

The Client Protection Pathway

Achieving Client Protection, one step at a time

September 28th, 2022
Social Investors Working Group



Purpose

- The **Client Protection Pathway** describes the steps that an FSP can take to improve its client protection practices and communicate this progress to investors.
- The Pathway gives providers a **roadmap** for implementing the Client Protection Standards and helps them stay on track.



Client Protection Pathway



From Smart Campaign to CP Pathway

- Client Protection had always been an integral part of the Universal Standards and the SPI4 evaluation tool
- In a wide market consultation conducted in 2020-2021, we heard that:
 - Client protection standards and evaluation should remain a **stand-alone** product.
 - Investors need an easy way to identify **committed** providers.
 - FSPs want to demonstrate **progress**, not just the “ultimate achievement” of certification.

The key additions to Smart Campaign’s heritage:

- The commitment requires **more than a simple endorsement**. Now we want proof of self-assessment.
- Certification is now granted on **3 levels of recognition**: Bronze, Silver and Gold with minimum requirements
- **Validity** of Certification is now of 3 years without check-in.



Step 1 : Commit to implement



1A: Sign the Client Protection statement of commitment.



1B: Disclose your CP evaluations.

Developed with FSPs, the SPTF Social Investor Working Group and rating agencies, the Client Protection Pathway addresses the need for financial service providers to **demonstrate their commitment** to implement client protection practices and for investors to **identify committed partners**.

- Financial service providers will be invited to **sign** up to the Pathway and declare their commitment to implement client protection.
- The FSP's profile is then listed on the SPTF website. A contact will be provided so that investors can contact the provider.
- FSPs will be requested to submit **proof** of a self-assessment, external assessment, rating, or certification on client protection within 6 months of joining the Pathway. Providers who don't submit an assessment within 6 months will be "unlisted."
- An FSP's profile on the webpage will be updated to indicate the names of the CP evaluations reported by the FSP. If they have received CP certification, their profile will indicate this.

Step 2 : Improve your practices



2A: Identify gaps and prepare your Action Plan.



2B: Improve your practices.

- In this step, FSPs create an **action plan** based on their **assessment** towards the standards and essential practices, and continuously **improve their practices**.
- CERISE + SPTF supports implementation by :
 - Updating the SPI and supporting use
 - Offering trainings and webinars on the indicators necessary to pass certification
 - Maintaining a resource library for implementation resources
 - Monthly newsletters
 - And more...
- Linking FSPs to our SPM Pro Network
 - Available SPM professionals around the world, trained by CERISE and SPTF to provide support to FSP



Step 3 : Demonstrate progress and achievement

Certification is the independent audit of Client Protection systems and practices of an FSP, measured through an assessment of the compliance with the Client Protection indicators in the Universal Standards.

- Formerly, certification was a pass/fail ("all or nothing") exercise. Now, there are **three levels of recognition**, allowing FSPs to demonstrate their good practices as they move toward full compliance.
- **Gold level requires 95%** compliance, to cater for regional specificities or business models that do not allow an FSP to comply with 100% of indicators.
- Validity is of **3 years** without check-in.
- All levels of certification require **full compliance** with subsets of **minimum requirements**.
 - **Entry-level indicators** (n=33): These indicators address practice over policy, as well as key concerns for the sector, along the 7 standards .
 - **Progress-level indicators** (n=21): These indicators are the minimum expected by asset owners and social investors.
 - **Advanced-level indicators** (n=24): These indicators confirm practices with policies and processes, and mitigate the biggest risks to clients.



FSP attains a BRONZE level by passing 100% of all **entry** level indicators and $\geq 65\%$ of total indicators



FSP attains a SILVER level by passing 100% of all **entry** & **progress** level indicators and $\geq 80\%$ of total indicators



FSP attains a GOLD level by passing 100% of all **entry, progress & advanced** level indicators and $\geq 95\%$ of total indicators

Joining the CP Pathway: Benefits for the FSP



It's **free!**

- ▶ Public recognition of commitment and progress. (website, newsletter, etc.)
- ▶ Connection to the global community of like-minded organizations.
- ▶ Invitations to CP trainings from SPTF-CERISE.
- ▶ Communications from SPTF-CERISE about tools, resources, and webinars
- ▶ Clear roadmap for what to do next

Benefits to Investors, funders, others



- It is easy to identify committed providers.



- CERISE + SPTF support existing investees to improve their practices.



- The assessment tools help better target the technical assistance needs.



