Cerise + SPTF

Working Group on Standards for Responsible Digital Financial Meeting Minutes
Topics: Responsible Pricing and Transparency

(*Tuesday, May 31, 2022*)

Meeting overview: In this meeting, we reviewed the content of the draft standards for two different topics, responsible pricing and transparency. Participants shared their ideas on what to add, delete, or refine.

Learn more: Visit the Working Group's webpage to download the latest draft of the standards for responsible digital financial finance, to find content from previous meetings and to see the dates of upcoming meetings, Contact ameliagreenberg@sptfnetwork.org with any questions.

Introductions and Updates

- Amelia Greenberg, SPTF's Deputy Director and head of the Responsible Digital Financial Services (DFS) Working Group, led the webinar.
- A poll of the participants showed that most were based in Europe, but some were from North America, Central America, and South America, and one person was based in Asia.
- SPTF posts meeting minutes, recordings, and notes, as well as updated sections of the DFS standards based on working group input, to the DFS Working Group page.
- The Cerise+SPTF 2022 annual meeting in Paris, 28-29 September; a full-day DFS working group meeting will take place on the 28th while the 29th will be for the main conference.

Context: Overview of Cerise + SPTF's work on standards

- Over the past decade, SPTF published and has periodically updated the Universal Standards for Social and Environmental Performance Management ("Universal Standards"), which is a comprehensive guide of best practices to help FSPs put clients and the environment at the center of all decisions. SPTF and CERISE, with input from other stakeholders, have also developed an infrastructure of assessment tools and implementation resources for FSPs.
- With the rise of digital financial services, many of SPTF's stakeholders – including financial service providers, networks, investors, and regulators -- have asked Cerise+SPTF to identify best practices in DFS.
- Creating such DFS standards would:
    - Clarify what it means to have good management practices in DFS.
    - Enhance transparency
    - Encourage good practices to grow
    - Propose concrete solutions to the risks we observe
    - Enable stakeholders to distinguish between providers with a desire to create value for clients versus those focused solely on profits.
    - Facilitate partnerships between responsible providers.
- To develop the standards, SPTF conducted a literature review plus interviews with a broad cross-section of experts.
- SPTF reviewed the following principles/standards/guidelines that relate to responsible DFS while developing the draft DFS standards:
    - G20 High-Level Principles for Digital Financial Inclusion
    - IFC Guidelines for Responsible Investing in DFS
    - BTCA Guidelines for Responsible Digital Payments
    - GSMA Mobile Money Certification
    - Smart Campaign Digital Credit Standards
    - GOGLA Self-Assessment

- If you are interested in providing feedback, or if you know someone else who should, contact Amelia Greenberg (ameliagreenberg@sptf.info).
- The Universal Standards for SEPM apply to all FSPs including DFS. In the latest iteration of the Universal Standards, we did include some practices specific to the responsible provision of DFS. However, we had not yet identified a comprehensive set of responsible DFS practices. That is the work happening now, with the input of the working group. In the future, the goal is to have one fully integrated manual and one assessment tool. We do not know what this will look like but will be determined after we have identified all the management practices for the DFS standards.
- The DFS Working Group is open to all.
- Reminder: the standards say the *what* to do but not the *how*.

Three quotes from experts that SPTF interviewed kicked off our discussion on pricing:

1. “DFS is exorbitantly costly…I have not seen prices go down.”
2. “You can’t expect providers to bring down inelastic price. They just aren’t going to do that. People will charge what they can.”
3. “The best practice should be that pricing is not uniform across the board. It’s calibrated to that person’s risk level.”

Responsible Pricing: What is already in the Universal Standards for SEPM

6.B The provider sets prices responsibly.

