

Comments of the KNF - Polish Financial Supervision Authority to the Consultative Document *Guidance on the application of the Core principles for effective banking supervision to the regulation and supervision of institutions relevant to financial inclusion*, issued for comment by 31 March 2016.

Polish Financial Supervision Authority is pleased to be given an opportunity to provide its comments to the Consultative Document *Guidance on the application of the Core principles for effective banking supervision to the regulation and supervision of institutions relevant to financial inclusion* issued by the Basel Committee on Banking Supervision.

We welcome the Guidance on the application of the Core principles for effective banking supervision to the regulation and supervision of institutions relevant to financial inclusion. The guidelines are intended to help supervisors respond to changes and innovations in products, services, and delivery channels of financial institutions working to reach the approximately 2 billion adults who do not have an account at a formal financial institution. We note that the Guidelines stress that such products are mostly associated with unserved and underserved customers. It, however, appears that those innovative products being offered by non-bank institutions, could be serviced to all groups of clients, not only to unserved and underserved customers. Therefore, the rationale behind liaising them solely with the unserved and underserved customers and financial inclusion appears vague. Though such products could certainly, in many countries, be targeted mainly towards the unserved and underserved, it seems that the Guidelines would sustain their merits should they refer to products and institutions rendering such services in general, regardless of who the client of such an entity is.

Additionally we would like to point out that we strongly support approach presented in Principle 15: Risk management process. Based on our experience, we fully agree that limited size of the enterprise not necessarily results in lower risk that this entity is facing (in fact it may be just the opposite). As a result, when supervisor is required to set proportionate expectations (e.g. in reference to risk management), he should be aware that in general those requirements should ensure safety of this entity and collected deposits. If case of entity that could be considered as a small one, but having high risk profile, proportionate expectations may result in higher requirements. We should keep in mind that smaller entities have limited ways to mitigate materialized risk (financial losses).