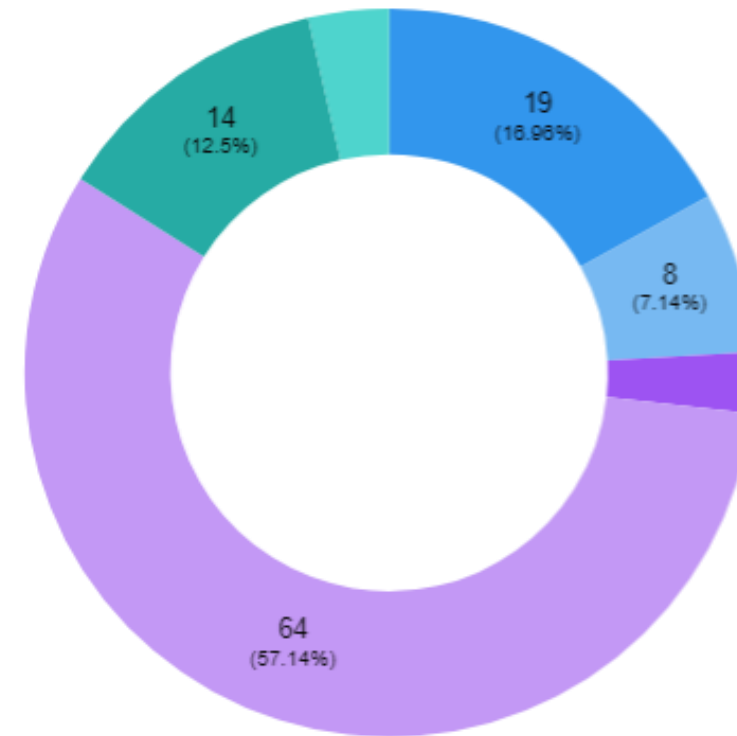
- The various CP Pathway steps can be used in funding agreements to ensure commitment to client protection and stimulate progress.

Current uptake on the CP Pathway

- 112 institutions committed
- 3 Fintechs
- Some networks are represented like FINCA, Baobab, Vison Fund
- 37 are certified (more on certified institutions coming next)

Total Committed by Type of FSP

Unique Count of Organization Name



Financial Service Provider Type

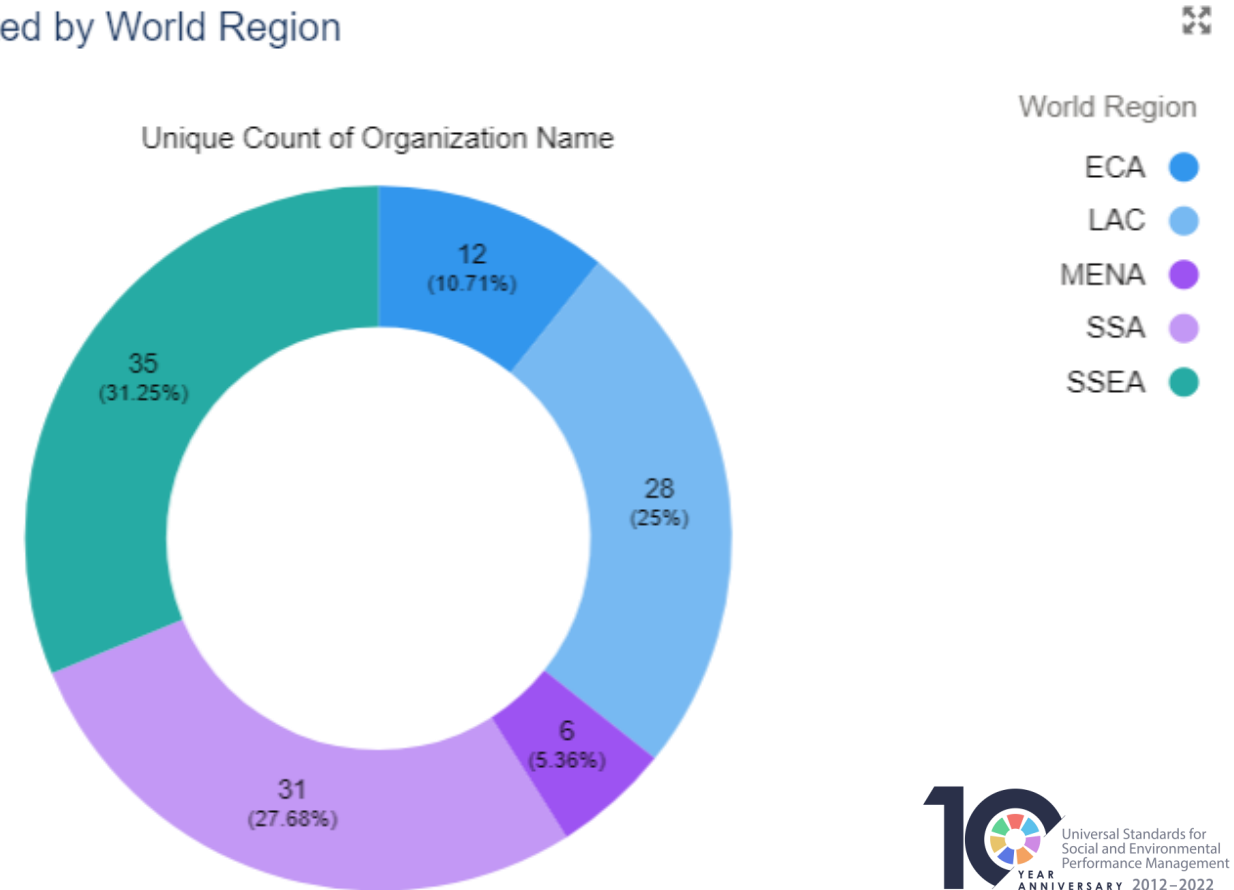
- Bank
- Cooperative
- Fintech
- Non-Bank Financial Institut...
- NGO
- Other (please describe bel...