4. 6.B.1 The provider charges fair prices
   - 6.B.1.1 The interest rate takes into account the following costs required to deliver credit: funding costs, operating costs, loan losses, and returns to capital.
   - 6.B.1.2 Annual Percentage Rate (APR) for all of the provider's major credit products (> 20% portfolio) is within 15% of its peers. If it is outside the range, the provider can provide a valid justification.
   - 6.B.1.3 The provider discloses loan interest on a declining balance and according to the exact date of payment.
   - 6.B.1.4 Loan interest (including arrears interest) does not accrue past 180 days, at maximum.
5. 6.B.2 The provider charges reasonable fees
   - 6.B.2.1 The provider does not charge clients for confirmation of transactions and balance inquiries.
   - 6.B.2.2 Prepayment penalties do not include the interest that would have accrued between time of prepayment and the end of the loan term.
   - 6.B.2.3 Arrears interest and penalties do not compound debt; they are calculated based on the principal amount only.
   - 6.B.2.4 If the provider offers savings, it charges reasonable fees on savings accounts.
     - 6.B.2.4.1 Fees on deposit accounts are not disproportionately high relative to small deposit balances.
     - 6.B.2.4.2 The fee structure for deposit accounts does not allow zeroing out accounts through repeated application of fees.
6. 6.B.3 The provider does not transfer unnecessary costs to clients.
   - 6.B.3.1 Loan Loss Expense Ratio (LLER Ratio) is within the accepted performance range. If it is outside the range, the provider can provide a valid justification.
   - 6.B.3.2 Operating expense Ratio (OER Ratio) is within the accepted performance range. If outside of the range, the provider can provide a valid justification.
   - 6.B.3.3 Return on Assets (ROA) is within the accepted performance range. If outside of the range, the provider can provide a valid justification.

Poll: What percent of the existing standards on responsible pricing do you think apply in a DFS context?

Ten people participated in the poll. Below are their answers:

- 0-24%; 0 votes
- 25-49%; 4 votes
- 50-74%; 1 votes
- 75-99%; 4 votes
- All; 1 vote

Ideas so far for additional management practices to add to the Universal Standards manual related to responsible pricing:

1. Board and management create a pricing strategy and review it with at minimum [X] frequency.
2. Communicate the annual percentage rate (APR) and all fees.
3. Disclose penalties up front, at the time the customer is taking out a loan. It is not ok to wait until the customer will be charged, and then disclose it.
4. Eliminate punitive fees. Have a single price for a product, and do not charge anything else.
5. Do not have a minimum balance requirement for a savings account.
6. Do not charge fees for overdraft. / SIMILAR TO / Put systems in place to protect customers from overdraft fees.
7. When a customer defaults, do not charge compounding interest or late fees. The penalty for default is losing the ability to access loans on the platform.
8. Structure interest rate and repayment schedules for loans so that the customer never ends up paying more in interest than s/he received in loan capital.
9. Do not pass on the early costs / innovation costs to customers. The FSP has to invest in capital expenditure as if it is starting a new business and amortize the investment accordingly. Poor customers cannot and should not subsidize this investment.
10. Take advantage of open-source software for requisite updates to IT systems.
11. Clearly state the consequences of not paying (e.g., seize collateral, refuse a new loan, report to credit bureau)
12. Reduce prices for customers who have a demonstrated record of on-time payment.
13. Monitor credit scoring algorithms to make sure they get more effective over time, leading to better ability by the FSP to price appropriately given actual customer risk and repayment probability.
14. Cross-subsidize, using funds earned from higher-end customers to serve lower-end customers at affordable prices.
15. Do not set prices for good customers high enough that their payments subsidize the costs of customers who default

Expert Reflection:

Arunjay Katakam, fintech entrepreneur and author

- I've spent a little over a decade in the financial inclusion space, including 5 years with GSMA in the mobile money team. More broadly, I have been working on remittances.
- I wrote a book called The Power of Micro Money Transfers. It advocates moving away from transaction fees.
- As we move to serving clients digitally, the cost is transforming.
- Transparency in this day and age is absolutely vital. Remittances is one of the worst industries in finance for transparency. There is confusion pricing. Everyone says zero fees and zero commissions but it's all baked in, and the customer does not know how much they are paying.
- Thinking about banking histories, they were set up to serve the community originally. That's why there have been a lot of cooperatives and credit unions and buildings societies. They

came together to improve everyone's standard of living. But somewhere along the line, the purpose morphed into a profit focus. When you focus on profits, you start charging customers more than you probably should, and this is where hidden fees come into the picture.

