Standards for Responsible Digital Financial Services: Working Group Launch!

15 February 2022
AGENDA

10:00 to 10:10  INTRODUCTIONS

10:10 to 10:20  CONTEXT: Who we are, what we do, how, and why

10:20 to 10:30  PLANS for this working group

10:30 to 11:25  EXAMPLES of draft standards: a) agent management; b) product design; c) complaints mechanism

and  ANSWERS to some frequently asked questions

11:25 to 11:30  NEXT STEPS and conclusion
By the end of this session, you will ...

• Understand **who** is Cerise + SPTF and **why** we are developing standards for digital financial services

• Understand the process for DFS standards development

• Have a sense of how the standards play out in the real world

• Be inspired to take part in the working group we’re forming

• Inform and encourage others to join
WHO WE ARE
Two Entities with a joint purpose.

SPTF
Promoting standards & practices for responsible inclusive finance

Founded in 2005
501(c) (3) licensed in USA and Luxembourg
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

Cerise
Pour une finance éthique

Founded in 1998
French non-profit
Promote responsible behavior of inclusive finance providers and purpose driven organizations
Create positive outcomes for low-income people
Operating budget (2020): $0.5M
Funded by global public and private entities
Key activities: develop social audit tools, research and publish on best practice in responsible finance, build local capacity for social audits around the world

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WHAT WE DO
Integrated Service Offer

1. Standard Setter
   Universal Standards, working groups¹,

2. Standard promotor
   RIFF², webinars, trainings, annual meetings

3. Assessment
   SPI4

4. Improvement
   RIFF-funded upgrade projects, webinars, trainings, resource center

5. Reporting and benchmarking
   SPI4 and CP Pathway results and benchmarks

6. Demonstration
   CP Pathway achievements, webinars

¹ Working Groups currently active: Social Investor, Outcomes, Green Finance, Customer Empowerment, Digital Financial Services Standards
² Responsible Inclusive Finance Facilities offer co-funding opportunities in three regions: Africa, Southeast Asia, and the Caribbean/Central America.
WHAT WE DO
The Universal Standards for Social and Environmental Performance Management

A complete guide of best practices to help financial service providers (FSPs) put clients and the environment at the center of all decisions and align their policies and procedures with responsible business practices.
Why create these DFS standards

• Clarifies what “good” practice means
• Enhances transparency
• Encourages good practices to grow
• Proposes concrete solutions to the risks we observe
• Enables stakeholders to distinguish between providers with a desire to create value for clients versus those focused solely on profits
• Facilitates partnerships with responsible providers
The Process

- **2020-21** - various discussions with CFI related to standards updating, including their input on digital credit standards
- **May - August 2021** - Document review, including resources from CGAP, GSMA, Women’s World Banking, BTCA, FINCA, UNCDF, IPA, USAID, and IFC.
- **September - February 2022** - about 40 expert interviews, of which a dozen were FSPs
- **February 2022** - webinar to launch the DFS Working Group
- **2022, ongoing** - virtual DFS Working Group meetings
- **June 2022, we hope!** - in person full-day DFS Working Group meeting, as part of the SPTF annual meeting
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The Voices (so far) ~40 interviews, broad cross-section of stakeholders

- Accion
- ADA
- Center for Financial Inclusion (CFI)
- CGAP
- Consultants (5)
- Financial Service Providers (12):
  - 4G Capital; Advans Myanmar; Anh Chi Em; APFI; Banque Al Ibdaa; BRAC Tanzania; CAURIE; COOPEC-SIFA; ENCOT; Infinity Microfinance Bank; Microplan Financial Services; RENACA
- DAI
- FINCA Impact Finance
- Gates Foundation
- Griffith University
- GSMA
- IPA
- Juakali
- M-CRIL
- MFR
- MicroSave Consulting (MSC)
- ModusBOX
- Oikocredit (2)
- Suricate Solutions
- UNCDF
- USAID (2)
- Women’s World Banking

More names? Institutions? (Including yours?) Contact us, please!
THE DRAFT DOCUMENT HAS 13 PRIMARY SECTIONS SO FAR, PLUS A COLLECTION OF OTHER IDEAS

1. Agent management
2. Algorithm bias
3. Fraud
4. Outcomes
5. Partnerships
6. Complaints mechanism
7. Cybersecurity
8. Data rights/privacy
9. Fair and respectful treatment of clients
10. Prevention of over-indebtedness
11. Product design/delivery
12. Responsible pricing
13. Transparency

Other ideas:
- Interoperability
- Country or region-wide interventions
- Inclusion of those who struggle with technology, literacy, and/or numerals
- Employee treatment and DFS, particularly during change management

Topics included in the 7 Client Protection Principles (which combined data security and data rights)
FOR THE WORKING GROUP

• Goals:
  • Work intensely in the coming months
  • Publish updated DFS standards as soon as they are ready
  • Build buy-in and awareness of the DFS standards
  • Address related questions about structuring, marketing, and implementing the standards.
• All are welcome to join. Please invite your colleagues!
• Meetings will be in English.
• We will solicit written input from those not comfortable with discussions in English; the draft standards are available in French and Spanish.

