



FIGI News

FINANCIAL INCLUSION GLOBAL INITIATIVE

MAY 2020

Financial Inclusion Global Initiative (FIGI) Newsletter: Message from the Secretariat

The **Financial Inclusion Global Initiative (FIGI)**, a program implemented in partnership by the **World Bank Group (WBG)**, the **Committee on Payments and Market Infrastructures (CPMI)**, and the **International Telecommunications Union (ITU)**, funded by the **Bill & Melinda Gates Foundation**, focuses on developing digital financial services to support and accelerate the implementation of country-led reform actions to meet financial inclusion targets, and ultimately the global **'Universal Financial Access 2020'** goal.

Within FIGI, our work focuses around improving and accelerating drivers of digital financial services including financial, telecommunication and IT infrastructures, digital identification, security, electronic payments acceptance, legal and regulatory frameworks that enable competitive and inclusive digital financial services, among other topics.

As the world grapples with the COVID-19 crisis, the importance of **digital financial services** in providing secure, low-cost and contactless financial tools to individuals and businesses has become even more critical. In addition, the current COVID-19 pandemic has amplified the urgency for DFS to help reach underserved and vulnerable populations. DFS can help speed COVID-19 related payments to firms and individuals, including remote populations, reduce risks of cash and enable business continuity at a time of social distancing.

This newsletter aims to update policymakers and stakeholders on the FIGI project, particularly elements around enabling DFS to address COVID-19, and includes information on FIGI-related publications, blogs and learnings from FIGI and broader partners. The newsletter draws on the work of FIGI in supporting implementation projects in three countries—China, Egypt and Mexico—and working groups that tackle three sets of outstanding challenges across the information technology and financial sectors: (1) electronic payment acceptance, (2) digital ID for financial services, and (3) security, infrastructure and trust.

We hope this newsletter provides useful as a resource at this time and welcome your feedback.

Sincerely,
FIGI Secretariat

Inside this Edition

| | |
|---|-----|
| Working Groups | 1-3 |
| Payment Aspects of Financial Inclusion (PAFI) | 3 |
| Video Series | 4 |
| FIGI Country updates and Covid-19 responses | 4 |
| Related Research & Publications | 5 |
| Blog Series | 6 |
| FIGI Quick Links | 7 |

FIGI Digital Identification (ID) Working Group

Innovations in digital identification are critical to ensuring that individuals and MSMEs around the world can make financial transactions and open new accounts, particularly to disburse relief related to COVID-19. Policy makers have begun expediting the adjustment of regulatory frameworks (e.g., simplified Customer Due Diligence (CDD) and remote Know Your Customer (eKYC) rules) to facilitate emergency cash transfers through digital means as well as the acceptance of digital payments for businesses.

The Financial Action Task Force (FATF) released a **statement** on COVID-19 in April, 2020, related to

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FIGI Digital ID Working Group,
continued from page 1



The FIGI Digital ID Working Group co-lead, Sharmista Appaya, speaks about the report, *Guidance on Digital ID*, during an interview at the FIGI Security Clinic last December.

Simplified CDD measures and the use of Digital ID and implications of digital/contactless payments and digital onboarding to reduce the risk of spreading the virus.

Relatedly, the members of the FIGI Digital ID Working Group, led by the World Bank Group, contributed to FATF's recently released **Guidance on Digital ID**, which was initially circulated as a draft for **public consultation** in November, 2019, which highlights the benefits of trustworthy digital identity for improving the security, privacy and the convenience of identifying people remotely for both onboarding and conducting transactions while also mitigating ML/TF risks. Policymakers should explore the use of digital identity, as appropriate, to aid financial transactions while managing ML/TF risks during the crises posed by COVID-19.

The FIGI Digital ID Working Group co-lead, Sharmista Appaya, speaks more on the report during her **interview** at the **FIGI Security Clinic** in December, 2019.

FIGI Electronic Payments Acceptance Working Group

The wide-spread acceptance of digital payments by individuals and enterprises is critical during the COVID-19 crises. Individuals and businesses without access to digital payments have struggled to adapt and cope with the shutdowns imposed in many countries, and limited acceptance of digital payments makes it more difficult to maintain social distancing measures. As such, digital payment mechanisms that minimize physical contact like contactless and QR code-based payments have seen increased appeal.