- In the early days, we needed to trust banks to keep our money safe. Today, there is some level of insurance that covers banking deposits, up to a certain level that covers most of the population. So, we don't need to trust out banks with the money anymore. We do need to trust them not to charge us unnecessary fees or sell us products that we don't really need.
- The need for profit can distort what a bank ends up doing.
- We are moving away from a world where we have transaction-based fees. Think of the music industry. Technology is moving us away from a per-transaction payment model to a subscription model. This is because the cost structure is no longer what it used to be. It used to be there was a cost related to each transaction that needed to be passed on.
- Think about our phones. Most of us used to have a per-call fee system, but now we pay a monthly fee and have unlimited calls and messages. I think this is where banking will also head. Some early adopters have moved in this direction, but overall it's been quite slow.
- Ultimately, we should find ourselves in an environment where there is a new model of fees that is more in line with customers' needs.
- Thinking about remittances – micro transfers – today if you send a little bit of money, it's very expensive.
- Think about WhatsApp versus SMS. SMS was expensive. It used to be 50 cents a message and it dropped to much less than that, but still once there's a fee on every message, however small, there would be a reluctance to send messages. By making it free, WhatsApp opened the floodgates. There are business models to monetize this model, and WhatsApp has been very successful. So, different models exist, and by allowing people to transact more often, that creates a further stickiness for the need.
- We know about the poverty trap: the poorer you are, the more you pay. In the past, based on brick and mortar economics, it was more expensive to serve the poor so the charges to them were more expensive too. But that has changed and we need to start thinking about it differently.
- An interesting example is Kopo Kopo in Kenya, which was lending working capital to merchants and also helping them to collect payments from mPesa. Their loans enables merchants to sell more product. Kopo Kopo made its money from interest fees, but its success was tied to the success of the business. This helped the business owner grow their business and everyone benefited. This is how I see the real purpose of banking: helping the community to improve their financial situation. This can be from savings accounts to credit to insurance.

Discussion of responsible pricing:

- Amelia asked about the hidden-ness of the fees. We hear it is common currently for people to get charged fees they weren't expecting. They don't find out about the fees until they incur them. One strategy to avoid that is that the FSP makes sure it communicates to customers what fees might be charged, at the time when they become a customer. But another strategy would be to eliminate fees. It is difficult to inform people – they don't read contracts, we don't read contracts people send to it. Is it realistic to think we can communicate a complex fee structure well so that we're sure clients understand it, or do we have to admit that if the fee structure is complex, customers aren't going to understand it?
- Arunjay's answer: I am a huge fan of simplicity. Moving away from complex fee structure is definitely the way forward. We lost our way in the banking world. A lot of fees came from the need to make additional products, though in some cases it was to cover costs, but in most cases it was to make more money. This permeated the whole industry. In the world we live in today with the digital infrastructure at our disposable, there's no need to have such fees. Again, think of the music industry. When you use Spotify, you either listen to the ads or you

pay a monthly fee. In banking, there's a cost of capital and the cost to lend money out, and there's an interest fee that could quite easily cover costs. We don't need to have 50 different fees and communicate all those fees to consumers. Banks that really believe in transparency will automatically have less fees. Those who want to overcharge are the ones who come up with the most complex fee structures. Simplicity is key. I absolutely believe it's possible and they way we should go.

