BANK FOR INTERNATIONAL SETTLEMENTS

# Welcome remarks

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2nd Conference on Standard-Setting Bodies and Financial Inclusion – "Standard-setting in the changing landscape of digital financial inclusion", 30 October 2014

Ladies and gentlemen, good morning. It is my pleasure and privilege to welcome all of you to this unique gathering, which brings together key representatives from financial sector standard-setting bodies, multilateral organisations and national authorities on a most timely topic of common interest: that is, the fast-changing landscape of digital financial inclusion.

That we gather once again under the joint auspices of the G20 Global Partnership for Financial Inclusion (GPFI) and the BIS's Financial Stability Institute is particularly appropriate. The theme of this event reflects growing recognition of the power and importance of bringing formal financial services to the estimated 2.5 billion adults who have limited or no access to them – and the vital role digital technology plays in making this possible.

I am amazed how much things have advanced in just the last few years. I recall that the BIS discussed the issue of digital financial inclusion in a May 2011 working paper.[1] At the time, the authors urged risk-proportionate regulation of innovations such as M-Pesa, the mobile phone-based digital transaction platform in Kenya. This service had already captured international attention for its financial inclusion potential. But on the issue of whether viable business models would emerge that could be replicated globally, the authors judged that the jury was still out.

Since then, the jury has returned, and its verdict is positive. Similar digital financial services have now been launched in more than 80 countries. As of June 2013, there were over 60 million active mobile money accounts.[2] But the potential is arguably much greater than this figure, given the huge number of people who now have access to a mobile phone but do not yet have a bank account or access to credit from a formal financial institution.

The proliferation of ever cheaper smartphones, such as a $33 model that went on sale in India just a couple of months ago, can be a game changer for unserved and under-served low-income households as well as micro- and small enterprises. It is predicted that, by the year 2020, smartphones will account for two out of every three mobile connections globally, and that many of those will be in the developing world. That amounts to six billion out of the nine billion mobile connections forecast by that time.[3] The regulatory, supervisory and standard-setting challenges – and likewise the solutions – include those we currently face, and others we can only imagine as billions of new digital finance users go online.

The representatives of standard-setting bodies, public authorities and development partners gathered here today are all trying to assess the impact of these changes, to predict what lies ahead, and

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1 P Dittus and M Klein, "On harnessing the potential of financial inclusion", *BIS Working Papers*, no 347, 2011.

2 GSM Association, *Mobile Money for the Unbanked (MMU) 2013 State of the Industry Report on Mobile Financial Services for the Unbanked*, 2014, www.gsma.com/mobilefordevelopment/wp-content/uploads/2014/02/SOTIR_2013.pdf.

3 www.gsma.com/newsroom/smartphone/.

to determine how innovations will play out in various economies. For example, in Myanmar, where only an estimated 20% of the population currently has access to formal financial services,[4] as the country opens up the largely disconnected population will probably bypass earlier technology and go directly to smartphones.

As we will hear from our keynote speaker Dr Nachiket Mor, reforms in India are well under way to establish a new category of digital transactional platform, which is to come under the country's regulatory and supervisory system. It combines with India's much watched "Unique ID" initiative[5] to realise the stated goal of extending financial services to the country's entire population – the second largest in the world.

The implications for standard-setting bodies of technology-enabled connectivity among retail customers are exciting, yet also cross-cutting. The discussions today and tomorrow are likely to highlight that banking and retail payments can no longer be seen as separate domains – nor are they the exclusive province of traditional players such as universal banks. The often specially tailored products in savings, credit, insurance and investment – even micro-pensions – that are already reaching low-income households via innovative digital transactional platforms pose new questions, and even challenges, to all the standard setters in the room.

I am mindful of the G20 Leaders' call to all the standard-setting bodies at the 2013 summit in Saint Petersburg.[6] On that occasion, the Leaders endorsed the recommendations of the GPFI,[7] which included three aspects quite relevant to this gathering:

– First, the standard-setting bodies should continue their impressive progress on financial inclusion – consistent, of course, with their important core mandates.

– Second, they should participate in GPFI activities related to financial inclusion and also engage GPFI representatives in their activities where relevant. This conference is an excellent example of that commitment.

– Third, they should give attention to emerging issues in financial inclusion that are relevant to multiple standard-setting bodies. Digital financial inclusion may be one of the most important issues in this regard.

We will need more of this kind of forum – and the one provided by the third meeting of standard-setting bodies' Chairs and Secretaries General on financial inclusion. That meeting was convened here at the BIS earlier this month by Her Majesty Queen Máxima of the Netherlands, in her capacity as the UN Secretary General's Special Advocate for Inclusive Finance for Development and Honorary Patron of the GPFI, together with the Basel Committee Chairman. At that gathering, the commitment to ongoing engagement was palpable.

We need to be proactive in recognising the customer protection and financial stability implications of the exciting and radical changes ahead. Addressing this future will call for the kind of foresight we had in the 1990s when dealing with the emergence of global financial conglomerates. In that context, the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors, and the International Organization of Securities Commissions were brought together to establish the Joint Forum. In the financial inclusion context, the standard-setting bodies will again need

4 www.cgap.org/publications/microfinance-myanmar-sector-assessment.

5 uidai.gov.in/.

6 www.g20.org/sites/default/files/g20_resources/library/Saint_Petersburg_Declaration_ENG_0.pdf.

7 www.gpfi.org/sites/default/files/documents/GPFI%20Report%20to%20the%20Leaders.pdf.

to work together. But when it comes to digital financial inclusion, those represented in this room alone are not likely to cover all of the relevant landscape. In December, for example, the International Telecommunications Union will launch a new Focus Group on Digital Financial Services,[8] and other collaborative forums are likely to emerge.

In the context of international cooperation, I often refer to the "Basel Process" – that is, the synergies that result from the interaction among the standard-setting bodies and committees hosted by the BIS here in Basel. The proximity of these groups at the BIS and the long tradition of joint work make the BIS an excellent venue for exchanging ideas and information on topics that range beyond the day-to-day work of any single standard setter or committee.

Over the next day and a half, we have the opportunity – and indeed the responsibility – to prepare the standard-setting world for both the risks and the rewards of the digitisation of financial services. Once again, I am honoured that the BIS can offer such an appropriate venue for this gathering.

I wish you all a successful meeting.

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8 www.itu.int/en/ITU-T/focusgroups/dfs/Pages/default.aspx.