.

## **B. European initiatives**

- *European legislation – basic current account*

The Payment Accounts Directive requires that all EU Member States offer a basic current account. The Netherlands already complies with these requirements. There is still a lot of work to be done at European level, as around 80 million EU consumers have no current accounts and there is clear room for significant improvement in financial product awareness. Examples include ensuring ATMs (EU Pay-Able platform, an initiative of the Eye Association Netherlands and the National Forum on the Payment System) feature in the proposed legislation for the European Accessibility Act.

- *ECB – ERPB*

The aim of the Euro Retail Payments Board (ERPB) is to foster the development of an integrated retail payments market for EUR in the EU. It consists of seven representatives of stakeholders of European umbrella organisations from the demand side (consumers, retailers and businesses) as well as the supply side (banks, payment institutions and electronic money institutions) and, on a rotating basis, six national central banks.

At the end of 2016, DNB joined forces with AGE Platform Europe as part of the ERPB to set up an informal working group to investigate the accessibility of financial services in Europe, to identify problem areas, and to draw up best practices.

<sup>4</sup> Financial Action Task Force (FATF), Basel Committee on Banking Supervision (BCBS) and International Association of Insurance Supervisors (IAIS).

## SUMMARY OF GLOBAL INITIATIVES PROMOTING FINANCIAL INCLUSION

### Financial inclusion and the work of the G20

#### **G20 Action Plan on the 2030 Agenda for Sustainable Development**

The G20 is committed to further aligning its work with the 2030 Agenda for Sustainable Development to ensure that no one is left behind in the efforts to eradicate poverty, achieve sustainable development and build an inclusive and sustainable future for all, as confirmed at the Antalya Summit. This Action Plan, including the High Level Principles, contributes to global efforts to implement the 2030 Agenda, including the Sustainable Development Goals (SDGs) and the Addis Ababa Action Agenda on Financing for Development (AAAA). The Sustainable Development Sectors of the G20 Action Plan are intrinsically linked to people's well-being, correlate with our planet, enable prosperity and foster peace and partnership (2030 Agenda's 5Ps).

#### **G20 Global Partnership for Financial Inclusion**

The Global Partnership for Financial Inclusion (GPFI) is an inclusive platform for all G20 countries, interested non-G20 countries and relevant stakeholders to carry forward work on financial inclusion, including implementation of the G20 Financial Inclusion Action Plan, endorsed at the G20 Summit in Seoul. It contributes to strengthening coordination and collaboration between various national, regional and international stakeholders, as called for in action area 6 of the G20 Financial Inclusion Action Plan. The GPFI's efforts include helping countries put into practice the G20 Principles for Innovative Financial Inclusion, strengthening data for measuring financial inclusion, and developing methodologies for countries wishing to set targets. Under the China G20 Presidency leadership, the G20 High Level Principles for Digital Financial Inclusion were developed, and also new financial inclusion indicators to measure the use, availability, and quality of digital financial services in over 200 economies worldwide. For further information, see the 2017 Financial Inclusion Action Plan.

### Financial inclusion and the work of the UN

#### **UN Capital Development Fund (UNCDF)**

UNCDF's mission is to reduce poverty in the world's 48 least developed countries; promoting financial inclusion is one of its key strategies for doing so. UNCDF focuses first and foremost on LDCs with a special commitment to challenging environments – remote rural areas and countries emerging from conflict. UNCDF provides seed capital – grants and loans – and technical support through Inclusive Finance programmes to ensure that more households and

small businesses gain access to credit, savings, insurance and other financial services that expand opportunities and reduce vulnerabilities. UNCDF's ability to provide risk capital directly to the private sector is helping to bring new financial products to underserved and hard to reach markets and spurring innovations. Through its flexible grant and loan instruments, UNCDF supports a wide range of providers and financial products and services. UNCDF is also paying particular attention to the new drivers of financial inclusion, especially innovative distribution channels and technology. Increasingly, a number of non-traditional players are involved in the design and delivery of inclusive financial services. UNCDF is well-placed to help facilitate these partnerships that span public and private sectors.

### **UN Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA)**

As Special Advocate, Queen Máxima champions universal access to affordable, effective, and safe financial services for the poor. Collaborating closely with global and national partners, she raises awareness, encourages leadership, works to break down barriers, and supports action to expand financial inclusion. Queen Máxima is also honorary patron of the G20's Global Partnership for Financial Inclusion and serves as a Global Agenda Trustee for the World Economic Forum's Global Challenge Initiative on the Future of the Global Financial System. In the Netherlands, she is a member of the Committee for Entrepreneurship and Finance, and honorary chair of the Dutch Money Wise Platform.