- Amelia: Some people have said I should be able to trust my FSP not to hit me with a weird and unexpected fee. I don't want to have to read a 20-page contract. I just want them not to charge me unnecessary or unreasonable fees.
- Edgardo Perez, SPTF board member and director of an FSP in Guatemala called Genesis: This is the most sensitive topic in the Universal Standards and the one that is hardest to define because every country has different conditions. First of all, transparency is the main issue in pricing. Fees are sensitive to the costs that the fees are supposed to cover. If you have reasonable rates, and you want to charge a fee for acquiring a customer like processing paper in the office and the officer going to the field to upload information, that might be a fee that some institutions will charge. If you have a customer who goes past the date for the collection, and you have to hire a person to go do loan collections, then you might need to charge a fee to cover that cost. If you have an educational program to educate your customers, you might want to charge a fee to cover that cost. It's not what we do, but I'm thinking about what other institutions want to cover. The negative side is when you need to cover costs because you are inefficient or you have a bad quality portfolio. That's when the fees become not worthy of a good practitioner. I think that pricing, the way it is set up today in the Universal Standards in terms of being in the ballpark of the market, it's one of the measures you can use. We've seen in different countries that you can see rates about 100% when most practitioners charge around 30%, you can see who is outside of the rationale of rates. With digital, we are not there yet in terms of digital using tools to make things cheaper. We have seen that delinquency rates of digital loans are much higher. People who are underserved or unbanked don't understand how the loans work, and that makes them more expensive to maintain due to the collection side of the equation in digital loans.
- Amelia: One of the major issues involves default. We have seen higher default rates in a digital context. We hypothesize because access to a loan is so much quicker and easier. And maybe you are reaching people who don't understand the consequences of default. But the question is, is it fair to pass that cost on to customers who do repay, or do you have to view that cost as investment capital, that the FSP has to bear as it figures out how to lend more effectively in a digital context.
- Edgardo: Any cost that covers badly performing products is bad practice. Generally, consumer loans have a higher rate of delinquency than loan products that are designed to help customers generate income. This is true in digital loans too – if the loan is a consumer loan, delinquency rates will be higher. You can easily manage a microfinance institution with a good ROA which is covered by a good quality portfolio and good efficiency ratios. If you have those as a framework, then you have good possibilities to have rates that are based on your market conditions at the best point in the scale. If you are really committed to social performance and to having the best quality of products for your customers, and you want good sustainability for your institution, then it doesn't matter what products you are selling. If you have a reasonable ROA, as you have in the Universal Standards, and a good quality portfolio and good efficiency, then your rates can give you sustainability and help you meet capitalization requirements to keep the institution going.
- Mario Umpiérrez: In the music industry, there were disrupters like Spotify and Apple that pushed aside the record labels. In our industry, the equivalent of the label is the bank, and the holders of value are the savers in the bank. Now we have a new crop of money transfer service providers. And they are disrupters. But are they piggybacking on the former transaction cost structure, or are they really going into the new subscription model?

- Arunjay: You described the actors in the analogy quite well. In the money transfer space, there are a few examples of those who are using the subscription model – but a few only still, it's early days. Others are trying different models. It's still nascent. When Apple launched iTunes, that was a first level of disruption, and they themselves got disrupted by Spotify. In money transfer and banking, there's a lot more than can be done because you're not selling just a song. You're selling a whole suite of products and people need a lot of products. If you took away money transfer fees and didn't charge them so much for sending small sums, they would send more transfers. People would like to send small amounts in the middle of the month, but the cost is prohibitive, and they are waiting to the end of the month to send larger amounts. But if you allowed them to transact in smaller amounts more affordably, they would come use your services more frequently, and that would create some stickiness for them with you as a customer. For example, some providers are offering savings accounts too and then earn interest from holding overnight floats.
- Mario: Most fintechs operating in this space are being taken over by banks. Is there symbiosis between banks and fintechs? Or are banks thinking they don't want to miss out on the opportunity, and they are just taking the fintechs. How can you apply the principle you are talking about with remittances to other products like savings or loans.
- Arunjay: Spotify's biggest shareholders prior to their IPO were Sony Music and other record labels. They tried to protect their business that way and banks are doing the same. But to answer the question of how you would make money, think of credit as just one product. Another is insurance, and insurance can be extremely valuable to customers. A number of years ago, a study showed that about 30% of those who exit poverty end up going back into poverty due to a risk event they couldn't manage. Microinsurance would have helped them stay out of poverty. With COVID, we saw the most vulnerable were hit hardest and lacked insurance. In the last decade, microinsurance has proven that it can work. A well thought out product that meets the customer's needs could be valuable to the customer and the FSP. Other investments products like pension schemes could benefit too. We know the power of compounding is huge. If you squirrel away a tiny amount of money but invest it in the long term, you can make money. There are different ways to serve customers and I think there will be more over time. The likes of Paypal and Stripe are able to offer more and more services to their customer base. The key point here is they improve the lives of the customers. They are giving them some service that is really benefiting them, for example ot grow their business or allowing them to do something that they previously couldn't do.
- Amelia: To summarize where we are leaning: a) there's a connection between pricing and transparency. If your pricing structure is too complex, it's not fair to expect your customers to understand that; b) retain the principle that exists in the Universal Standards that you have to cover your costs; c) if you are learning and investing and inefficient right now, as you develop the right delivery system and risk assessment methodologies, it's not appropriate to pass on those costs to clients.
- Sana: At M-CRIL, we get a lot of pushback from rental, rent to hire companies regarding the way we look at APR. The feedback is that it is a rental and not exactly an interest rate. Would love to hear the experience and thoughts of the people in this group. The companies that rent out small vehicles say that APR is not an accurate measure of what we charge. It's a rental, not an interest rate. A rental rate is often higher than interest, when it is charged.
- Amelia asked what the businesses are specifically concerned about. It is that customers renting vehicles see that the APR for a rental is higher than an APR for a loan? Sana replied that yes that is one concern, but another is that the other renters are not obligated to communicate an interest rate, they just communicate the monthly rental rate. FSPs are obligated to communicate the interest rate. But other rental provider just communicate the monthly rental amount for a particular vehicle. So they say the competitors are not doing it and that's not done in the rental sector.
- Amelia said it's not surprising. When we hear pushback on publishing an APR, we do hear that if you go first publishing the APR, you look bad in comparison to our competitors who

