

Digital Financial Services (DFS) Standards

Results from Pilot Testing

Speakers:

Amelia Greenberg (Cerise+SPTF)

Thomas Carrié (Rubyx)

David Winter (Lulalend)

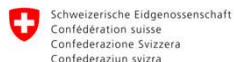
Alan Muñoz (Banco Fihogar)

14 December 2023



THE GOVERNMENT
OF THE GRAND-DUCHY OF LUXEMBOURG
Ministry of Finance

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Agenda



Welcome and introductions (5 minutes)



Results of the DFS Standards pilot testing (30 minutes)

Review: development process and content of the DFS Standards
Overview of pilot participants
Feedback from pilot participants



Examples of implementation in the field (30 minutes)

Algorithm management (Rubyx)
Agent management (Banco Fihogar)
Partnerships (Lulalend)



Debate key questions – speakers and audience (25 minutes)



Conclusion

By the end of this session, you will know...

- ... how Cerise+SPTF developed the DFS Standards and what concepts they cover
- ... who participated in the DFS Standards pilot
- ... what feedback FSPs gave on the DFS Standards
- ... which areas tend to have stronger or weaker practice
- ... the key questions Cerise+SPTF are still debating, and must resolve, before we finalize the DFS Standards

Welcome & Introduction

Meet your speakers



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Who we are

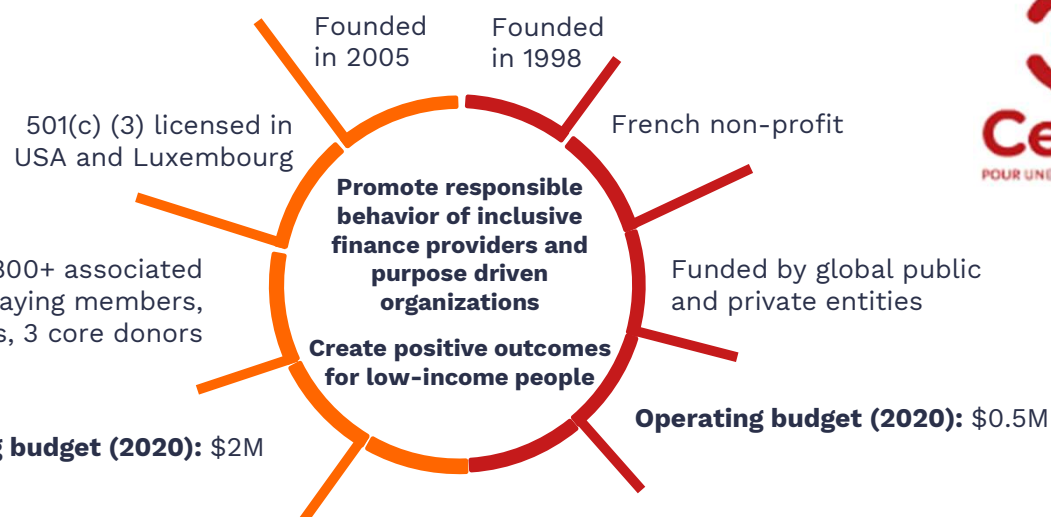
Two Entities with a joint purpose.



Membership organization: 4,800+ associated members, 80 paying members, 9 project sponsors, 3 core donors

Operating budget (2020): \$2M

Key activities: maintain standards, manage grant facilities for standards implementation, convene diverse international stakeholders, disseminate knowledge



Key activities: develop social audit tools, research and publish on best practice in responsible finance, build local capacity for social audits around the world

What we do



Overview of the Universal Standards

Universal Standards for SEPM



- Management practices for financial service providers (FSPs)
- First published in 2012; updated periodically; most recent version published in 2022
- Comprehensive manual that gathers in one single resource lessons learned from around the world
- Free
- Tool for evaluation and improvement

Why create standards

- Clarify what “good” practice means
- Enhance transparency
- Encourage good practices to grow
- Propose concrete solutions to the risks we observe
- Distinguish between providers committed to improving client well-being versus those who are not
- Facilitate partnerships with responsible financial service providers

Overview of the Digital Financial Services Standards ("DFS Standards")

A digital delivery channel has potential to do good, but also to create **harm** (1 of 6)

We have identified 66 DFS consumer risks which are grouped into:

- **Four broad risk types:** fraud, data misuse, lack of transparency, and inadequate redress mechanisms
- **Two cross-cutting risk types:** agent issues and network downtime

