

Document: AGFSCB 37-023A

Draft: **FIRST**

Date: 22 July 2017

Source: FDC

Meeting: Toronto, Canada

ABAC Asia-Pacific Forum on Financial Inclusion Hoi An, July 10th-11th, 2017

Summary of Recommendations



Forum Overview

Hosted by the State Bank of Vietnam



In partnership with:

- Citi Foundation
- The Asian Development Bank Institute (ADBI),
- The Asian Development Bank (ADB)
- The Vietnam Bank for Agriculture and Rural Development (VBARD)
- The World Saving and Retail Banking Institute (WSBI)

Citi Foundation



WSBI



Additional support provided by:

- International Finance Corporation (IFC)
- Alliance for Financial Inclusion (AFI)
- Deutsche Bank
- GIZ Regulatory Framework Promotion of Pro-poor Insurance Markets.



Topic 1: Defining Financial Inclusion

Recommendations:

- As a multi-stakeholder development issue, regulators need to engage with multiple stakeholders, including practitioners and other government agencies, to develop a shared understanding or definition of financial inclusion. Achieving this will enhance strategy development, execution and measurement. However, the creation of a universal standard should not delay nor displace the focus each economy needs to give to the local ecosystem.
- Regulators should seek to adopt a framework for defining financial inclusion which includes all of its key dimensions including access, usage and quality.
- A framework for defining financial inclusion should include considerations for several relevant aspects including providers (formal and informal), delivery channels and products. The framework should also promote customer centricity and identify clear target groups.

Topic 2: Agrifinance

Recommendations:

- The focus on agri-technologies and finance supply chains needs to be urgently increased to meet food supply needs and to de-risk current threats – such as climate change – to agricultural production.
- Agriculture still remains a major source of livelihood for the majority of population in the Asia-Pacific region. Policies should be formed which support the resilience of clients in agriculture value chains against potential climate-related shocks.
- Technology platforms for agrifinance have the potential to provide significant benefits, including reducing costs and increasing yields. Regulatory frameworks need to be structured that support the implementation of such technologies.
- Much of the agriculture sector within APEC economies is almost entirely cash-based. Regulators need to prioritize methods which will enable the digitization of the economy as a way to significantly increase efficiency, cost-benefits and provide secure and traceable transactions.

Topic 3: Distributed Ledger Technology (DLT) Across Financial Services: Prospects and Emerging Policies

Recommendations:

- Regulators need to be open to distributed ledger technology and work with the relevant stakeholders to understand its potential for financial inclusion and associated risks. DLT should not, however, be considered a “one-size-fits-all” application and should be examined within the local context of the economy to determine how it can be most appropriately integrated.
- Proportionate regulation is important to balance innovation with trust and market integrity. Regulators also need to consider how to achieve fair and equitable competition; particularly as DLT solutions would likely co-exist with formal banking channels and leverage on each other.
- Attention is needed on cross-border harmonisation of similar regulatory approaches to DLT applications to support scalability of solutions and to minimise risks of fragmentation of regulatory approaches that can result in unintended barriers.
- Appropriate governance frameworks are needed that can promote technological interoperability with traditional payment systems, appropriate scalability and support transparency for data collection to facilitate monitoring and regulatory/policy calibrations.

Topic 4: Financial Education

Recommendations:

- Regulators need to consider ways to work effectively with the industry to develop and implement new methods of reaching target audiences for financial education. Some examples of such collaborations include incorporating financial education into school curriculums or introducing financial training programs within workplaces.
- Each economy should develop their own financial inclusion strategy. These strategies should include considerations for the many different models needed for different target groups (i.e. adults vs youth) as well as economy-specific elements based on the local context and needs.
- Financial education needs to focus as much on knowledge and awareness about finance and its products, as it does on building trust in fast-moving developments in areas such as digital and mobile finance if financial inclusion using these more dynamic technologies will be achieved.

Topic 5: Creating an Enabling Environment for Micro-financial Products and Services

Recommendations:

- The last three decades have seen a significant increase in the number of products and services becoming available; and the rise of fintech and digital has created even greater opportunities than ever before. In order for regulators to keep up with the fast moving developments of new technologies, they need to ensure regular interaction with market players.
- Eligibility for access is a major barrier for inclusion which can largely be addressed through new technologies such as bio-metric card systems that can reach the mass of population. Regulators have an important role to play by ensuring that regulations enable the necessary investment and innovation takes place as the industry increasingly moves towards digital solutions
- Regulators should encourage the development of new products that address asset creation and risk-mitigation such as investment tools linked with savings and a wider range of affordable and effective insurance products.
- Enhanced monitoring and supervision will result in greater trust and confidence among consumers. This should include processes which will enable prompt action on unfair practices, improved consumer protection and grievance redressal mechanisms.

Topic 6: Developing the Microinsurance Roadmap for APEC Emerging Economies

Recommendations:

- In order for the APEC Microinsurance Roadmap to be successful, governments need to champion it locally and ensure an enabling environment as well as specific incentives to support implementation through the private sector.
- Governments can also play a lead role in promoting awareness among consumers to help them understand the value of insurance and to better determine which products would be most suitable for their needs.

Topic 7: Online Supply Chain Finance: Key Challenges and Policy Requirements

Recommendations:

- Governments need to establish the necessary legal foundations for the use of receivables and inventory as collateral, and to provide creditors with appropriate priority and enforcement rights. Achieving this may require reforms in secured transaction law, insolvency law, e-commerce law and laws relevant to the digital transfer of documents.
- Regulators should seek to develop a friendly business environment for both banks and non-deposit taking lenders to originate, underwrite and manage SCF services efficiently. In particular, regulators should not place undue constraints on SCF business models.
- Regulators should encourage the creation of electronic finance platforms by different players. Where necessary, business associations and government development agencies can also set up market level platforms that operate on an open and commercial basis. Government support for MSME finance can be channeled through such platforms in a commercially sustainable way.
- Regulators should promote cross-border SCF which will in turn help to deepen regional trade and economic integration. Among others, regulators should develop practical KYC and other data transfer requirements. Credit reporting information also needs to be made available to the cross-border SCF players.

Topic 8: Digital Identity

Recommendations:

- Regulators need to understand that the ability of individuals to be able to prove their unique identity in real time, on location as well as remotely, is fundamental to realising the full value that sits across the financial inclusion spectrum.
- Regulators should make it a national priority to design and universally roll out digital identity and authentication mechanisms, with due consideration to privacy and data security.
- Regulators need to seize the short-term opportunity to make national digital-identity frameworks interoperable, in support of:
 - lower cost to provide financial services
 - reduced friction in cross-border trade and remittances
 - enhanced AML, KYC and prevention of terrorism funding
 - better data flows