are not publishing it. In these cases, it is a risk that if you are more transparent than your competitors than you might look worse when in fact you are not charging more. But in this case, the solution is not for the rental company to continue not being transparency, but instead as a sector to require all providers to publish prices in the same way.

- Arunjay (answering Sana): One idea re: transparency is to break up the rental price into two - cost + service fee. The first part is the actual cost to provide the asset on rent and the second is the fee charged by the provider.
- Comments submitted after the meeting, by Anne-Laure: Why are even the nominal stated rates so high? How can Fintechs justify high rates, when what we first expected was that technology would bring more efficiency and costs drastically down? And to your questions around applicability of standards, I feel our language is simply not the one that Fintechs use (opex, APR, declining balance, ROA, LLER...). And we have no benchmarks to comfortably say "accepted performance range."

Three quotes from experts that SPTF interviewed kicked off our discussion of transparency:

1. "“No one is going to download a contract and read the whole thing. No one does that.”
2. “A lot of customers, they just want to get it, they don’t want to take the time to read.”
3. “I don’t have to give you a good price, but I do have to be clear what the price is.”

Transparency: What is already in the Universal Standards for SEPM

The concept of transparency comes up in dimension 2 of the Universal Standards, which focuses on engaged leadership. We say both the board of directors and management should oversee whether the FSPs’ client protection practices are adequate, including whether the FSP is transparent with clients. However, the bulk of the content about transparency is in dimension 4, under standard 4B.

4.B The provider gives clients clear and timely information to support client decision making.

- 4.B.1 The provider is transparent about product terms, conditions, and pricing.
  - 4.B.1.1 The provider gives a Key Facts Summary Document to borrowers before they sign a contract. The document contains the following information:
    - Total loan amount
    - Pricing, including all fees
    - Total cost of credit: all principal, interest, and fees plus cash collateral
    - Disbursement date and loan term
    - Repayment schedule with principal and interest amounts, number, and due dates of all repayment installments
    - Deductions of first payment from principal and fees, if applicable
    - How cash collateral / manadatory savings can be used in case of default, if applicable
    - Moratorium interest rates, terms, and conditions, if applicable
  - 4.B.1.2 Loan contracts include the following information, as applicable to the product:
    - Grace period
    - Mandatory savings / mobile wallet amount
    - Automatic account debiting mechanisms
    - Linked products
    - Member or guarantor obligations
    - Collateral requirements and seizing procedures
    - Consequences of late payment and default
    - Prepayment conditions: whether it is possible and how it affects the cost
    - Whether terms and conditions can change over time and how that would affect clients
  - 4.B.1.3 Loan contracts are available in the major local languages.