Current uptake on the CP Pathway

Total Committed by World Region

- A fairly even distribution across the globe
- 19 are yet to submit their documents
- 7 of them are still working on their self-assessment



Supporting Implementation

- CERISE has worked closely with 10 Egyptians FSPs in partnership with WB
 - Coaching on self-assessment, action planning and implementation of CP Standards
 - On their way to Certification
- SPTF is working closely with CMA in Cambodia on a Code of Conduct
- Our CP Implementation Series have seen increased interest:
 - 5 webinars in English, total of 200 participants
 - 3 in French with a total 87 participants
 - 3 in Spanish with a total of 152 participants



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IMPROVE



Joint Statement Signatories



Convening a community of responsible investors

- In 2021, CERISE + SPTF launched a call for action amongst investors and DFIs to raise awareness and engage these key stakeholders on client protection risks.
- ▶ The aim is to create **global uptake** in the industry on the existing work – to create transparency, comparability and share examples of successful implementation
- Signatories of the Joint Statement now includes over 40 MIVs, DFIs and networks

“The Pathway helps us ensure that client protection remains an important concern of our investees so that our indirect beneficiaries are protected enough.”

Edouard Sers, Grameen Crédit Agricole Foundation



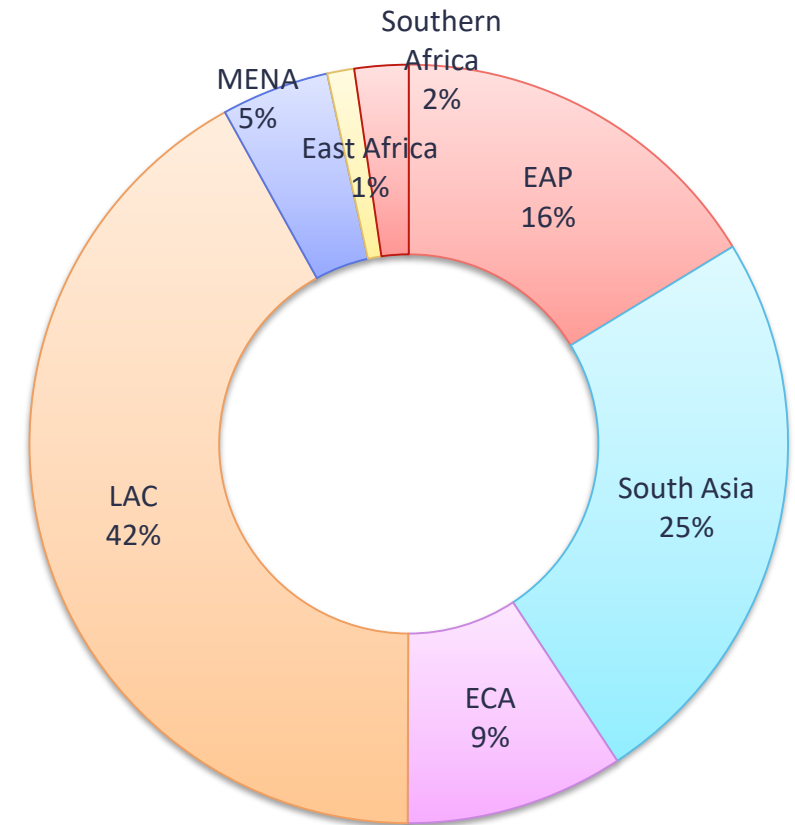
Certified institutions

- 86 active certifications around the world
 - 66 Smart certified, 30 expire this year
 - 14 Gold, 5 Silver, 1 Bronze
 - West Africa not yet represented here

- 38 of them have joined the CP Pathway
 - And an additional 10 previously certified
 - However, still 5 recently certified have not joined

- Current Certification Bodies
 - MFR, M-CRIL, Inclusion SR
 - MicroRate under conditional approval

Active Certifications by region



Thank You!



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<https://sptf.info/client-protection/the-client-protection-pathway>