As policy makers work to facilitate electronic payments acceptance, the Electronic Payments Acceptance (EPA) Working Group, led by the World Bank Group, recently

released a new report entitled '**Electronic Payments Acceptance Incentives: Literature Review and Country Examples**', which collates and summarizes existing literature covering electronic payments acceptance incentives, country examples and identifies emerging trends.

Security, Infrastructure and Trust (SIT) Working Group

As the world continues to cope with the effects of Covid-19, the telecommunications sector has been a critical enabler to ensure social distancing and business continuity. In addition, telecommunications is a critical pillar that underpins the expansion of digital financial services, particularly in countries where end-users do not have reliable access to the internet.

However, Unstructured Supplementary Service Data (USSD) and Short Messaging Service (SMS), the predominant communication channels used by end-users to interact with the DFS providers, have long been susceptible to attack whereby transactions can be intercepted. Unclear liabilities between the telecommunication sector and financial regulators further inhibit mitigation. The **FIGI Security, Infrastructure and Trust (SIT) Working Group**, led by the **International Telecommunication Union**, has recently released a new report entitled '**SS7 Vulnerabilities and Mitigation Measures for Digital Financial Services Transactions**'. The report provides an analysis of telecom vulnerabilities and their impact on digital financial services, both for end-users and service providers, with the overall aim to help providers of digital financial services understand telecom vulnerabilities and the mitigation strategies to safeguard their clients.

COVID-19 also presents new opportunities for financial fraud schemes, which not only harms consumers but can spread systemic risk. As technology and innovation rapidly enhances the accessibility, affordability, and speed of financial services, fraudsters have leveraged the internet, social networks and mobile phones to undertake unscrupulous and illicit activities. The FIGI SIT Working Group has recently released the new report "**Unlicensed Digital Investment Schemes (UDIS)**" which focuses on 3 countries—India, Kenya, and Nigeria, to analyze the legal and regulatory frameworks under which these unlicensed schemes thrive, and to provide an understanding of the impact of this fraud on both the consumers and the financial sector.

Lastly, the Working Group also produced a report on the '**Methodology for measurement of Quality of Service (QoS) Key Performance Indicators (KPIs) for Digital Financial Services**'. Quality of service and customer experience in digital financial services helps define appropriate approaches to meet the needs of end-consumers. To assess quality, strong collaboration by both the financial and telecommunications sectors is needed given the

dependency of mobile-based digital financial services on both sectors. The report aims to provide a methodology for policymakers and industry stakeholders to define processes for carrying out DFS QoS field tests, procedures to assure data quality and integrity of the KPI results, and to establish a data driven basis for both telecom regulators and DFS operators to define requirements in order to assure a good service quality for DFS. This methodology has now become an international standard, [ITU-T Recommendation P.1502 Methodology for QoS testing for DFS](#).

Cybersecurity for Financial Market Infrastructures Workstream (SIT Working Group)

Cyber threat is a systemic risk for the financial sector, particularly during the COVID-19 crises, and presents unique challenges for traditional operational risk management frameworks of Financial Market Infrastructures (FMIs). The [FIGI Cybersecurity for FMIs Workstream](#), led by the World Bank Group, jointly with the [European Central Bank \(ECB\)](#), published the [‘Cyber Resilience for Financial Market Infrastructures’ report](#), which presents a methodology developed by the ECB to operationalize the Guidance on Cyber Resilience for FMIs provided by the Committee on Payments and Market Infrastructures (CPMI)—International Organization of Securities Commission (IOSCO). The methodology presented within this report can be used by FMIs and authorities to comply with and assess their FMIs against the [CPMI-IOSCO Guidance](#), thereby enhancing the overall cyber resilience of financial market infrastructures critical for financial stability and financial inclusion.

Financial Inclusion Global Initiative Events

The [FIGI Security Clinic](#) was held in Geneva, Switzerland from December 4th-6th, 2019. The event focused on security and infrastructure for the telecommunications sector and digital financial services. Topics included (i)

mitigation of SS7 vulnerabilities and threats for digital financial services; (ii) implementation of strong consumer authentication technologies to enhance security and provide a seamless user experience when using DFS; (iii) development of a security assurance framework for DFS providers and telecom operators to better manage risks and threats to their systems; (iv) insights into the vulnerabilities of DFS applications based on USSD and STK and how these can be mitigated; (v) implementation of decentralized ID for DFS; (vi) tracking digital Ponzi schemes; (vi) implementation of Fast Identity Online (FIDO) authentication for DFS; and (iv) guidelines on development of application security framework for DFS providers. Presentations from the event are available on the [FIGI ITU Security Clinic Program webpage](#).