- 4.B.1.4 The provider communicates product information in a way that supports informed decision making by clients.
  - 4.B.1.4.1 The provider publishes basic product information, including pricing, at branch or agent locations, or digitally as applicable.
  - 4.B.1.4.2 The provider communicates APR/EIR (or MPR if the majority of loans are under 3 months) in the Key Facts Summary and/or the loan contract.
  - 4.B.1.4.3 The provider's communications are in simple and local language; oral information is used for less literate clients.
  - 4.B.1.4.4 The provider's marketing materials do not deceive or mislead clients.
- 4.B.1.5 If the provider uses agents, it verifies that they provide to clients documentation of their fees, terms of service, and cancellation conditions.
- 4.B.1.6 If the provider offers savings, documentation includes the following:
  - Fees, including closure fees
  - Interest rate and how amounts will be calculated
  - Minimum and maximum balance requirements
  - Whether deposits are governmentally insured
- 4.B.1.7 If the provider offers payments, it gives the following information to clients who are initiating or receiving money transfers, or using other payment services:
  - Amount paid by sender, in sender's currency
  - Estimated exchange rate
  - Amount to be received in the destination currency
  - Fees
  - Instructions for collecting payment
  - Cancellation conditions
  - Instructions for resolving errors
  - Transaction confirmation
  - Taxes
  - Linked products (if any)
- 4.B.1.8 If the provider offers insurance, it gives clients the following information at the time of enrollment:
  - A certificate of coverage which states, at minimum, the premium, amount and term of coverage, who are the beneficiaries, which events are covered, any major exclusions, and when and how to file a claim
  - An explanation of the documentation required to prove damage, if applicable
  - Terms related to cancellation and prepayment, if applicable
- 4.B.1.9 If the provider offers insurance, it provides beneficiaries with timely information during the claims process.
  - 4.B.1.9.1 The provider notifies the beneficiary within 30 days of making a decision about the claim.
  - 4.B.1.9.2 When the claim decision results in a settlement, the provider notifies the beneficiary within 30 days of the settlement. If the claim is denied, the provider notifies the beneficiary of the reason and gives an opportunity for appeal.

- 4.B.2 The provider communicates with clients at appropriate times and through appropriate channels.
  - 4.B.2.1 The provider gives clients the opportunity to review the terms and conditions of products.
    - 4.B.2.1.1 The provider offers a channel for clients to ask questions and receive additional information prior to signing contracts.
    - 4.B.2.1.2 The provider gives clients notice and the opportunity to opt out before automatically renewing a voluntary product.

- 4.B.2.2 The provider gives clients a completed, signed copy of the contract and makes the contract accessible anytime in an online account or in physical form.
- 4.B.2.3 The provider gives clients clear and accurate account balance information in the following ways:
  - 4.B.2.3.1 Providing access to their up-to-date loan or savings balance upon request.
  - 4.B.2.3.2 Sending automatic messages to clients whenever there is an automatic deduction from the client account.
  - 4.B.2.3.3 Providing receipts, on paper or electronically, for every transaction.
- 4.B.2.4 If loan repayments are automatically debited from a client account, the provider sends clients a loan repayment reminder at least one day before loan repayments are due.

Poll: What percent of the existing standards on transparency do you think apply to DFS?

Ten people participated in the poll. Below are their answers:

- Edgardo: all
- Arunjay: most-all
- Ruth Dueck-Mbeba: yes most, but business models are rapidly evolving
- Mario Umpiérrez: with a few caveats, mostly everything applies
- Sandeep Panikkal: all
- George Florin Staicu: In my opinion there should be no difference between digital and classic loans transparency. Both types of loans should offer ALL the information presented by Amalia . I have one suggestion: this transparency approach should be valid for green/blue/climate change combating types of loans.

