

**afi** Alliance for  
Financial Inclusion  
Bringing smart policies to life

**Innovative Policy and Regulatory Approaches for Financial  
Inclusion in Asia**

**Strengthening the Asian Financial Sector toward  
Sustainable and Inclusive Growth**

Tokyo, March 8, 2013

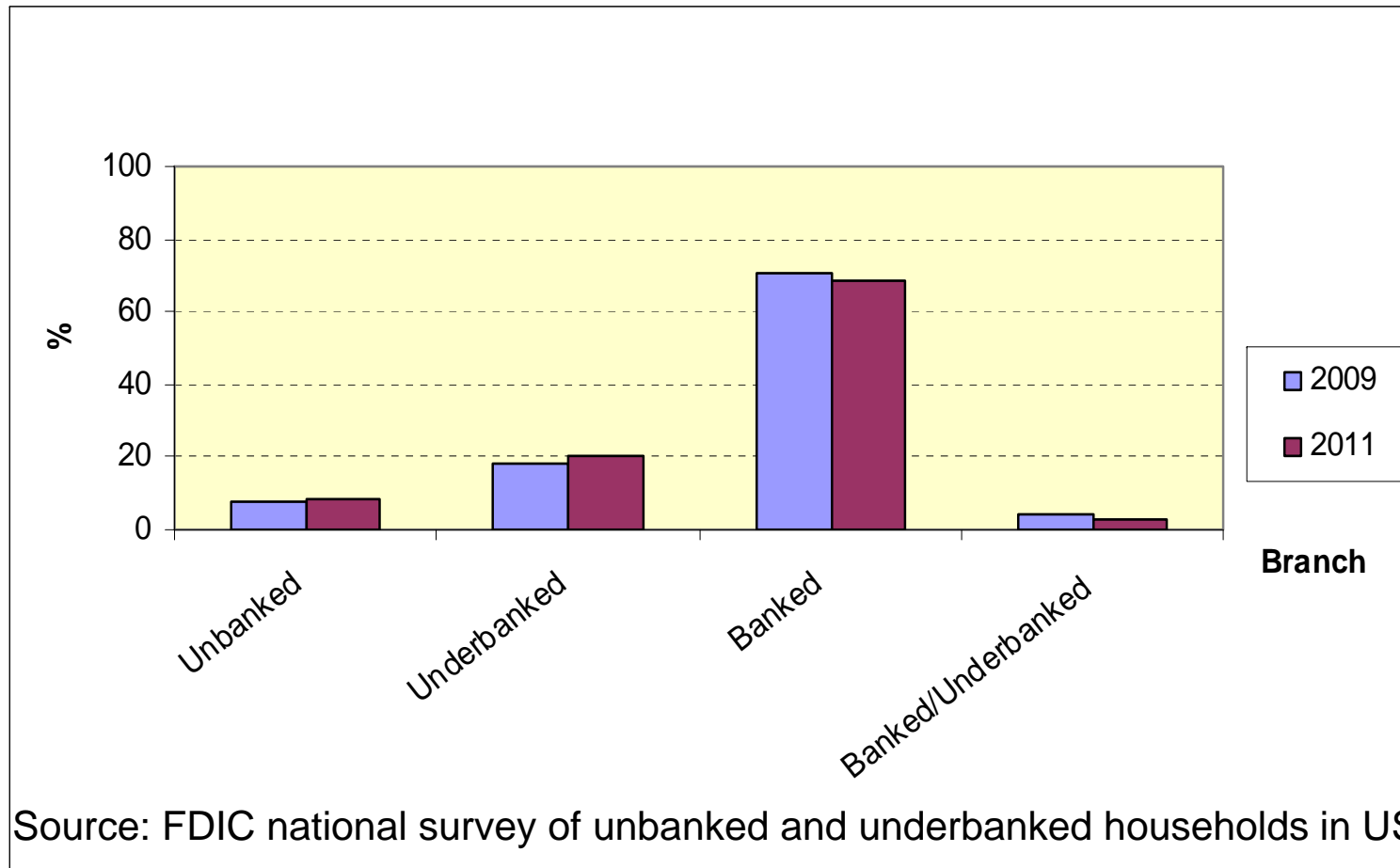
## AFI at a glance

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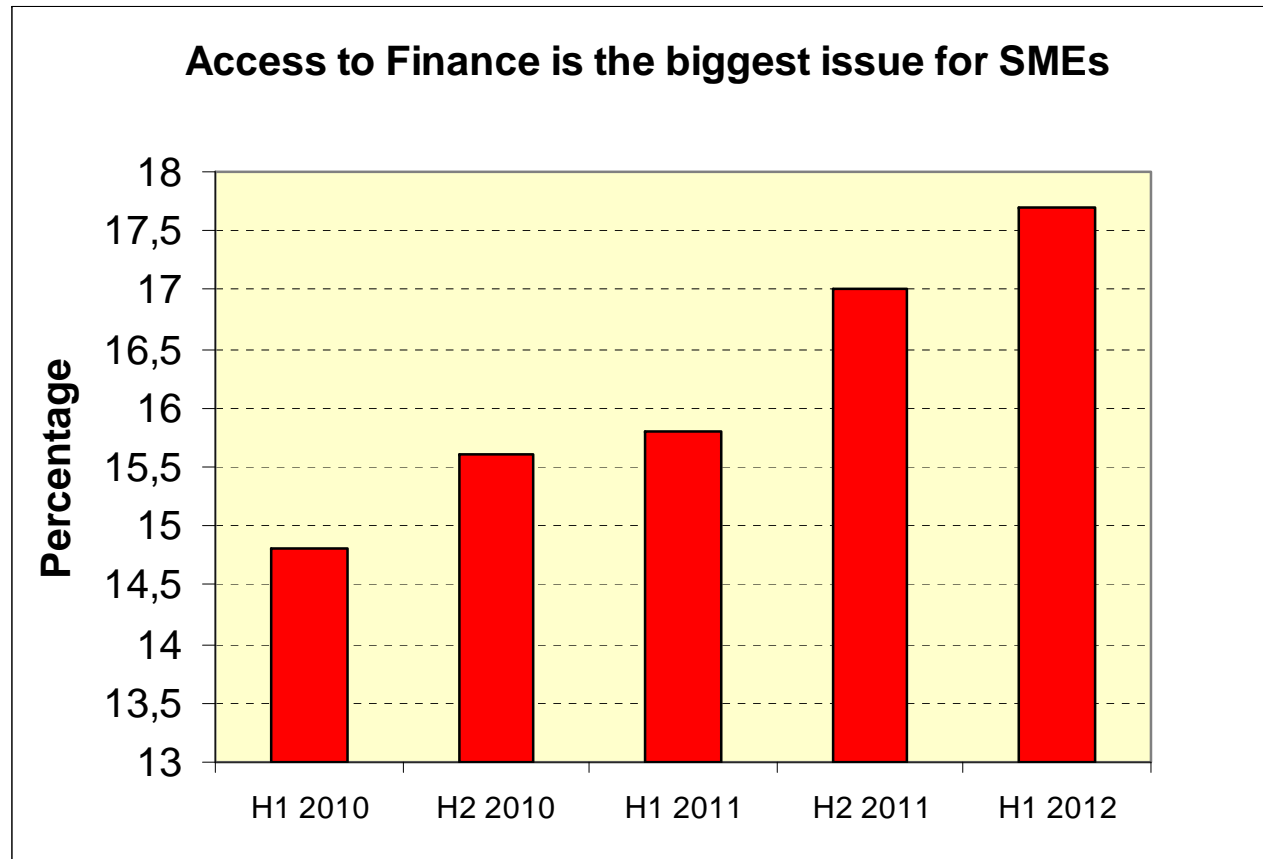


- AFI is a global network of **policymakers in developing and emerging countries**
- AFI provides members with the tools and resources to **share, develop and implement** their **knowledge** of cutting-edge financial inclusion policies that work
- Founded in 2008: AFI's **goal** is to support developing countries to develop and implement successful financial inclusion policies
- As of today, AFI has **members** from Central Banks and leading financial regulatory institutions in **more than 80 countries**, with institutions from other countries in the process of joining

# Financial Inclusion in the North and the South: Two opposing trends?



# Financial Inclusion in the North and the South: Two opposing trends?



Source: ECB survey on access to finance of SMEs in EU

# PAKISTAN - Innovative Regulation and Policy: Mobile Banking



- State Bank of Pakistan is committed to making branchless banking a reality. Branchless Banking Regulation since 2008.
- Agents cost 76 times less than bank branches. Replacing agents with a mobile phone further cuts costs in half.
- Study on *Easypaisa* by CGAP shows:
  - 69% of users live on less than USD3.75 a day
  - 41% live on less than USD2.50 a day
  - 5% live on less than USD1.25 a day
  - 45% of users were previously unbanked

# PAKISTAN - Innovative Regulation and Policy: Mobile Banking



Indicator	March 2012	June 2012	Quarterly Growth
Total Number of Agents	26,792	29,525	10%
Total Number of Accounts	1,059,519	1,447,381	37%
Total Number of Transactions (in Million)	25.3	28.4	12%
Average Size of Transaction (in USD)	35	41	31%