Fraud	Data Misuse	Lack of Transparency	Inadequate Redress Mechanisms	Agent-Related Risks	Network Downtime
<ul style="list-style-type: none"> • SIM swap/account takeover fraud • Internal fraud (e.g., unauthorized access to customer information, unauthorized fees) • Synthetic identity fraud • Card fraud (e.g., card not present fraud, counterfeit card) • Biometric ID fraud • Mobile app fraud/smartphone espionage • Unlicensed digital investment/Ponzi scheme • Social engineering fraud (i.e., phishing, smishing, vishing, impersonation) • Social media scam (e.g., Facebook, Twitter, etc.) • Money transfer fraud (e.g., advance fee scam, extortion, sympathy scam, purported wrong transier) • Mobile browser fraud/pharming • Counterfeit device • Infrastructure compromise (e.g., ATM/mobile money) • Mobile device theft/sharing of devices • Authorized push payment scam 	<ul style="list-style-type: none"> • Algorithmic bias • Unfair practice (e.g., selling unsuitable product, aggressive marketing/cross-selling, abusive debt collection practice such as social shaming) • Privacy intrusion • Opaque decision making • Data breach (+ amplified cyber risk); • Uninformed consent • Inaccurate profiling and no data integrity • Matthew effect • Liability allocation risk • DFS provider failure to safeguard customer personal data • Customer failure to safeguard personal data • Data handling practices not disclosed 	<ul style="list-style-type: none"> • Incomplete/unclear pricing information • Unfair practice (e.g., selling unsuitable product, aggressive marketing/cross-selling, abusive debt collection practice such as social shaming) • Complex/confusing interface/menu • Inaccessible terms/fees, including complicated disclosure format • Inability to compare products • - • Unexplained/hidden/un disclosed fees • Data handling practices not disclosed • Complex legal language and excessive information that overloads/confuses consumers • No notice regarding referrals • Product's inherent risks not communicated to customer • Misleading advertisement 	<ul style="list-style-type: none"> • Unclear complaints procedure • Expensive complaints-handling system • Time-consuming complaints procedure • Slow redress process • Unresponsive or poorly trained staff • Lack of appropriate channels to report issues • Difficulty settling cross-border disputes • Incomplete or unsatisfactory dispute resolution: • Untrained and unmonitored agents • Social norms 	<ul style="list-style-type: none"> • Fewer female agents • Social norms • Fewer rural agents • Fraud/overcharging/fee markup/unauthorized fees • Access to customer PIN (theft/compromise) • Poor dispute resolution by agents • Limited product awareness • Manipulation of customers • Unfair treatment of customers/discrimination based on social status • Insufficient agent liquidity that may lead to transaction splitting, denial of transactions, or bulk payments • Untrained and unmonitored agents 	<ul style="list-style-type: none"> • Distributed denial of service (DDoS) attacks • Inadequate DFS infrastructure • Insufficiently tested system upgrade • Power outages • Inadequate disaster recovery and business continuity plans • Risky customer behavior (e.g., leaving cash, PIN, or phone with others) • Incomplete and interrupted transactions/inaccessible funds • No confirmation message - may lead to duplicate transactions • Unresolved complaint (e.g., agent/service provider fails to check transaction status or connect with DFS provider)

Source: "THE EVOLUTION OF THE NATURE AND SCALE OF DFS CONSUMER RISKS" – CGAP (Feb 2022)

A digital delivery channel has potential to do good, but also to create **harm** (2 of 6)



Source: Statista (global data created); Risk Based Security "2020 Year End Report" (global number of records exposed).



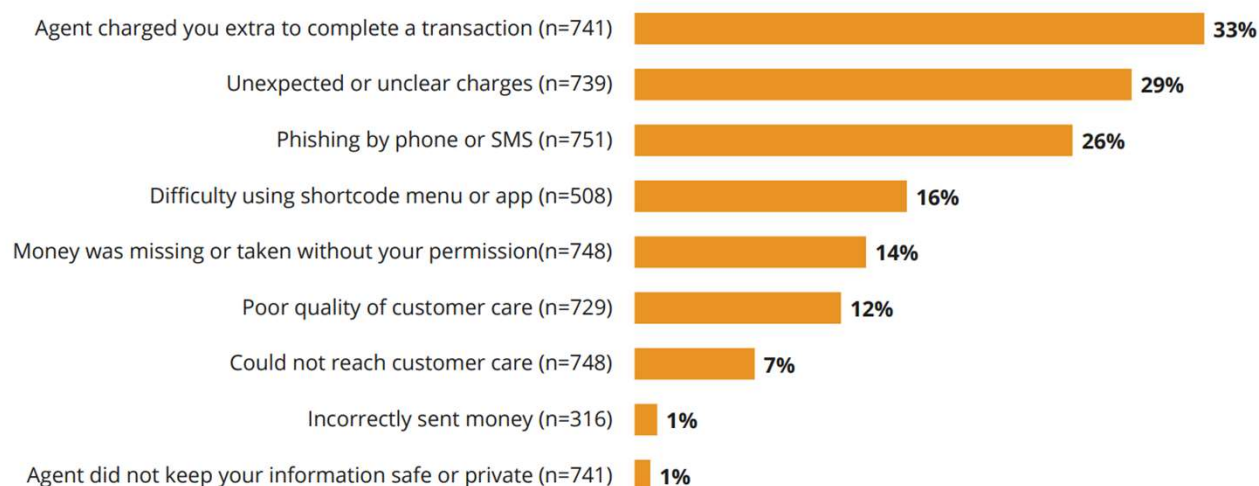
Source: Outseer Fraud and Payments Report, Q1 2018 and Q2 2021.