### **Financial inclusion and the work of the World Bank Group**

The World Bank Group plays a critical role in advancing financial inclusion in the world since it can leverage its financial sector experience, country engagement and dialogue, financing and risk-sharing instruments, unique datasets and research capacity, and influence with standard-setting bodies and the G20. The World Bank Group has two institution-wide specific initiatives to promote financial access and inclusion:

- Universal Financial Access (UFA) by 2020  
In 2015, the World Bank Group committed to extending access to financial services to 1 billion adults through the UFA 2020 initiative, which envisions that adults worldwide should have access to a transaction account to store money, send or receive payments.
- Financial Sector Assessment Programs (FSAPs)  
As governments and standard-setting bodies started prioritising financial access, financial inclusion topics have become prevalent in FSAPs, which are assessments the World Bank and the IMF developed to

help strengthen countries' overall financial systems and cover a range of financial sector issues.

The World Bank Group has developed an integrated and unified approach in their work to help countries achieve financial access and responsible financial inclusion, which focuses on nine intertwined areas:

1. National financial inclusion strategies
2. Modernise retail payment systems and government payments
3. Reform national payment systems, including remittance markets
4. Diversify financial services for individuals
5. Leverage technology for financial inclusion
6. Strengthen competition and expand access points
7. Financial consumer protection
8. Financial capability
9. Financial inclusion data

In 2017, the World Bank, the International Telecommunications Union and the Bill & Melinda Gates Foundation with support from the BIS/CPMI started the **Financial Inclusion Global Initiative (FIGI)**. FIGI is a three-year programme aimed at accelerating progress towards universal access to financial services. The initiative will provide targeted assistance to selected countries (most likely China, Egypt and Mexico) in their pursuit of financial-inclusion targets, building countries' own national strategies with respect to both financial inclusion and retail payments. The three working groups are: Security, Digital ID for Financial Services and Electronic Payment Acceptance.

### **Financial inclusion (financial literacy and consumer protection) and the work of the OECD**

Assessing the levels of financial literacy in the population is a key component of a successful national strategy for financial education, enabling policy makers to identify gaps and design appropriate responses. International comparisons increase the value of such assessment by enabling countries to benchmark themselves with other countries. Where similar patterns are identified across countries, national authorities can work together to find common methods for improving financial literacy within their respective populations.

The OECD has developed high-level principles on national strategies for financial education and conducted a survey on measuring financial literacy and financial inclusion to develop practical tools for financial literacy.

## Financial inclusion and the work of the Financial Stability Board and Standard-Setting Bodies

The Financial Stability Board (FSB), which exists as a coordinating body of SSBs with respect to financial stability, and six SSBs: the Basel Committee for Banking Supervision (BCBS), the primary SSB for supervisors of banks and other deposit-taking institutions; the Committee on Payments and Market Infrastructures (CPMI), the primary SSB with respect to payment systems, including retail payment systems; the Financial Action Task Force (FATF), the SSB responsible for protecting the integrity of financial systems by preventing financial crime, particularly through standards and guidance on anti-money laundering and combating financing of terrorism (AML/CFT); the International Association of Deposit Insurers (IADI), the SSB for deposit insurance systems; the International Association of Insurance Supervisors (IAIS), the primary SSB for insurance supervision; and the International Organization of Securities Commissions (IOSCO), the primary SSB for the securities sector.

### Financial Stability Board (FSB)

Various FSB work streams recognise – both implicitly and, in a few cases, explicitly – the important linkages among the objective of financial inclusion and the traditional objectives of financial regulation and supervision: financial stability, financial integrity, and financial consumer protection. While financial inclusion is not explicitly incorporated into FSB’s core mandate, related issues arise in an increasing number of areas of FSB’s work, including monitoring effects of agreed regulatory reforms in emerging market and developing economies (EMDEs), effective resolution regimes for financial institutions, shadow banking, and misconduct risks. FSB’s six Regional Consultative Groups (RCGs) offer a valuable platform for dialogue with the 86 jurisdictions currently represented, providing important insights from beyond FSB’s membership, including many EMDEs with high levels of financial exclusion and a strong policy commitment to financial inclusion.

### Basel Committee on Banking Supervision (BCBS)

The 2012 revised Basel Core Principles for Effective Banking Supervision (BCPs) include a key revision of relevance to financial inclusion: the incorporation of the concept of proportionality throughout the revised Core Principles and their assessment criteria. In 2013, BCBS approved the establishment of a work stream on financial inclusion under the auspices of its outreach arm, the Basel Consultative Group (BCG), to help BCBS gain an in-depth understanding of the different country contexts and constraints faced by both member and non-member jurisdictions and the unique market features associated with inclusive finance.