Is it feasible to envision standing 90 minutes meetings? Could we block a full day for a virtual meeting in April or May?
Agent Management

Our preliminary work suggests 21 possible standards.

Let’s take a look!
What are the DFS standards, and who are they for?

- These are management practices for FSPs that want to offer digital financial services in a way that protect and benefit clients. Investors can also use the standards during due diligence and monitoring for DFS investments.
If you’re a DFS provider, do you only use 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

- In fact, many of the ideas you suggested are already in the Universal Standards! Examples:
  - Avoiding unintended negative consequences of financial inclusion. Listen to SPM Essentials webinar #8, “Barriers, Bias, and Banking.”
  - Having a client complaints mechanism. Read standard 4E in the Universal Standards for SEPM.
  - Client-centric products and services. Listen to SPM Essentials webinar #3, “Using Client Feedback to Inform Product Design”

- However, “digital” is not the same from one FSP to the next. Not everyone has the same digital systems. Not everyone offers the same digital products and services. FSPs will assess themselves only against the DFS standards that apply.
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.
Complaints Mechanism: Additional standards for the DFS context:

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

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

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.

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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.

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.
Client-centered products and services
The Universal Standards manual has one standard, five essential practices, and many indicators about designing products that benefit clients.

3.B: Standard: The provider’s products, services, and channels benefit clients.

3.B.1 EP: The provider uses insights from client data to design products, services, and delivery channels.

3.B.2 EP: The provider removes barriers that prevent access to financial products and services.

3.B.3 EP: The provider’s products, services, and channels protect clients from harm.

3.B.4 EP: The provider’s products and services help clients reduce their vulnerability to shock and smooth consumption.

3.B.5 EP: The provider’s products and services help clients achieve their goals.

3.B.1.2: The provider modifies its existing products and services in response to clients' needs, feedback, and outcomes.

3.B.2.2: The provider offers delivery channels that reduce barriers to access for clients.

3.B.2.3: If the provider offers savings, it sets minimum requirements and withdrawal conditions that are compatible with the cash flows of the target segments.

3.B.3.2: The provider's collateral and guarantor requirements do not create severe hardship for clients.

3.B.4.2: The provider offers products and services that help clients maintain stable levels of expenditure despite income fluctuation or emergencies.

3.B.5.2: The provider offers products/services that enable clients to invest in economic opportunities such as business loans for start-up, working capital, and investment.
Client-centered product design: Additional standards for the DFS context:

Build the digital literacy of your customers enough for them to use the digital products and services you offer safely and effectively.

Integrate strengthening digital literacy as a part of product design and delivery, in multiple stages (at minimum, onboarding + refresher training).

Research levels of digital literacy, by customer segment, during market and pilot research.

Design digital pilot testing to be done quickly (about 3 months), with a focus on pilot testing solution ideas but not a fully developed project.

Provide confirmation to a customer immediately after she makes a transaction. If customers are paying from a mobile wallet, they get two confirmations (from the MNO and the FSP) that the transaction happened.

Design digital interfaces as simply as possible, so that even those unfamiliar with numbers can use them.

Offer technology in an opt-in way, not mandated.

Standards for Responsible Digital Financial Services:

Working Group Launch!
Are these standards only for traditional FSPs that are digitizing, or are they also for fintechs?

- The ideas for standards suggested so far do apply to fintechs. This does not mean it is common practice, but these management practices are feasible and do have the potential to mitigate harm. We propose a motto of “realistic but ambitious” for standards development.
- Our standards give you the “what,” not the “how.” The “how” might be very different, based on your business model.
- What we do not know yet is if there are additional practices specifically for fintechs, based on their business models. What do you think?
In addition to identifying standards, we hope the working group can answer other critical questions:

• How to structure the standards document
• How to define key terms. Ex: What is a “fintech”?
• How to build awareness and buy-in
• How to support implementation
• How to coordinate with other initiatives
• Determine a schedule for our working group meetings
• Invite your colleagues to join
• Read the draft DFS standards document
• Send us written comments if you can
• Save the date! We hope to meet in-person in June.
MARK YOUR CALENDARS

Next meeting
Tuesday 15th March, 15h00-16h30 (GMT)

For further information, contact:
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Thank you!