

Guidance on the application of the Core principles for effective banking supervision to the regulation and supervision of institutions relevant to financial inclusion

VisionFund International is a network of microfinance institutions operating in 33 countries with 1.2 million clients, over 7,000 employees, a portfolio of \$500 million and repayment rate of 97% and above. We operate lending, savings, insurance and payments services within these countries under local regulatory permissions. We focus on client protection and impact measuring the clients targeted and their improvements over time.

Having reviewed the excellent steps being taken in the above consultative document, I would like to provide the following comments for consideration.

- Compulsory savings – regulators must ensure there is clarity to clients these are returnable and can be identified and linked to clients even if clients move around. Require clear direction and mechanism to ensure return.
- In lending, one of the biggest worries is client protection. Consumer protection whilst mentioned is very low in perceived importance compared to the reality of need. Are clients' rights clear in legislation? Is it clear to clients? Consider embedding the SMART campaign principles within legislation.
- Risk based oversight varying upon size of institution but min standards. I believe you are making this recommendation, but there are no benchmarks or break points to guide the size and level of oversight relationship.
- Where savings are kept, full normal savings oversight is required regardless of size of institution as clients must be paid back and confidence provided in system. With technology, it is easier to collect savings even for small institutions, and it will be a disaster if controls are not in place.
- Whilst understand the separate entity point for non-financial activities (training), this may cause undue complication and may slow provision. I don't see a conflict as that dangerous. It can be branded separately if required.
- Regulatory licensing must be clear and quick to ensure investment is encouraged. It must be outside the bounds of political influence.
- 70% of our clients are within rural areas with 55% of our portfolio in agriculture, in order to push financial inclusion into unserved areas. Regulation must encourage and even force banks to expand their portfolios into rural areas and have a plan for rural expansion which consistently strengthens access.
- Products which serve local needs, in rural areas, must include agriculture support to small holder farmers.
- Related to Ag support, there must be a means developed and encouraged within the country to protect institutions against natural occurring disasters related to farming to encourage continued lending.
- Outsourcing and using agents is becoming a larger need and risk as well as technology related transactions and both need more specific direction and guidance.
- Whilst the principles included are admirable, we are generally dealing with smaller organizations which would benefit from clear practical examples of how to do all the

required risk mitigants and controls. They would benefit from a size related set of practical hand books which could be downloaded and adopted as standard operating policies and procedures. Remember, most of these have lower qualified staff who could use your help in practically guiding them.

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