## 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



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## 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

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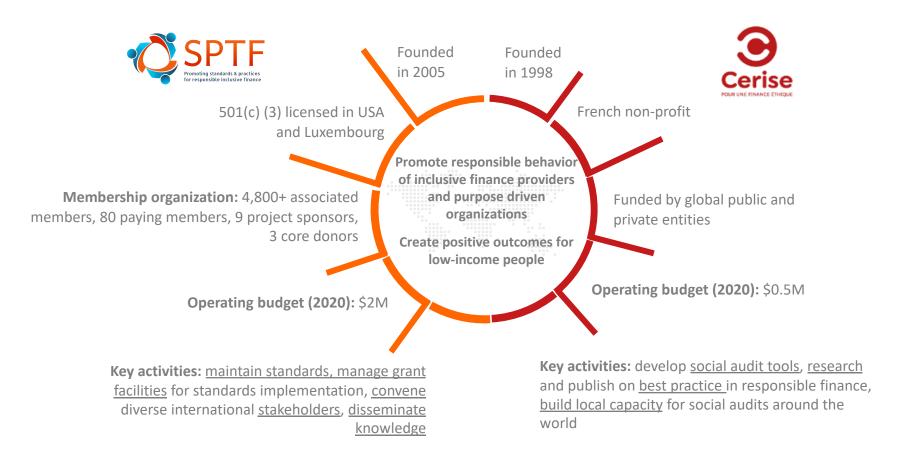
• Inform and encourage others to join

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## WHO WE ARE Two Entities with a joint purpose.



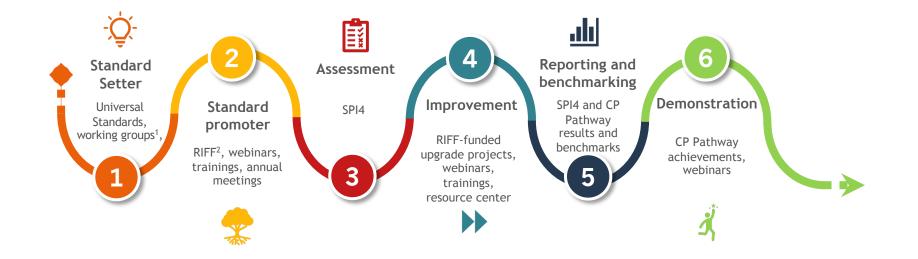
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## WHAT WE DO Integrated Service Offer



<sup>1</sup> Working Groups currently active: Social Investor, Outcomes, Green Finance, Customer Empowerment, Digital Financial Services Standards <sup>2</sup> Responsible Inclusive Finance Facilities offer co-funding opportunities in three regions: Africa, Southeast Asia, and the Caribbean/Central America.

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### WHAT WE DO The Universal Standa 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.



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## 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

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## 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
- CENTER for FINANCIAL INCLUSION
  - for AL DN N
- CGAP
- CGAP

ADA

- Consultants (5)
- Financial Service Providers (12):

Center for Financial Inclusion (CFI)

 4G Capital; Advans Myanmar; Anh Chi Em; APFI; Banque Al Ibdaa; BRAC Tanzania; CAURIE; COOPEC-SIFA; ENCOT; Infinity Microfinance Bank; Microplan Financial Services; RENACA

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DAI



- FINCA Impact Finance

BILL& MELINDA GATES foundation Gates Foundation

More names? Institutions? (Including yours?) Contact us, please!

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Griffith **Griffith University** GSMA **IPA** 💽 Ipa JUAKALI Juakali inclusive M-CRIL MFR MSC MicroSave Consulting (MSC) ModusBOX MODUSBOX • Oikocredit (2) Suricate Solutions Suricate Solutions UN Public and Private Finance for UNCDF USAID USAID (2) Women's World Banking Women's World Banking

## 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)

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## 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

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- 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?

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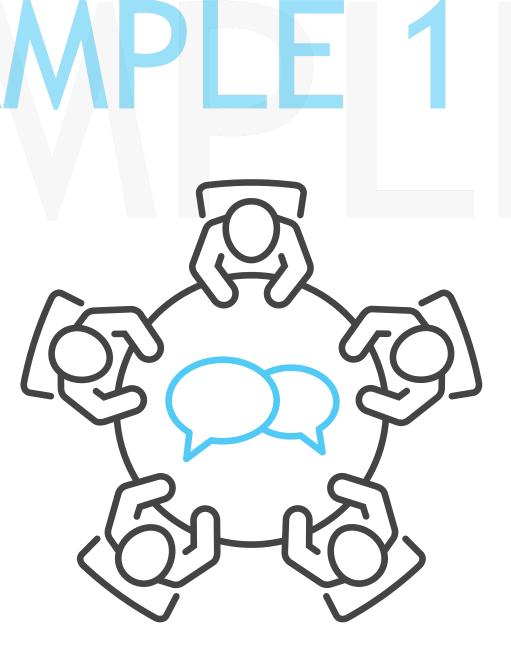




#### Agent Management

Our preliminary work suggests 21 possible standards.

Let's take a look!



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## 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.

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### **COMMONLY ASKED QUESTIONS (2 of 3)**

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## 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 <u>SPM Essentials</u> 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 <u>SPM Essentials</u> 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.

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## EXAMPLE (A)

#### **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.

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## EXAMPLE (A) cont

#### **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.

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

#### 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 Practi<sup>2</sup> The provider resolves complaints efficiently

4.E.3: Essential Practica 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.

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.

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## EXAMPLE (B

#### **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.

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## EXAMPLE (B) cont

#### 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

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

#### **Client-centered products and services**

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



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

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.

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

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COMMONLY ASKED QUESTIONS (3 of 3)



### 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?

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# MORE TASKS

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

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# NEXT STEPS

- 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.

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### MARK YOUR CALENDARS Next meeting Tuesday 15th March, 15h00-16h30 (GMT)

For further information, contact : Amelia Greenberg: ameliagreenberg@sptfnetwork.org

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