Source: CGAP, "The Evolution of the Nature and Scale of DFS Consumer Risks" (Feb 2022)

A digital delivery channel has potential to do good, but also to create **harm** (3 of 6)

Challenges experienced using DFS

Which challenges are most common for consumers

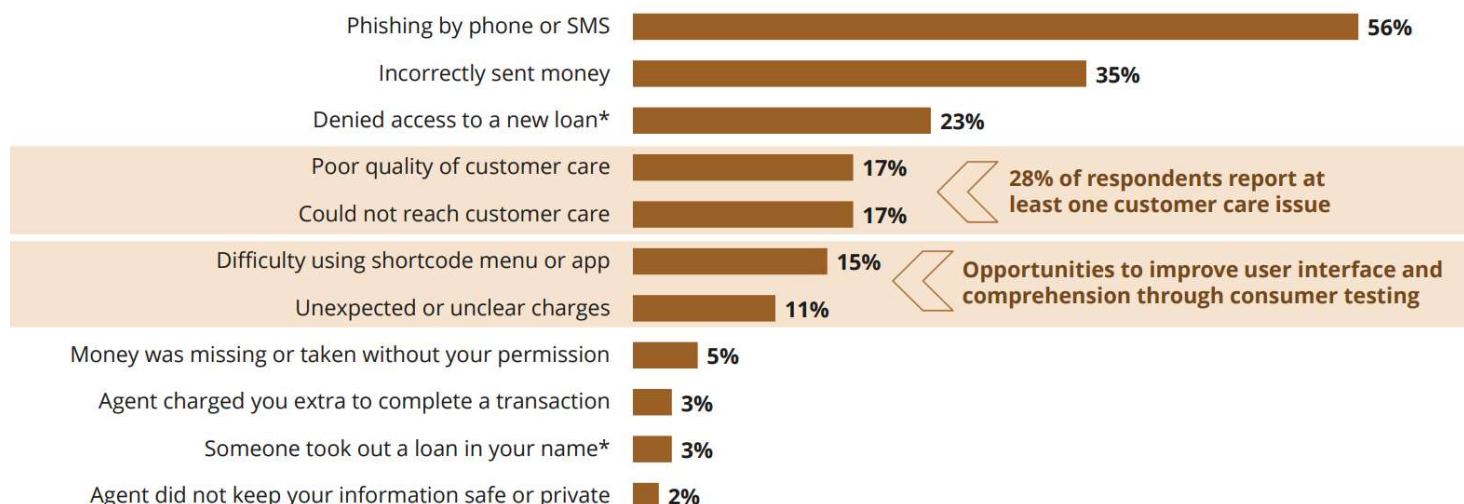


A digital delivery channel has potential to do good, but also to create **harm** (4 of 6)

Challenges experienced using DFS

Which challenges are most common for consumers

Percent of respondents, reporting consumer protection challenges:



Source: Kenya Consumer Protection in Digital Finance Survey – IPA (Mar 2021)

A digital delivery channel has potential to do good, but also to create **harm** (5 of 6)

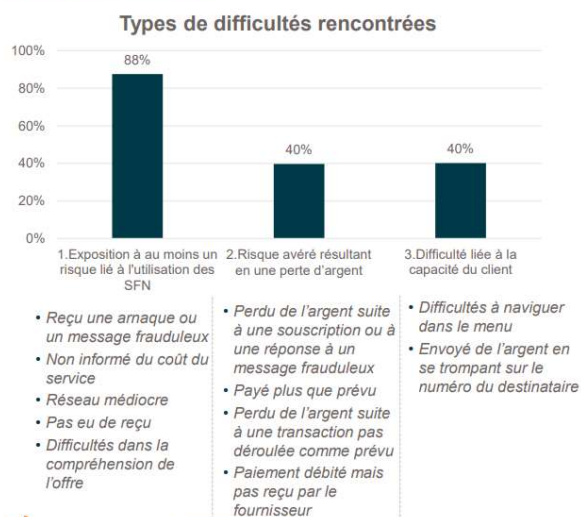
- “[S]ome women workers also note challenges regarding mobile phone and bank account ownership since they share them with family members.”
- “From the perspective of workers already receiving digital wage payments, one-third of the participants in the focus group discussions prefer to be paid in cash because of costs. They...report high charges for withdrawals and elevated fees just to keep their accounts active. **Lack of transparency on the fees and arbitrary deductions raised questions of trust. Participants were also concerned with fraud when operating digital accounts, such as phishing requests, and with the limited liquidity of bank or mobile money agents,** who may not have the cash for them to withdraw wages around payday.”

A digital delivery channel has potential to do good, but also to create **harm** (6 of 6)

Résumé Exécutif

Difficultés⁽¹⁾ rencontrées dans l'utilisation des SFN

Si la quasi-totalité des utilisateurs ont rencontré au moins une difficulté, 88% ont été exposés à au moins un risque lié à l'utilisation des SFN et 40% ont effectivement perdu de l'argent. 40% ont rencontré des difficultés en lien avec leurs capacités limitées.



Les difficultés liées à l'utilisation de SFN peuvent être classées en 3 catégories : (i) exposition à un risque lié à l'utilisation des SFN (l'utilisateur a déjà rencontré au moins une difficulté qui a mis à risque son bon déroulement), (ii) Perte d'argent suite à un risque avéré, et (iii) les difficultés liées aux capacités des utilisateurs eux-mêmes (ici se trouvent uniquement les deux difficultés les plus directement imputables aux utilisateurs).

Une très grande proportion d'utilisateurs de SFN (88%) a été exposée à au moins un risque lié à l'utilisation des SFN (le réseau médiocre est le plus cité, avec 61%).

40% ont estimé avoir perdu de l'argent, soit en réagissant à un message frauduleux, soit en payant plus que prévu ou encore suite à un dysfonctionnement au moment de la transaction.

40% ont été mis en difficulté en lien avec leurs capacités : difficulté à naviguer dans le menu ou erreur sur le numéro du destinataire.