The [FIGI Financial Sector Cyber Resilience Workshop](#) was held in Mexico City on November 6th-7th, 2019. Sessions explored existing frameworks and approaches to cybersecurity in the context of financial market infrastructures and worked towards developing a national cyber resilience strategy for the sector. The event included an in-depth technical training based on the guidelines provided by the Cyber Resilience Oversight Expectations (CROE), sessions focused on understanding the legal and regulatory aspects of cybersecurity and the existing practices in the LAC region, as well as technicalities of mapping, cyber-testing, incident response, cyber information and intelligence sharing, and the building of trust through public-private partnerships. The participants included experts from the public and private sector, CEMLA, the World Bank, and ECB. Presentations from the event are available on the [FIGI Financial Sector Cyber Resilience Workshop Agenda webpage](#).

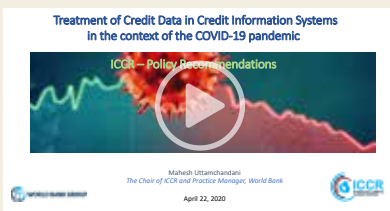
The World Bank Group has been publishing a series of guidance notes, blogs, videos and presentations to address financial sector implications of COVID-19 on the their [Finance and Covid-19 Response page](#). In addition, the ITU is planning a series of webinars that address implications of COVID-19 on the information technology and telecommunications sector including [digital financial services](#). Information on upcoming webinars can be found on the [ITU COVID-19 Updates webpage](#).

Payment Aspects of Financial Inclusion (PAFI)

The [Payment Aspects of Financial Inclusion \(PAFI\) report](#), developed in 2016 by the Committee on Payments and Market Infrastructures and the World Bank, provided a core guiding framework for the Financial Inclusion Global Initiative and included actions to advance digital financial inclusion through access to and use of transaction accounts. Since 2016, the pace of innovation has substantially increased and technological innovation has made major inroads into financial services, especially

payments, leading to the “era of fintech”. Building from the original PAFI framework, in April, 2020, the CPMI and WBG released a new PAFI report entitled [“Payment aspects of financial inclusion in the fintech era”](#), which connects fintech innovation with financial inclusion, providing a framework for incorporating and leveraging technological opportunities to promote access and use of transaction accounts, while also addressing potential challenges.

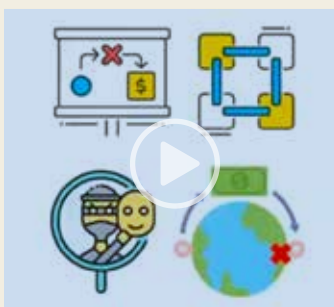
Related Videos



The World Bank Group has released a **recording** of its webinar which addresses COVID-19 related policy considerations and regulatory responses on credit information systems. Due to COVID-19, performing borrowers worldwide are facing great challenges to meet their scheduled payments, relegating them to the same level as non-performing borrowers. The webinar addresses general practices during a crises, policy recommendations and considerations, and examples of measures adopted in different countries worldwide. The underlying presentation is also **available online**.



The ITU has released a new **video** showcasing how the telecommunications industry is coping with COVID-19.



The World Bank Group has released a **recording** of its webinar on Digital Payments and Remittances in the time of COVID 19. The webinar discusses the impact of the COVID-19 pandemic on digital payments, as well as how digital payments can be leveraged to mitigate the impacts of the crisis. Cash distribution and access are likely to experience large negative disruptions. As cash is a vital component of the national payments system, especially in most emerging and developing economies, individuals relying on it, including many beneficiaries of social protection programs and recipients of remittances, could be heavily impacted. The webinar will illustrate examples of policy actions central banks around the world are taking to manage the COVID-19 crisis as well as lay out risks and opportunities policy makers should consider during these times.