Building on a Range of Practice Report issued in January 2015, the work stream has released a BCBS guidance paper in September 2016. This paper identifies 19 of the total 29 Basel Core Principles where additional guidance is needed in the application of the Core Principles to the supervision of financial institutions engaged in serving the financially unserved and underserved. The Guidance also specifies the "Essential Criteria" and "Additional Criteria" associated with the Core Principles that have specific relevance to financial inclusion. The problem of financially unserved and underserved sectors of society is a global issue. In recognition of this, the Guidance is useful to both Basel Committee member and non-member jurisdictions. This includes those jurisdictions in which bank supervisors are striving to comply with the Core Principles and which may implement this Guidance gradually over time.

#### **Committee on Payments and Market Infrastructures (CPMI)**

CPMI's recent work on retail payments issues covers payment aspects related to financial inclusion, such as remittances and innovative retail payments and instruments, most recently with the consideration of the role of non-banks in retail payments. CPMI and the World Bank Group created the Task Force on Payments Aspects of Financial Inclusion (PAFI Task Force) to analyse the role of payments and payment services in financial inclusion. A consultative report issued by the PAFI Task Force in September 2015 outlines seven guiding principles designed to assist countries that want to advance financial inclusion in their markets through payments; a final version of the report is published in April 2016.

#### **Financial Action Task Force (FATF)**

In 2011, FATF recognised the relevance of financial inclusion as a means to mitigate the money laundering and terrorist financing risks of financial exclusion in a ground-breaking guidance paper Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion. Revised FATF Recommendations released the following year with a strengthened and clarified risk-based approach (RBA) at their core have far-reaching ramifications for financial inclusion, as does the 2013 Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems. In the wake of these developments, FATF is proceeding with a programme to update relevant guidance papers and develop new papers, including its guidance papers on the application of the RBA for the banking sector (2014), for virtual currencies (2015), and for money or value transfer services (2016) and a best practice paper on customer due diligence (CDD) and financial inclusion.

#### **International Association of Deposit Insurers (IADI)**

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Research conducted by IADI in 2013 constituted an important first step in scoping deposit insurance practices in relation to the wave of innovations seen as important for advancing financial inclusion. In addition to questions regarding deposit insurance for non-bank deposit-taking institutions such as financial cooperatives, the emergence and potentially rapid scaling in many EMDEs of digital deposit-like stored-value products triggers the question of their treatment for deposit insurance purposes. IADI's research agenda is expected to address this subject, including by considering issues related to compliance with the IADI Core Principles as revised in 2014.

### **International Association of Insurance Supervisors (IAIS)**

The IAIS Insurance Core Principles (ICPs) include a broad and overarching concept of proportionality that allows for both regulation and supervision that promote financial inclusion. A comprehensive review of the ICPs, completed during 2016, is exploring further the concept of proportionality in insurance regulation and supervision, with results of the review to be reflected in the 2017 release of revised ICPs. An important follow-up paper to the 2011 revision of the ICPs is the Application Paper on Regulation and Supervision Supporting Inclusive Insurance Markets, issued in 2012. IAIS is currently working on several work streams relevant to financial inclusion, including market conduct (with its Issues Paper on Conduct of Business in Inclusive Insurance approved in November 2015), mutual and community based institutions in insurance, and index insurance, several in collaboration with its Implementation Partner for inclusive insurance, the Access to Insurance Initiative (A2ii).

### **International Organization of Securities Commissions (IOSCO)**

IOSCO's work, both on its own and in cooperation with other global bodies, of greatest relevance to the responsible delivery of formal financial services to the financially excluded and underserved includes its activities focused on supporting sound and stable capital market development in EMDEs (which comprise almost three quarters of its members) and its increasing engagement on retail investments and investors (supported by IOSCO's Committee on Retail Investors). IOSCO has also pursued work on market-based SME finance (for example, its 2015 publication SME Financing Through Capital Markets), crowdfunding, impact of digitisation and innovation on capital markets, and social media and retail investing. IOSCO leads the SSBs in the consideration it has given to crowdfunding.

### **Financial inclusion and the work of several global trust fund programmes**

The **Financial Inclusion Support Framework** programme supports reforms and other country-led actions to achieve national financial inclusion goals and

targets. The programme currently covers eight countries and is supported by the Ministry of Foreign Affairs of the Netherlands and the Bill & Melinda Gates Foundation.

The **Harnessing Innovation for Financial Inclusion** programme gives technical assistance to financial service providers to help them develop technology-driven business models to deliver financial services to the underserved. It also provides expertise to help developing countries modernise government, retail and remittance payment systems. It is supported by the UK Government Department for International Development and implemented by the World Bank Group.

The **Consumer Protection and Financial Literacy Trust Fund** provides technical assistance through existing financial consumer protection and literacy programmes to improve laws and regulations that strengthen consumer disclosure, prohibit abusive business practices, and establish effective out-of-court mechanisms to address consumer disputes as well as to enhance consumer knowledge and awareness of financial services, especially for the poor and vulnerable. It is supported by the Swiss State Secretariat for Economic Affairs.

