COMMENTS OF THE ALLIANCE FOR FINANCIAL INCLUSION (AFI) ON THE CONSULTATIVE DOCUMENT: CONSOLIDATED GUIDELINES AND SOUND PRACTICES

Submitted to the Basel Committee on Banking Supervision, June 2026

The Alliance for Financial Inclusion (AFI) is a network of close to 90 member institutions, comprising central banks and other financial sector policymaking and regulatory authorities from more than 80 developing country jurisdictions.[1] For the purposes of this consultation, the AFI Management Unit consulted its membership through the Global Standards Proportionality Working Group (GSPWG), the AFI platform that supports developing country policymakers in implementing global standards for financial stability and financial integrity proportionately, and without unintended negative consequences for financial inclusion.

AFI engaged in the Committee's 2023 consultation on the revised Core Principles for Effective Banking Supervision,[2] and welcomed the final standard's explicit reference, in its treatment of proportionality, to both the 2022 High-level considerations on proportionality and the 2016 Guidance on the application of the Core Principles to the regulation and supervision of institutions relevant to financial inclusion.[3] AFI therefore welcomes the opportunity to comment on the present consolidation, which carries that body of material forward into the new framework. AFI's comments follow a short overarching observation and are organised around the three consultation questions.

Overarching observation

AFI strongly welcomes the Committee's decision to allocate proportionality a dedicated module (PRO), and in particular to retain a standalone chapter on the regulation and supervision of institutions relevant to financial inclusion (PRO20), drawing on the 2016 Guidance and the 2015 Range of Practice report as core material.[4] Consolidating this material and improving its accessibility for supervisory authorities, including AFI's members, is very welcome. We acknowledge that PRO10 and PRO20 faithfully reflect the substance of the source documents,

[1] AFI member institutions are listed at www.afi-global.org/members.

[2] AFI, Comments on the draft updated Core Principles for Effective Banking Supervision, 2023.

[3] Basel Committee on Banking Supervision (BCBS), Core Principles for Effective Banking Supervision, April 2024, BCP02 (Proportionality). www.bis.org/bcbs/publ/d573.htm

[4] BCBS, Guidance on the application of the Core Principles for Effective Banking Supervision to the regulation and supervision of institutions relevant to financial inclusion, September 2016 (www.bis.org/bcbs/publ/d383.htm); BCBS, Range of practice in the regulation and supervision of institutions relevant to financial inclusion, January 2015 (www.bis.org/bcbs/publ/d310.htm).

both the 2016 guidance and the 2022 High Level Considerations. AFI offers the comments below in that constructive spirit.

Question 1: Removal of outdated, superseded, and duplicative material

AFI supports streamlining the Committee's guidance and removing genuinely outdated or superseded material. From a financial inclusion perspective, AFI's principal interest is in ensuring that guidance which remains useful and operationally valuable is preserved. Having reviewed PRO20 against the 2016 Guidance, AFI confirms that the elements of greatest importance to inclusion-relevant supervision are preserved, including:

- the application guidance for 19 of the 29 Core Principles, with the Essential and Additional Criteria relevant to financial inclusion (paragraphs 20.8 to 20.108);
- the treatment of non-bank financial institutions and non-bank e-money issuers, including the point that an institution may present a systemic dimension through the number and type of customers it serves, and not only the value of funds it intermediates (paragraph 20.4);
- the principle that a proportionate approach does not necessarily mean a lower requirement, including for capital adequacy and risk management (paragraphs 20.68 and 20.78); and
- the treatment of customer due diligence, including simplified due diligence for lower-risk products and customers (paragraphs 20.105 to 20.108), addressed further under Question 3.

AFI draws two substantive points to the Committee's attention:

- The 2016 Guidance contained dedicated annexes on financial consumer protection (Annex A), developments in anti-money laundering and combating the financing of terrorism (Annex B), alternative supervisory approaches for large numbers of small institutions (Annex D), and traditional microlending (Annex E). These do not appear as discrete sections in the redrafted chapter. While the principle-level treatment of most topics is retained, AFI invites the Committee to confirm that no substantive guidance has been lost, in particular the financial consumer protection framework in Annex A and the operational detail on alternative supervisory approaches in Annex D, both of which are of particular value to supervisors in jurisdictions with many small inclusion-relevant institutions.
- The 2016 Guidance opened its capital adequacy section with the explicit statement that implementation of the Basel I, Basel II, or Basel III capital regimes is not a prerequisite for compliance with the Core Principles, an important anchor for the proportionate treatment of banks that are not internationally active. This statement does not appear to be present in the redrafted capital adequacy guidance (paragraph 20.75). While PRO10 addresses the broader proportionality of capital requirements, AFI suggests confirming that this specific assurance remains available to supervisors, whether in PRO20, PRO10, or the Core Principles themselves.

Question 2: Improved clarity and readability without new expectations

AFI welcomes the move to a modular, web-based format. Improved accessibility is of particular value to supervisory authorities and to the dialogue between supervisors and assessors under the Financial Sector Assessment Program, in which financial inclusion has become an increasingly prominent cross-cutting theme.[5] Having compared the redrafted PRO20 against the 2016 Guidance, AFI is satisfied that the reorganisation preserves the substance of the guidance without introducing new expectations. AFI offers two observations in support of that objective.