FIGI Country updates and Covid-19 responses:

According to the **World Bank Group's Finance and COVID-19 Response webpage**, "the COVID-19 pandemic expanded rapidly from a health emergency to an extraordinary shock to the global economy with far reaching negative consequences for financial markets. Emerging markets and developing countries, some of which were prone to financial market volatility before the coronavirus pandemic, are especially exposed."



In **Mexico**, policymakers have advanced pension payments to the elderly, front-loaded social pension and disability payments by four months, opened financing facilities for commercial and development banks to foster lending to MSMEs and individuals affected by the COVID-19, and allowed workers to access loans against social security accounts. Authorities have also worked with mobile operators to enable free,

Governments and policymakers around the world are taking swift action to respond to COVID-19 and offset negative effects on firms and vulnerable individuals. For instance, in FIGI countries, some policy responses in **China** include extending credit to micro and small enterprises, providing tax relief and waiving social security contributions, delaying loan payments for eligible SMEs and households, and allowing higher NPLs by epidemic-hit sectors and SMEs. Authorities also provide up-to-date information on the COVID-19 crisis.

temporary voice calling and message (SMS) packages for prepaid users, and users can continue, at no cost, placing calls to emergency services and browsing government's coronavirus webpages and mobile applications (hosted by the Ministry of Health). In **Egypt**, interest rates on loans have been reduced and limits on electronic payments via mobile phones has been raised. In addition, authorities worked with telecommunication operators to grant free minutes and data to all COVID-19 related doc-

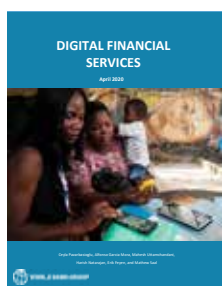
FIGI Country updates and COVID-19 responses,
continued from page 4

tors, nurses, and other related staff and personnel. These represent only a subset of the many financial inclusion and telecommunication related policy responses that have been enacted by FIGI countries.

Many organizations have collated country responses and provided policy guidance to mitigate risks to financial markets and address implications on the financial sector and financial inclusion. The World Bank Group's Finance, Competitiveness & Innovation Global Practice produced a **Global Guide**, drawing on expert contribu-

tions from 38 countries through an interactive map that reflects measures put in place (and is being continually updated), and has also collated **global financial sector policy responses**. The **IMF Policy Tracker** summarizes key economic responses governments are taking to limit the impact of the COVID-19 pandemic. The **Consultative Group to Assist the Poor** (CGAP) COVID-19 Insights for Inclusive Finance **webpage** also hosts the **FinDev Guide** which tracks and aggregates COVID-19 Global Response data and trackers from multiple sources relevant to the microfinance sector and financial inclusion. The guide tracks global financial sector responses, FinTech and Telecom / ICT responses, trends in donor funding and other related data.

Related Research and Publications



'Digital Financial Services'

The current COVID-19 pandemic has amplified the urgency of utilizing fintech to keep financial systems functioning and keep people safe during this time of social distancing, falling demand, reduced input supply, tightening of credit conditions and rising uncertainty. The recently released **World Bank Group report**

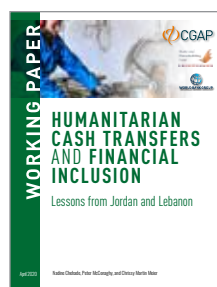
entitled **'Digital Financial Services'** provides insights for policymakers and financial sector players seeking to expedite financial inclusion and development of digital financial services to benefit the poor and help firms address liquidity issues, which are critical due to demand, supply and financial shocks due to the current crisis. The report describes the tools of digital finance and the successful business models and policies for encouraging their growth as well as explores risks and challenges of new types of services.



Fintech Note 5: 'How Regulators Respond to Fintech: Evaluating the Different Approaches—Sandbox and Beyond'

There is often a regulatory dilemma that policymakers, regulators and supervisors worldwide face when

trying to achieve the right balance between enabling innovative Fintech and safeguarding the financial system. **The Fintech Note 5: 'How Regulators Respond to Fintech: Evaluating the Different Approaches—Sandboxes and Beyond'** offers guidance to regulators looking to respond to FinTech, and guides stakeholders around emerging regulatory approaches towards Fintech and key considerations that can help policymakers evaluate the right regulatory approach for their own jurisdiction.