The **Payment Aspects of Financial Inclusion** report outlines seven guiding principles and suggests actions countries can take to advance access to transaction accounts.

The **Pacific Financial Inclusion Programme** helps to provide sustainable financial services and low-income households. It is a joint UNDCF and UNDP programme with support from the Australian Department of Foreign Affairs and Trade and the *European Union*.

### Financial inclusion and the work on retail payments

Date	Report	Organisation:	Context
EUR 2006	General Guidance for National Payment Systems Development	BIS – CPSS (CPMI)	This report identified 13 guidelines that countries could use to plan the development of their national payments system. Guideline 11 specifically refers to retail payment services.
EUR 2007	General Principles for International Remittance Services	BIS – CPSS (CPMI) and World Bank	While international or cross-border remittances are the primary target of the General Principles, the report itself envisages applicability of the same to the broader retail payment systems market.
EUR 2007	Retail Payment Systems to Support Financial Access:	World Bank – PSDG and CEMLA	This study focused on identifying a set of common issues in retail payment systems in Latin America and the Caribbean.

	Infrastructure and Policy		
EUR 2008	First Global Payment System Survey	World Bank - PSDG	This survey covers retail payment systems as well as several other elements of the national payments systems.
EUR 2008	Balancing Cooperation and Competition in Retail Payment Systems: Lessons from Latin America Case Studies	World Bank - PSDG	This study defined a conceptual framework to identify the issues pertaining to the development of retail payments infrastructure, and proposed policy guidelines for use by the authorities and other stakeholders in implementing practical reforms to their retail payments mechanisms.
EUR 2010	Global Payment System Survey	World Bank - PSDG	This survey covers retail payment systems as well as several other elements of the national payments systems.
EUR 2012	Comprehensive package for the development and reform of the national retail payments system: a) Developing a comprehensive national retail payments strategy; b) A Practical Guide for Retail Payments Stocktaking; c) Legal and Regulatory Framework for Retail Payments-issues to consider and practical approaches; d) Innovations in Retail Payments Worldwide: A Snapshot	World Bank - PSDG and Central Bank of Brazil and European Central Bank	a) developing a comprehensive national retail payments strategy aims to provide public authorities and market participants with detailed guidance on how to develop and implement a comprehensive, strategic retail payments reform; b) a practical guide for retail payments stocktaking identifies a methodology for undertaking a detailed stocktaking of a country's retail payments landscape; c) from remittances to m-payments: Understanding alternative means of payment within the common framework of retail payments system regulation explores the development of a normative framework to underpin an efficient retail payments industry, including the so-called innovative payment mechanisms; and d) innovations in retail payments worldwide: a snapshot: outcomes of the global survey on innovations in retail payments instruments and methods 2010 presents the results of the first World Bank survey among central banks that collected information on innovative retail payment products and programmes.
EUR 2012		BIS - CPSS (CPMI) and	The working group studied the recent innovations in retail payments.

		World Bank – PSDG	
EUR 2012	Global Payment System Survey	World Bank - PSDG	This survey covers retail payment systems as well as several other elements of the national payments systems.
EUR 2014	The Opportunities of Digitizing Payments	World Bank	This report demonstrates that a broader adoption of digital payments, with regard to both remittances and other payments, can significantly advance the global financial inclusion agenda and support the priority areas of the Global Partnership for Financial Inclusion. Not only are digital payments more efficient than cash payments, but their broader adoption also can reduce rates of corruption and violent crime, reduce the cost of government wage and social transfer payments, offer new pathways into the financial system for the disadvantaged, and, importantly, contribute to the ongoing objective of women's economic empowerment.
EUR 2014	Non-banks in retail payments	BIS.	The report is based on several fact-finding exercises that were conducted to support the analysis, revealing a significant presence of non-banks in all stages of the payment process and across different payment instruments. The report analyses the factors influencing the growing importance of non-banks, the main implications for both the efficiency of and risks in retail payment systems (including their possible influence on financial inclusion) and the diverse regulatory approaches for the different types of non-bank in various jurisdictions.
EUR 2016	Payment Aspects of Financial Inclusion	BIS – CPSS (CPMI) and World Bank - PSDG	The report outlines seven guiding principles and provides guidance to regulators and policymakers on actions countries can take to advance access to transaction accounts.
EUR 2016	Global Payment System Survey	World Bank - PSDG	The GPSS is the only global survey that combines quantitative and qualitative measures of payment system development and covers all aspects of national payment systems – from infrastructure and the legal and regulatory environment to technological and business model innovations,

			international remittances, and oversight framework.
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