Il n'y a pas de différences significatives entre les femmes et les hommes au niveau des 3 catégories. En zone rurale, l'exposition est plus faible dans les 3 catégories par rapport aux zones urbaines, probablement car ils sont plus souvent destinataires qu'émetteurs des transferts d'argent et utilisent moins les autres services, avec une exposition plus faible au risque.

“88% [of users] have been exposed to at least one risk linked to the use of digital financial services and 40% have actually lost money.”

The Pilot Testing Process

- **2020-21:** various discussions with the Center for Financial Inclusion on digital credit standards
- **2021:** document review: research, guidelines, principles, case studies
- **Sep 2021 – Jun 2022:** expert interviews, diversity of stakeholders and regions
- **Feb-Sep 2022:** DFS Working Group meetings, virtual and in-person
- **Oct 2022 – Mar 2023:** refinements based on working group input
- **Apr 2023:** publication of draft DFS Standards; development of evaluation tool
- **2023Q2-Q4:** pilot testing
 - Minimum requirement: not just back-office digitization but customer-facing product; offered for at least two years
 - Selection criteria: diversity of models, willingness to participate, funding available

~50 experts interviewed

Organization	Country	Organization	Country	Organization	Country
4G Capital	Kenya	Consultant (formerly of the Lux House of Microfin.)	Luxembourg	Juakali	Kenya
Accion	USA	COOPEC-SIFA	Togo	M-CRIL	India
ADA	Luxembourg	Credicampo	El Salvador	MFR	Kenya
Advans Myanmar	Myanmar	DAI (formerly at FINCA Forward)	USA	Microplan Financial Services	Zimbabwe
Amarante Consulting	Nicaragua	DID	Canada	MicroSave Consulting (MSC)	Kenya
Anh Chi Em (ACE)	Vietnam	EA Associates	USA	ModusBOX	Thailand
APFI	Burkina Faso	ENCOT	Uganda	Oikocredit	Netherlands
Banque Al Ibdia	Mauritania	Financial Health Network	USA	REDCAMIF	Nicaragua
BRAC Tanzania	Tanzania	Finanzas Inclusivas y Gobernanza (FIG)	Ecuador	RENACA	Benin
CAURIE	Senegal	FINCA Impact Finance	USA	SAC	Panama
Center for Financial Inclusion (CFI)	USA	FUSAI	El Salvador	SUMA Financiera	Panama
CGAP	USA	Gates Foundation	USA	Suricate Solutions	Senegal
Consultant (formerly a rater)	Italy	Griffith University	Australia	Triodos	Netherlands
Consultant (worked on digital credit standards)	USA	GSMA	United Kingdom	UNCDF	Belgium
Consultant (formerly of Mastercard Foundation)	USA	Hermanidad de Honduras	Honduras	USAID	USA
Consultant (formerly of Tala)	USA	Infinity Microfinance Bank	Nigeria	USAID	USA
Consultant (most recently with UNCDF)	UK / India	IPA	USA	Women's World Banking	USA

If you're a DFS provider, do you use only the DFS Standards or the Universal Standards as well?

- **Use both.** The DFS standards are complementary to the Universal Standards; they do not replace them.

“We have read audits by organizations on social performance. We think those issues are still very critical irrespective of the manner in which you're delivering your products.” – a DFS provider

Example of how DFS Standards supplement the core Universal Standards

Complaints Mechanism

The Universal Standards manual has one standard, three essential practices, and many indicators about client complaints, and all still apply

4.E: Standard

The provider receives and resolves client complaints.

4.E.1: Essential Practice

The provider has a complaints mechanism that is easily accessible to clients and adapted to their needs.

4.E.2: Essential Practice

The provider resolves complaints efficiently.

4.E.3: Essential Practice

The provider uses information from complaints to manage operations and improve product and service quality.

4.E.1.1: Clients have a way to submit complaints to persons other than their loan officer/product officer and that person's supervisor.

4.E.1.2: The provider has at least two complaints channels that are free of charge and accessible to clients.

4.E.1.3: The provider informs clients how to submit a complaint.

4.E.2.1: The provider's complaints policy identifies levels of severity and requires that severe complaints are escalated immediately to senior management.

4.E.2.3: The provider resolves client complaints quickly.

4.E.3.2: Management reviews complaints reports and key performance indicators (e.g., average time to resolve, percent resolved) and takes corrective action to resolve systematic problems leading to complaints.

Example, continued

Complaints Mechanism: Additional standards for the DFS context:



DIGITAL

0
1
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1
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1

The FSP must assist customers who have a complaint even when it relates to an issue that only the partner organization can fix.

Train customer service employees on how to respond to customers who voice complaints related to services offered by a partner. The response cannot be passive, such as “call X phone number to reach Partner Org’s complaints service,” but must be active in helping the customer achieve resolution.

Encourage your customers to come to you with complaints about partners.

Complaints Mechanism
The Universal Standards manual has one standard, three essential practices, and many indicators about client complaints, and all still apply

<p>4.E: Standard The provider receives and resolves client complaints.</p> <p>4.E.1: Essential Practice The provider has a complaints mechanism that is easily accessible to clients and adapted to their needs.</p> <p>4.E.2: Essential Practice The provider resolves complaints efficiently.</p> <p>4.E.3: Essential Practice The provider uses information from complaints to manage operations and improve product and service quality.</p>	<p>4.E.1.1: Clients have a way to submit complaints to persons other than their loan officer/product officer and that person's supervisor.</p> <p>4.E.1.2: The provider has at least two complaints channels that are free of charge and accessible to clients.</p> <p>4.E.1.3: The provider informs clients how to submit a complaint.</p> <p>4.E.2.1: The provider's complaints policy identifies levels of severity and requires that severe complaints are escalated immediately to senior management.</p> <p>4.E.2.3: The provider resolves client complaints quickly.</p> <p>4.E.3.2: Management reviews complaints reports and key performance indicators (e.g., average time to resolve, percent resolved) and takes corrective action to resolve systematic problems leading to complaints.</p>
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At the outset of a partnership, establish who will be your point of contact within the partner organization, to help you resolve complaints by your own customers, but that are related to services provided by the partner.

