

Document: AGFSCB 32-034A  
Draft: **SECOND**  
Source: BWTP and FDC  
Date: 18 July 2012  
Meeting: Ho Chi Minh City, Viet Nam

# Asia-Pacific Forum on Financial Inclusion: Approaches, Regulations and Cross- Border Issues

Shanghai, China, 25-27 June 2012



Jointly organized by:

- APEC Business Advisory Council



- Asian Development Bank Institute



- Asia-Pacific Finance and Development Center



In collaboration with:



## Forum Overview

- 3<sup>rd</sup> Asia-Pacific Forum on Financial Inclusion.
- 72 Participants representing 21 APEC economies.
- Included senior representatives of 12 microfinance networks from the Asia region.



## Background

- Estimated that approximately half of the world's adults are currently "unbanked."
- Key role of Governments to promote microfinance and aim for financial inclusion.
- Focus on five key themes: Promotion of Financial Literacy, Financial Identity, Microfinance Regulation, Consumer Protection and Facilitating Cross-border Microfinance.



## SESSION 1: Financial Literacy

1. Financial capability of equal importance as access.
2. Importance of children and youth.
3. A need for new cost-efficient models for financial education.
4. Importance of multi-stakeholder approach.
5. Involvement of financial institutions in financial education programs.



## SESSION 2: Financial Identity

1. Use of multiple data sources to establish financial identity & use of alternative data (utility, cell phone, rent) to bring low-income people into the mainstream financial system.
2. For SMEs access to credit is key, however, still limited.
3. Regions with greater financial inclusion tend to have greater private sector involvement in credit reporting.
4. Informal lenders have greater access to the poor. Therefore, incorporating these important players in credit bureaus is key to achieving financial inclusion.



## SESSION 3: Microfinance Regulation

1. “Working with” vs “fixing” the informal economy.
2. Renewed focus on the client, especially the underserved/unbanked.
3. Financial sector supervisory bodies should aim for financial inclusion.
4. Prudential is as important as non-prudential regulation.



## SESSION 3: Microfinance Regulation

5. Branchless / Mobile Banking regulation requires:
  - More specific regulation on agent banking;
  - Specific requirements for AML/CFT;
  - Protection of (e)money;
  - Consumer protection (specifically consumer understanding, data privacy and security); and
  - Ensuring a legal authority to regulate/supervise providers of mobile banking services.
6. Regulatory approaches to financial inclusion need to be “proportionate.”



## SESSION 4: Consumer Protection

1. Importance of international standards, such as:
  - SMART Campaign
  - Social Performance Task Force
  - Microfinance Transparency
2. Regulation and self-regulation go hand-in-hand. Regulation is required for:
  - Transparency
  - Over-indebtedness
  - Fair treatment & effective recourse
3. Challenges of generic consumer protection laws.
4. Private sector involvement and incentives for achieving social outcomes.



## SESSION 5: Cross-Border Microfinance

1. Remittances and savings of migrant workers represent a huge untapped market.
2. Moving from informal *cash-to-cash* to formal *account-to-account* transfers requires consideration of both sides of the migration corridor.
3. Importance of partnerships (for transfer and MF services).
4. Scale requires Mobile solutions, which requires working through agent networks.
5. Establishing credit history of migrant workers, and acknowledging remittances as income, requires cross-border data-flow.



# THANK YOU



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