Humanitarian Cash Transfers and Financial Inclusion

Syrian refugees in Lebanon and Jordan receive more than one quarter of their humanitarian assistance in the form of cash and vouchers. Leveraging this aid delivery to connect refugees to the formal financial system requires the host country to have widespread digi-

tal financial ecosystem in place and coordination among governments, aid agencies, and financial service providers. The working paper, entitled **"Humanitarian Cash Transfers and Financial Inclusion"**, presents the cases of Jordan and Lebanon and highlights some of the key challenges these actors face in linking cash transfers to financial inclusion more broadly.

Blog Series



▶ Remittances in times of the coronavirus—keep them flowing

Even in the best of times, sending and receiving remittances is not straightforward. For many, it requires a ride to the service provider at specific times of the day. In the blog entitled “Remittances in times of the coronavirus—keep them flowing”, the World Bank Group recommends a few short- and medium-term actions to support the remittances sector and to accelerate the efforts to reduce remittance prices to respond to the challenges of widespread unemployment and the plight of migrant communities in host countries.

▶ Responding to crisis with digital payments for social protection: Short-term measures with long-term benefits

Government-to-person (G2P) payments have never been more important, as governments worldwide seek for ways to respond to the economic and social consequences of the COVID-19 pandemic. Countries with advanced G2P payment ecosystems are able to push transfers out with lightning speed. In the blog entitled “Responding to crisis with digital payments for social protection: Short-term measures with long-term benefits”, the WBG explores how countries with greater adoption of digital financial services (DFS) will find it relatively easier to ensure continued access to financial services and take advantage of and support digital economy developments. However, as countries proceed, emphasis must be placed on ensuring that the digitalization of payments does not lead to exclusion of vulnerable populations. The blog also discusses modernizing Government-to-Person Payments and implications on improving outcomes for both recipients and governments.



▶ The Best Laid Plans . . . CGAP’s Response to COVID-19 (Coronavirus)

In their blog, CGAP outlines its coordinated crisis response, which focuses its efforts on four main initiatives: (i) Microfinance sector support (ii) Digital G2P (Government-to-Person) payments and distribution (iii) Customer intelligence and protection and (iv) Community-related measures like discussion forums, knowledge hubs, and data collection.

▶ Fintech can help in the response to COVID-19. But where should policymakers start?

The global dimension of the COVID-19 crisis creates an opportunity for change—particularly in digital financial services. How can policymakers enable fintech while safeguarding the financial system, particularly during a time of crises? The WBG blog entitled “Fintech can help in the response to COVID-19. But where should policymakers start?” offers guidance to regulators looking to respond to FinTech, and guides stakeholders around emerging regulatory approaches towards Fintech and key considerations that can help policymakers evaluate the right regulatory approach for their own jurisdiction.



▶ Protecting financial consumers during the COVID-19 crises

As consumers’ financial circumstances deteriorate as a result of the crisis, it is crucial to ensure that financial institutions treat consumers fairly and bad behavior does not add to consumer suffering. Key concerns include increasing over-indebtedness due to the crisis and fraudsters exploiting financial consumers. Dealing with the immediate impacts of the crisis has been a major task for regulators, especially in developing countries, due to the limited resources and gaps in legal and supervisory frameworks. In the blog entitled “Protecting financial consumers during the COVID-19 crises”, the WBG provides practical suggestions for regulators in countries seeking to prioritize immediate actions that have the most beneficial impact for consumers.



FIGI Quick Links

- [Financial Inclusion Global Initiative](#)
- [CPMI and WBG 'Payment Aspects of Financial Inclusion \(PAFI\)' 2016 report](#)
- [CPMI and WBG 'Payment aspects of financial inclusion in the fintech era' 2020 report](#)
- [BMGF Level One Project Guide](#)
- [ITU-T Focus Group Digital Financial Services and Access to FG DFS reports \(PDF and Flipbook format\)](#)
- [WBG Finance and COVID-19 Response](#)
- [ITU COVID-19 Updates](#)
- [The Global Findex Database 2017, Measuring Financial Inclusion and the Fintech Revolution](#)
- [Universal Financial Access Data Portal](#)
- [G20 Digital Financial Inclusion](#)

FIGI Information: For any questions, comments, or to unsubscribe to this newsletter please contact the FIGI Secretariat (figisecretariat@worldbank.org)