Train customer service employees on how your partner’s complaints mechanism works.

Train agents on how to respond to complaints. [NB: Some customers prefer to complain to agents.]

Equip the complaints mechanism to register complaints by agents.

Overview of the new DFS Standards only

- 151 new elements (of which 126 are scored)
 - Details: 93
 - Indicators: 50
 - Essential practices: 7
 - Standard: 1
 - The provider manages agents in a way that supports a responsible offer of financial services.

Topic	Count
Agent Management	47
Partnerships	16
Cybersecurity	15
Fraud Mitigation	15
Complaints Management	10
Product Design	10
Prevention of Over-indebtedness	9
Data Privacy	8
Managing Algorithm Bias	7
Transparency	7
Outcomes	4
Fair and Respectful Treatment	2
Responsible HR Development	1
Total	151

Download the DFS Standards and follow the pilot testing on the working group page: <https://cerise-sptf.org/digital-financial-services/>

Pilot Results

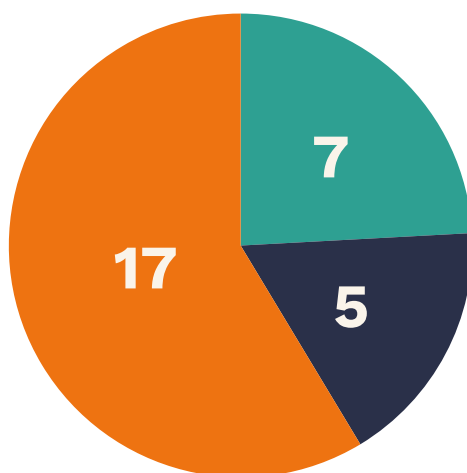
29 FSPs participating in the pilot; 22 evaluations done so far

Completed	Underway, not finished
<ul style="list-style-type: none">1 ACLEDA2 ACORDE3 Africred4 Banco Fihogar5 Fanikawa Tanzania6 FIGEC7 FINCA Uganda8 FUCEC9 Humo10 Letshego11 LOLC12 Lulalend13 MLF Zambia14 Platinum Kenya15 Premier Uganda16 Platinum Tanzania17 Premier Kenya18 Platinum Uganda19 REMU-CI20 VERDE21 VIRL22 WING	<ul style="list-style-type: none">1. Amarthu2. Arthim pact Digital Loans3. JUMO4. KoinP2P5. IDEPRO6. Genesis7. Pan African Savings & Loan

Overview of Pilot Participants

Geography

Pilot Participants by Continent



■ Asia ■ South America ■ Africa

Number of clients

- Min: 1,700
- Median: 89,200
- Max: 7,200,000

State of digitalization

- 24% purely digital
- 76% started with in-person services and have added digital

Types of Products: loans, savings, payments, remittances, ATMs, mobile banking, internet banking

Overall, pilot participants found the DFS Standards to be relevant and useful

- “The whole list of questions that you have given to us is very very comprehensive in order to get feedback on the readiness of our digitalization process.”
- “This tool is really beneficial. I’m realizing that as I’m going through this document, it’s as though you’re well advanced. It’s an eavesdrop on our side.”
- “We are at an early stage. On many indicators, right now we scored no or partially. Our evaluation score reflects the current state of things, not where we think we should be. In the coming period, we might respond with a yes because we may have made these systematic. This tool gives us give us a better picture of where things will eventually be.”
- “Running through the document, nothing stood out that I thought was unnecessary. Some indicators need to be adapted to our context, but on a general basis, it made a lot of sense.”

Overall scores

- Max: 95%
- Min: 15%
- Average: 61%

Note! Take the scores with a grain of salt. Different assessors used different approaches and there was some confusion about indicator meaning.

Pilot Test Results

Label	Scored element?
The provider uses data to identify patterns of financial behavior by customer segment.	no (this is an EP)
The provider assigns a unique identifier to each customer ID.	scored
The provider's algorithms function according to the provider's definition of fairness.	no (this is an EP)
The provider analyzes its algorithm for fairness on an on-going basis.	no (this is an indic.)
The provider monitors the performance of blind loans. [F9]	scored
The provider's contract with the partner includes at minimum the following:	no (this is an indic.)
- terms and conditions, pricing, and fees;	scored
The provider maintains the security and confidentiality of customer data.	no (this is an EP)
The provider maintains physical and electronic files in a secure system.	no (this is an indic.)
The provider logs all transactions and user activities.	scored
The provider gives agents complete documentation and training to understand their roles and responsibilities.	no (this is an EP)
The provider communicates to agents the terms of their agreement:	no (this is an indic.)
Base remuneration and incentive structure	scored
Roles and responsibilities	scored
The provider trains agents on their roles and responsibilities.	no (this is an indic.)
The training covers the provider's financial services and processes.	scored
The provider refreshes training, at minimum, with each new product launch or change to processes.	scored