## PAKISTAN - Innovative Regulation and Policy: Proportionate Application of SSB Standards

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- Only bank based model is allowed
  - Risk-based KYC requirements (level 0 to 3) for account opening and associated transactional limit and security levels. For “0” account:
    - No physical document handling needed
    - Agents can send a digital account opening form and a digital photo of the customer and an image of the customers ID to the financial institution
  - The existing requirement of obtaining a biometric fingerprint scan at the time of opening an account at the agent was withdrawn in 2011
  - New category of fund transfer from accountholder to non-account holder (monthly limit USD250).
  - Person to person fund transfers allowed (monthly limit USD150).
  - Customer protection and awareness. Bank is responsible for grievance handling mechanism.
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***“The creation of e-money is a revolution  
akin to the introduction of paper money.”***

***Daniel Schydrowsky  
Superintendent of SBS Peru  
Member of AFI Steering Committee***





# PHILIPPINES - Innovative Policies and Regulation: Electronic Money



## Electronic Money Regulatory Framework: E- Money and E- Money Issuers (Circular 649) and Electronic Money Network Service Providers (Circular 704)

- Defines electronic money
- Allows the establishment of e- money issuers (whether bank or non- bank)
- Provides the platform for an efficient retail payment platform
- Fosters the establishment of an ubiquitous agent network
- Allows linkage of banks with e-money issuers

# PHILIPPINES- Innovative Policies and Regulation: Electronic Money



- G-Cash launched in 2004 is telco based e-money service
- Banking law defines banks as “entities engaged in the lending of funds obtained in the form of deposits”
- In approving G-Cash BSP weighed:
  - Financial soundness of Globe
  - Experience of Globe management in financial services
  - Security concerns were addressed adequately
- BSP approved G-Cash with several conditions:
  - Quarterly reporting for monitoring purposes
  - Frequent reconciliation of the underlying accounts to the aggregate value of the float
  - Full access to operations and periodic examinations by BSP supervisors

## PHILIPPINES- Innovative Policies and Regulation: Electronic Money



- BSPs initial approach to market based products was to proceed with flexibility yet with caution
- Fully understand operating/business models and identify all risks and necessary risk management
- Closely monitor development and related issues that may arise
- Use existing regulations as necessary and eventually adopt a regulatory approach based on the experience/ lessons learned
- Established a clear delineation between deposit-taking transactions and receipt of funds for fund transfer purposes and consequently regulated proportionately

# PHILIPPINES- Innovative Policies and Regulation: Electronic Money

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- E-money clearly distinct from deposits
  - For non bank e-money issuers, there are requirements for capital, liquidity management, governance structure, technology risk management, consumer protection, etc.
  - Transaction limits are instituted
  - E-money issuers are responsible for the behavior of agent networks (which can be subject to spot checking)
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## MALAYSIA - Innovative Policies and Regulation: Consumer Protection

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- After the Asian financial crisis Malaysia committed to a reform program aimed at improving financial stability through consumer protection and market conduct activities.
  - Financial Sector Master Plan (2001) was to make the Malaysian financial system more resilient and competitive and mapped out a decade of reforms.
  - The plan called for a “marketplace in which consumers make informed financial decisions, have confidence in the market, understand and exercise their rights and have legal recourse to address problems”.
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## MALAYSIA - Innovative Policies and Regulation: Consumer Protection



*“ We expect the financial institution to address at the outset in their internal operating and accountability frameworks how the firm will ensure that it is treating its customers fairly.”*

*Jessica Chew, Assistant Governor BNM*

- BNM creates Consumer and Market Conduct Department in 2006
- BNM framework has two components:
  - Standards of practice for all financial service providers
  - Initiatives providing the consumer with skills, information and support

# MALAYSIA - Innovative Policies and Regulation: Consumer Protection



- Standards and conduct
  - Transparency and disclosure
  - Advertising
  - Introduction of new and suitable products
  - Debt collection practices
  - Data protection
- Market Oversight
  - Thematic examinations
  - Media monitoring
  - Mystery shopping

# MALAYSIA - Innovative Policies and Regulation: Consumer Protection



## Consumer Education Program (CEP)

- Measuring financial literacy
- School Adoption Program, Road shows, Outreach with NGOs

## Avenues for help

- Credit counseling
- BNMLINK
- Online information

## Avenues for redress

- Financial Mediation Bureau

## Deposit Insurance

## Self Regulation (codes of conduct)



## CONCLUSIONS

- Asia offers rich experiences in regulatory approaches to financial inclusion. Asia takes the lead in financial inclusion being part of the policymakers and regulators mandate
  - Asia has global responsibility because of high numbers of people excluded from financial services.
  - AFI offers platform that offers policy makers from developing and emerging countries the opportunity to learn from each other.
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Thank you!

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