Ideas so far for additional management practices to add to the Universal Standards manual related to transparency:

1. Write agreements that customers have to review/sign in simple terms and in the local language.
2. Decide what key facts need to be disclosed up front for loans, including at minimum these: loan amount, loan term, repayment frequency, total cost of credit, APR, penalty fees.
3. In addition to the agreement, develop clear messaging, in local languages, to use to disclose key facts again in a quick and accessible manner.
4. Have a different system for how many messages with key information you send to first time users, vs to those who have used the same product multiple times.
5. Every time a customer buys a credit product, communicate at least once, clearly, about the importance of repaying on time and the consequences of default.
6. For all messages, follow this guidance: make it small (bite sized) and engaging.
7. Design digital interfaces to be simple and visual, promoting use even by those who are not digitally literate.
8. Give customers an option to speak to a live person.
9. Use an IVR chatbot to reply to customer questions. It must use local languages and be free.
10. Do a spot check on a sample of customers to test whether customers understand key elements of the terms and conditions. If not, improve disclosure processes.
11. Provide customers with a receipt of digital payment from both the partner MNO and the FSP.
12. Every time the customer conducts a digital transaction, the customer should receive a digital receipt/confirmation message and the credit officer (or equivalent) should receive the same transaction confirmation message on his/her device.
13. In general, FSPs should offer customers the possibility of talking to a human at minimum in three contexts: explaining new product, answering questions, helping with complaints.
    - NB: This is a repeat standard from fair and respectful treatment of clients.
14. Collect information about the digital channels to which your customers have access, so you know through which channels you can share information. / SIMILAR TO / Ask customers

how they get information. Then deliver information through those channels. Segment the answers by customer type.

Discussion of transparency:

- Amelia: Transparency becomes very important if we are not going to say that a certain price is too high or a certain fee is unreasonable.
- Mario Umpiérrez: Transparency goes hand in hand with understanding. You can be as transparent as you can be but there is a challenge on the understanding side. I've seen traditional FSPs moving into digital making their utmost effort to check customer understanding of terms and conditions while purely Fintechs come with a light as it can be approach to this. So there's a huge challenge in that respect both for the standards to set a meaningful bar for these aspects and for FSP to make sure the customers understand what they're signing on.
- Adela (from Genesis): We agree with the comments that transparency is the same for traditional loans and digital loans. We make efforts to make sure that our clients understand exactly the costs. [Have you found you need to do things differently to make sure customers understand?] Yes, it is different because the digital abilities of our customers are so different. It is very difficult to be sure they understand the conditions exactly. We use different channels to explain and to be sure they understand.
- Amelia asked Genesis, "Do you find that those who like to use digital products still sometimes want to talk to a person?"
- Adela: They very much need help to understand. In our market, we are working hard to explain person-to-person. All employees are very committed to overcoming this challenge.
- George: I would say that there should be no difference between digital and loan transactions. Both are generating the same effects, the same rights and obligations for the customers. The customer needs and has the right to be fully formed of its own decision by entering into a loan transaction.
- George: Transparency is related to the level of financial education of customers, and financial digital education of customers. Digital platforms can be challenging for some customers, related to their own level of education. The standards of transparency that you are building should become top priority for international organizations like the European Commission. I think we need transparency, both digital and classical, to be enacted into the laws and into central bank regulations.
- George: I would go deeper than this and say that digital literacy and financial digital literacy should be included in high school and university curricula, so everyone would have as sound foundation when wanting to enter into bank transactions.
- Amelia: SPTF is getting involved at a national and a regional level with customer empowerment. If you ask FPS to educate clients, they will do so with a bias toward directing clients to their own products. We want clients to have enough knowledge to choose among various options offered by different providers.
- George: Yes this is the right word, to "empower" the client.
- Amelia: Note that our standards do include the idea that the FSP must understand the level of capacity of its clients to use digital products. The FSP must have knowledge of what devices clients have access to and what knowledge they have of how to use technology before you use those channels to communicate with clients.
- George: This is why I think the government should have a very important role in financial and digital education of everybody in their country.

Poll: Do you plan on attending the SPTF annual meeting in September this year in Paris?

  - Mario Umpiérrez: probably not attending…sorry.
  - Sandeep Panikkal: Unfortunately will not be possible to attend.

- Apricot Wilson: Probably Yes :) (if not me, then probably someone else from our organisation)
- Edgardo Perez: see you there
- George Florin Staicu: not possible to attend
- Pascal Simon: possibly attending
- Malkhaz Dzadzua: probably yes