First, on cross-referencing. AFI encourages the Committee to link related chapters, so that the complementary nature of proportionality (PRO10), the regulation and supervision of institutions relevant to financial inclusion (PRO20), and the sound management of risks related to money laundering and the financing of terrorism (AFS10) is visible rather than dispersed across modules. It is AFI's longstanding position, now also reflected in the work of the Financial Action Task Force, that financial integrity and financial inclusion are mutually supportive objectives.[6] Cross-referencing these chapters could reinforce this and ensure interconnected areas do not appear as siloes.

Second, on consistency with the revised Core Principles. PRO20 is built on the 2016 Guidance, which interprets the 2012 Core Principles and cites their Essential and Additional Criteria by number. The Committee revised the Core Principles, including their criteria, in 2024.[7] The redrafted chapter has begun to reflect that revision; for example, Principle 25 now carries the title Operational risk and operational resilience (paragraph 20.98). To ensure the consolidation improves clarity without creating any mismatch between the guidance and the standard it interprets, AFI recommends that the Committee confirm that all Essential and Additional Criteria references, and all principle titles, in PRO20 correspond to the revised 2024 Core Principles.

Question 3: Topics warranting more substantive review, or areas where further guidance is warranted

AFI's principal substantive recommendation is that PRO20 be identified as a priority for substantive review should a future opportunity present itself. AFI appreciates that the present exercise is a consolidation rather than a policy review, and that the Committee has deliberately preserved existing policy. The 2016 Guidance was notably forward-looking for its time, anticipating digital credit, agent networks, and non-bank e-money issuance. However, a decade of implementation experience, and several developments since 2016, support a refresh.

First, the revised 2024 Core Principles. The Core Principles revision reflects a decade of structural change, including digitalization, the growing role of non-bank financial

[5]BCBS (2016), p. 2, noting the growing prominence of financial inclusion as a cross-cutting theme in IMF and World Bank Financial Sector Assessment Programs.

[6]Financial Action Task Force (FATF), Guidance on Financial Inclusion and Anti-Money Laundering and Terrorist Financing Measures, updated 22 June 2025.

[7]The revised Core Principles, endorsed in April 2024, were the first comprehensive update since 2012 and address, among other matters, digitalisation, non-bank financial intermediation, operational resilience, and climate-related financial risk, while retaining proportionality as a foundational concept.

intermediation, operational resilience, and climate-related financial risk, while retaining proportionality as a foundational concept. The 2016 Guidance pre-dates the revised Core Principles and should ideally be brought up to date and in line with this key development.

Second, the pace of developments in digital financial services. The models the 2016 Guidance anticipated have since reached scale: digital-only banks, large-scale digital credit and its associated over-indebtedness risks, alternative credit scoring, and the broader digitalization of finance now define the landscape of providers relevant to financial inclusion.[8] This has been a period in which more than 1 billion adults gained access to formal financial services. There is a significant body of empirical experience across the last decade of proportionate regulatory and supervisory practice that could inform a refreshed chapter on supervising digital financial services.

Third, the 2025 evolution of the Financial Action Task Force standards. In February 2025 the FATF revised Recommendation 1 and its Interpretive Note, together with the Interpretive Notes to Recommendations 10 and 15, to encourage countries to promote financial inclusion and to apply a proportionate, risk-based approach, replacing commensurate with proportionate throughout the Recommendations.[9] The FATF updated its guidance on financial inclusion accordingly in mid-2025.

In addition to identifying PRO20 for substantive review, AFI suggests the following specific areas where further guidance, or further emphasis, would be of value:

- Alignment of the abuse-of-financial-services guidance with the 2025 FATF standards. AFI welcomes the treatment of customer due diligence in Principle 29, which provides for simplified due diligence for lower-risk products and customers, for limited exemptions where risks are demonstrably low, and for non-face-to-face customer due diligence by agents or mobile device (paragraphs 20.105 to 20.108). This guidance, carried over from the 2016 Guidance, refers to the FATF standards as they stood in 2012 and does not reflect the February 2025 revisions to FATF Recommendation 1. A substantive review should align it explicitly with those revisions.
- Supervisory technology. The chapter already anticipates substantial off-site, data-driven surveillance of large numbers of small institutions. The role of supervisory and regulatory technology in enabling that approach has matured considerably since 2016 and could be made explicit in a future revision.[10]
- Recovery and resolution of non-bank providers of systemic relevance. Consistent with AFI's 2023 submission on the revised Core Principles, guidance could acknowledge that some non-bank providers relevant to financial inclusion can reach systemic scale by reference to customer numbers, and that attention to their orderly resolution, and to the protection

[8] BCBS, Digitalisation of finance, May 2024; World Bank, The Global Findex Database 2021.

[9] FATF, revisions to Recommendation 1 and its Interpretive Note, with corresponding amendments to the Interpretive Notes to Recommendations 10 and 15 and related Glossary definitions, published 25 February 2025.

[10] See, for example, AFI, Regulatory and Supervisory Technologies (SupTech and RegTech) for Financial Inclusion, 2022.

of customer funds, may be warranted, whilst recognising the complementary role of the Financial Stability Board in resolution matters.

Conclusion

AFI would welcome the opportunity to support the Committee's work in this area, including through the Basel Consultative Group and AFI's Global Standards Proportionality Working Group, and would be pleased to make the practical experience of its members available as an evidence base for any future substantive review of the financial inclusion chapter. AFI thanks the Committee for the opportunity to comment.