**High scores:
8 elements
where at least
95% of pilot
participants
said “yes”**

Pilot Test Results

Label	Scored element?
The provider's contract with the partner includes at minimum the following:	no (this is an indic.)
- how the partner implements customer protection practices in at minimum the following areas: (1) receiving and resolving complaints (including timeframe for doing so); (2) protecting customers' rights to respectful treatment during the loan collection process; (3) protecting customers from fraud; (4) keeping customer data secure and private; and (5) disclosing pricing, terms and conditions transparently;	scored
The provider defines performance levels that trigger additional internal monitoring and response in the following areas:	no (this is an indic.)
- Customer stress	scored
The provider informs customers about data privacy and data rights.	no (this is an EP)
The provider notifies customers of their rights to "Data Portability" and to "Be Forgotten" and how they can exercise them. [F14, F15]	scored
The provider investigates whether customers had complaints but did not file them, by conducting at minimum the following activities: Minimum frequency: annually	no (this is an indic.)
Analyzing complaints by socioeconomic characteristics to see if certain segments of customers are under- or over-represented among the customers who complain.	scored
Surveying a representative sample of all customers to ask if they have complaints that they have not filed.	scored
During the agent recruitment and contracting process, the provider assesses each candidate's commitment to achieving the provider's goals for serving its target customers and creating benefits for customers.	no (this is an EP)
The provider assesses each agent candidate's motivation to achieve the provider's client-centric goals.	scored
The provider trains agents on customer protection, and repeats training at minimum, annually. The training covers at minimum the following topics:	no (this is an indic.)
How to teach customers how to keep their data secure	scored
The provider monitors, evaluates, and incentivizes agents based on criteria related to financial performance and achievement of client-centric goals.	no (this is an EP)
Agent performance appraisals and incentives include criteria on customer protection or achieving client-centric goals	scored

**Low scores:
8 elements
where at least
85% of pilot
participants did
NOT score "yes"**

There were common areas of confusion (1 of 2): Definitions not clear

- What do we mean by customer “stress” – debt stress, or stress about not having financial security, or ?
- When you say 24 hours, do you mean business hours, or total hours?
- What would an agent do to “contribute to the provider's client-centric goals”?
- Does “minimum data” mean the minimum regulatory requirement or the minimum you need to make a decision about offering a product? In the latter case, isn't the minimum you need a subjective decision?
- What does it mean to require “three confirmations of interest” before approving a loan?
- Does a “free channel” to talk to someone include walking into a branch office?
- What is algorithm “fairness” ?

There were common areas of confusion (2 of 2): Many different types of agents and partners

Agents:

- Our agents may not collect cash and can only act as agents when they have an active loan with us. They help customers with mobile top up and bill payments.
- Our agents just do sales
- Our “agents” are shops that tell customers about the possibility of applying to us for loans and they may help them fill out the application form
- Our agents accept cash for loan repayments but and accept deposits, but they do not do withdrawals and they may not disburse loans

Partners:

- We are the financial services provider but we are trying to lend to the customers of a large retailer. In the end, we are more like their partner.
- When we partner with an MNO, they are so big and we are so small, it's more like we're their customer.
- We use an agent network run by someone else. So we work with agents, but are they partners?

“Consider how to adapt these standards to different models. Even within my own country there are several types of models.” – a pilot participant

But, some confusion or doubt, particularly around indicators on algorithms, agents, and partnerships

- [On training agents] “We do visit agents and we train them when we do visit, but we can’t visit them all...We don’t train agents on handling customer complaints. Regulation does not allow agents to follow up on customer complaints because they’re not considered part of the institution itself but a partner. However, that does not prevent customers complaining to the agent.”
- [On algorithm bias] “Our algorithm is not based on any bias to include or exclude. It’s in machine learning itself. We ask data analytics which factors cause default.”
- [On algorithm fairness] “The way this indicator is defined is quite ambiguous. What does fairness mean? What documentation would you want to see that would portray the financial institution as being fair?”
- [On ensuring partners have good customer protection] “Of course we do face challenges to get information, especially when you’re dealing with a partner and you’re viewed as a smaller player. It’s very challenging to get them to provide all the information that you need to get comforted. In the end you go with a gut feeling.”

AND

“In the case of an MNO, a lot of customer protection around data security was pushed from them onto us. I don’t think they would have listened for a second to anything from us going to them.”

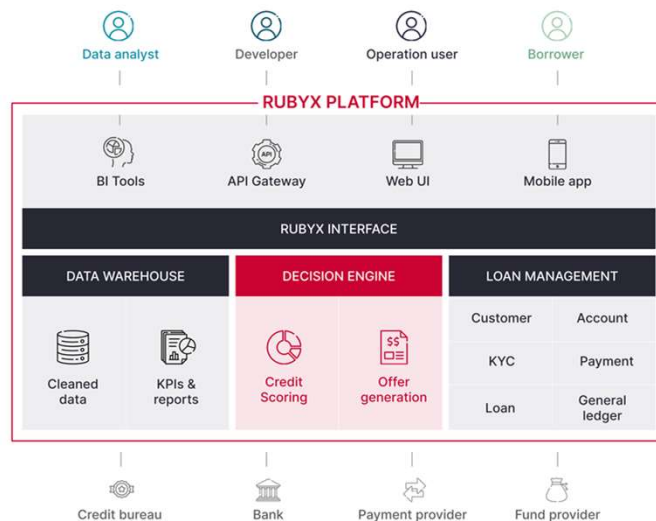
Examples of Implementation

Algorithm Bias

Deeper discussion



- We facilitate **B2B2C partnerships** to create a complete **digital lending ecosystem** that addresses the unmet need for MSME financing and dramatically increases **financial inclusion**.
- Our solution: **Lending-as-a-Service**



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Takeaways on automating loan decisions using data and algorithms

- Existing behavioral data may already be biased by human decisions.
 - Question the data you are using to build your model.
 - Group loans can add an additional layer of exclusion.
 - Exclusion is also about design and operations.
- Understand the bias you are creating in your portfolio...and correct them !
 - To build inclusion, crosscheck with reality, monitor and adjust.
Ex: Tunisia alternative repayment channel
 - Automation is also about focusing where humans bring value.
 - New digital footprints create inclusion opportunities.

Takeaways on automating loan decisions using data and algorithms

Block	Sub-block	Model 1	Model 2	Model 3
Business Profile	Business Registration	↑	⇌	
	Well Constituted BOD and Management		↑↑	
	Business Site and Premises		⇌	
	Business Knowledge and other Risk Indicators		⇌	
	Business Documentation and Financials		⇌	
Credit Indicators	Loan / OD Acquisition	↓↓	↓↓	↓↓
	Repayment History		↓	↓
	Collateral Issues		↓↓	↓↓
	Loan Utilization and Market potential		⇌	⇌
Deposit Indicators	Account Type and Actual Figures	⇌		
	Account Activity against Loan Request			
	Account Activity against Deposit standard			
Adjusted R ²		18%	25%	24%
Num. observations		54	233	238

“History of late payment at the MFI was also taken out because the factor was too influential and would greatly diminish the relationship of other factors in the model.”

Quote of a data scientist who developed a scorecard for an MFI in Asia

Analysis of a scorecard for a Microfinance institution in Ghana

Key Question (1 of 5)

Bias in loan decisions / algorithms

Poll 1:

Is there a risk of bias existing in the loan decision process, either analog or digital, leading to the exclusion of some potential customers?

- Yes
- No
- Not sure

Is it useful and feasible for an FSP to analyze who got approved for loans, compared to who applied and to the overall population that the FSP aims to serve?

- Yes
- No
- Not sure

Should we replace the current suggested practice (“The provider's algorithms function according to the provider's definition of fairness.”) with this practice (“The provider verifies that its credit-scoring algorithm does not exclude clients that the provider aims to serve?”)?

- Retain the first option: “The provider's algorithms function according to the provider's definition of fairness.”
- Switch to the second option: “The provider verifies that its credit-scoring algorithm does not exclude clients that the provider aims to serve?”
- Include this concept in the DFS Standards but neither of the above is the right wording
- Do not include this concept in the DFS Standards
- Not sure

Examples of Implementation

Agent Management

Deeper discussion

Details on agent training, with the percent scoring “Yes”

<u>The provider trains agents on customer protection, and repeats training at minimum, annually. The training covers at minimum the following topics:</u>	<u>Percent scoring yes</u>
How to avoid aggressive sales techniques, including how to respect customers' right to refuse products	18%
How to explain pricing, terms and conditions to customers and how to verify customer understanding	27%
How the complaints mechanism works, how to resolve complaints against partners, and how to treat customers respectfully during the process	18%
Confidentiality and data sharing policies and fraud risks, including common frauds, fraud identification, and fraud reporting	75%
How the full lifecycle of the complaints mechanism works, both for complaints lodged against the provider and for complaints against partners, and how to treat customers respectfully during the process [F16]	25%
How to teach customers how to keep their data secure	9%
How to train customers with limited digital literacy to use digital products	17%
How to monitor overindebtedness and customer stress	18%

Key Question (2 of 5)

Agent Management

Poll 2:

Should the DFS Standards address the risk that agents do not meet adequate standards of customer protection when interacting with customers?

- Yes
- No
- Not sure

Should providers be advised, or required, to gather data on the questions and complaints that customers talk about with agents?

- Make this a recommendation but not a requirement. The information could be useful but it is not necessary to customer protection.
- Make this a requirement. The information is necessary to customer protection.
- Neither recommend nor require this.
- Not sure

Which of the following areas of management do you consider fundamental to responsible agent management? (Select all that apply)

- Agent training on customer protection
- In-person oversight / visits
- Incentive structure design that does not encourage aggressive sales
- Free complaints mechanism
- Outreach to customers to ask about their experiences
- None of the above
- Not sure

Examples of Implementation

Partnerships

Deeper discussion

Insights from Lulalend

- Start with defining the shared value. A partnership must make sense commercially.
- On negotiating revenue sharing / a fee structure:
 - Take the time to do this carefully and thoroughly before you sign
 - Be clear not only on how much is paid, including taxes, but also when it's paid and how it's paid
 - Fee/revenue sharing negotiation is not something you do only once, at the beginning. Expect to review and potentially revise on an ongoing basis
- Base the agreement on **real operations**. Review exactly how product delivery works from start to finish and define who is responsible for what at each step.
- For customer service, all operational and technical agreements and SLAs need to be very clear on who does what and what level of service is expected
 - **“An important part [of complaints resolution in a partnership] is first defining a problem on a scale of importance (usually a measure of customer impact) and then being clear on how that problem is solved (down to the detail of communication channels and expected resolution times.”**
- Build a shared understanding of customer protection, though these conversations come after you identify the business case. (Ex: define how “sales-y” to be)

Indicators on partnerships with lower scores of “Yes”

Label	Pct Yes
The provider gathers feedback on customers' experiences from partners	36%
[When selecting partners, the FSP] “asks the potential partner how it has addressed the specific customer harms that have surfaced”	30%
The provider's contract with the partner includes performance evaluation criteria	22%
The providers' contract with the partner includes how the partner implements customer protection practices	11%
The provider informs customers, verbally or in writing, about prohibited behaviors found in its partners' codes of conduct.	19%
[The contract with the partner specifies, when the partnership ends] the steps the partner will take to safeguard the data while it still keeps it, as well as when and what data it will delete.	46%
In the contract with a partner, the provider and its partner define a reasonable period of time in which the partner will resolve customer complaints, with different delays agreed upon per type of complaint.	30%
The provider trains agents on the complaints mechanism, including how to resolve complaints involving partners	18%

Key Question (3 of 5)

Partnerships

Poll 3:

Should the DFS Standards address the risk that a provider's partners do not have adequate customer protection practices, and therefore could harm the provider's customers?

- Yes
- No
- Not sure

Has any of the partners you have worked with failed to implement adequate customer protection standards when working with your customers?

- Yes
- No
- Not sure
- Not applicable

Does discussing standards of customer protection in advance of signing a contract with the partner make it more likely that a partnership will be beneficial, and not harmful, to customers?

- Yes
- No
- It depends on the type of partnership; sometimes yes and sometimes no
- Not sure

Key Question (4 of 5)

**Simplicity – helps with transparency,
but is there a universal definition of simple?**

Poll 4:

Should Cerise+SPTF add an indicator to the DFS Standards that requires terms / conditions / fees to be simple?

- Yes
- No
- Not sure

If you had to write a universal definition for what constitutes “simple enough” terms / conditions / fees, what would it be?

- Free response

Key Question (5 of 5)

Length of the Tool

Poll 5:

Should Cerise+SPTF shorten the DFS Standards?

[Note: It is possible to keep all the indicators but score them with different weights, for example designating some as “entry level” and some as “advanced”]

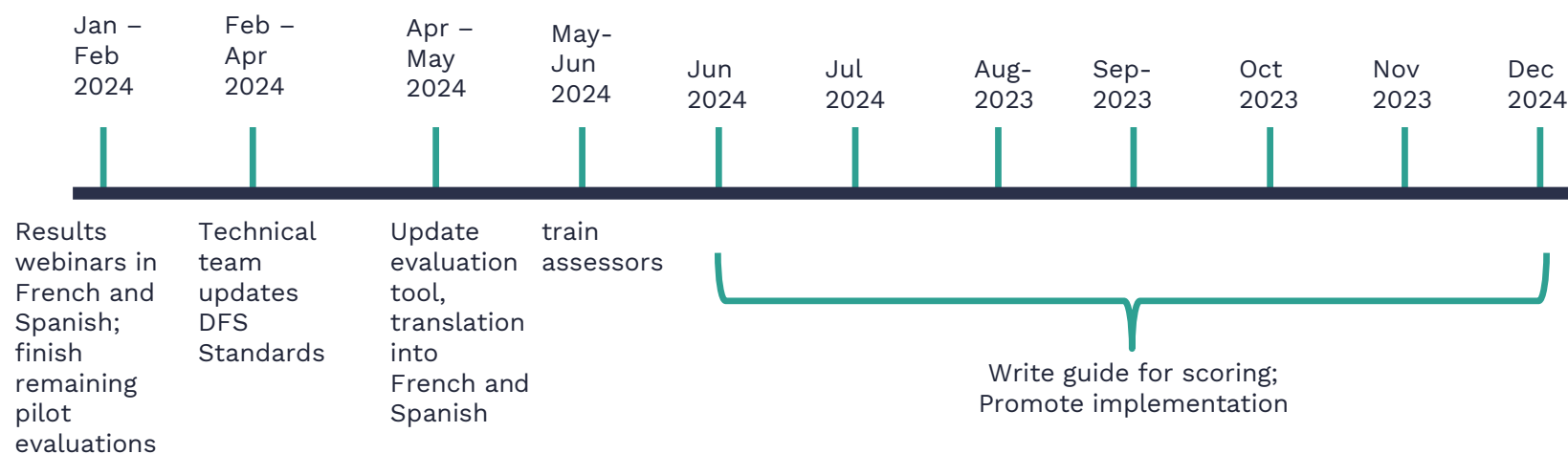
- Keep all indicators – I prioritize a comprehensive tool
- Make the tool shorter – it is too burdensome to use a tool this long
- Not sure

If you do recommend shortening the tool, which option would you recommend?

- I do not recommend shortening the tool
- Designate which indicators are fundamental to not harming customers and keep only those, deleting the ones that focus more on creating or increasing benefit
- Remove the indicators that a large majority of the FSPs in the pilot already seem to be doing
- Remove the indicators that a large majority of the FSPs in the pilot are not already doing
- Do not include indicators about agent management because the models are too diverse for there to be universal practices in this area
- Do not include indicators about partnerships because the models are too diverse for there to be universal practices in this area
- Other (please contact Cerise+SPTF to share your ideas)
- Not sure



Timeline for 2024



Huge Thanks to the Donors Who Are Supporting DFS Standards Development



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