



CONSUMER EMPOWERMENT  
AND MARKET CONDUCT  
(CEMC) WORKING GROUP

# FINANCIAL CONSUMER PROTECTION DURING A CRISIS

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GUIDELINE NOTE

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## EXECUTIVE SUMMARY

Since the beginning of the COVID-19 pandemic, limitations on movements have sharply curtailed physical access to financial services, disrupting livelihoods around the world.

Many financial consumers - notably women, and youth and migrant groups, including refugees - have disproportionately suffered from the financial consequences of the pandemic as national governments pursued innovative ways to rapidly disburse emergency relief to individuals and small businesses to replace their lost incomes.

National authorities have implemented interventions during the resulting crisis to protect citizens, businesses and the financial system from the negative consequences of the immediate pandemic shock and to prevent irreversible damage. At the same time, they face massive changes in the way they work and interact

with their citizens. At later stages, governments turned their attention to removing the temporary support measures without causing any harm or undue impacts, implementing measures to aid the economic recovery, while maintaining consumer protections and financial inclusion in the changed financial landscape. Finally, they have sought to learn the lessons from the crisis, implementing long-term plans to strengthen their financial resilience and improve their capacities to operate more effectively in future crises.

For most AFI jurisdictions, digitalization was a key factor to implementing policy solutions. Consumers, retailers, and governments made greater use of cards and mobile payments, enabling greater financial inclusion and innovation in digital identification, although this created risks for consumers, particularly the ‘newly banked’ - while fraud and scams noticeably increased.

This Guideline Note provides policymakers and regulators with a helpful framework to develop effective consumer protection regulations, inclusive consumer awareness and financial education initiatives that go beyond the COVID-19 pandemic, and importantly, to plan for future crises. The key recommendations are summarized below:

### PREPARING FOR A FUTURE CRISIS



- > Develop and review business continuity plans for financial regulators and financial services providers
- > Develop a roadmap for dealing with future crises
  - Define priority target groups
  - Consider the balance between prudential and consumer protection measures
  - Define ‘real time’ data needs
  - Determine an exit strategy for support measures
  - Develop a consumer awareness strategy
  - Develop an ‘early warning’ system to monitor emerging risks

### TRUSTED AND INCLUSIVE DIGITAL FINANCIAL SERVICES (DFS)



- > Build inclusive DFS, with an emphasis on vulnerable consumers, education and effective G2P payments
- > Develop a robust regulatory framework for DFS to avoid consumer harm and build trust
- > Ensure the financial consumer protection framework fully takes account of risks that are increased in a digital environment
- > Review how well consumer protection legislation works in a digital environment

### PROTECTING BORROWERS AND LENDERS



- > Analyze and evaluate the impact of loan support measures implemented during the COVID-19 pandemic
- > Develop principles for future support in a crisis

### PROTECTING CONSUMERS FROM NEW OR INCREASED RISKS



- > Using consumer complaints and other data, analyze new or increased risks that emerged during the pandemic
- > Analyze the impact on the ‘newly banked’
- > Monitor the credit market after support is withdrawn
- > Consider whether new or increased risks can be mitigated with temporary measures, or whether a systematic change is needed
- > Consider a deposit guarantee scheme if there is not already one in place
- > Use the crisis as a ‘teachable moment’ to raise awareness of the need to build resilience

# INTRODUCTION

## 1.1. BACKGROUND

Since 2010, there has been a rise in the number of countries experiencing natural disasters and significant disease outbreaks.<sup>1</sup> These events happen with little or no warning and cause social and economic shocks, some localized, some more widespread.

Since its identification at the end of 2019, countries around the world have been hit by the COVID-19 pandemic. By November 2021, there had been an estimated 253 million cases and over five million deaths worldwide.<sup>2</sup> The pandemic has also widened the gap between rich and poor to an unprecedented degree, and hit vulnerable groups particularly hard, including rural women, youth, senior citizens, the disabled, forcibly displaced persons and micro, small and medium enterprises (MSMEs).

In response to the public health threat, countries worldwide locked down economic activities and many closed their borders. The negative economic impact from the pandemic was instantaneous and widespread, necessitating a rapid response from national authorities to protect individuals and businesses.

Financial regulators across AFI member countries faced many challenges, first and foremost, to ensure the flow of money to where it was most needed while maintaining financial stability. Regulators had to ensure continued access to financial services, adapt consumer protection practices in line with new risks, in addition to adopting new ways of working remotely.

Members of the Consumer Empowerment and Market Conduct Working Group (CEMCWG) saw the need to capture the lessons from the pandemic and to prepare more effectively for another crisis. This Guideline Note brings together insights from the policy responses of AFI members to the COVID-19 pandemic and is based on AFI's COVID-19 dashboard<sup>3</sup>, interviews with seven AFI member central banks, and related AFI knowledge products and desk research.

## 1.2. OBJECTIVE OF THIS GUIDELINE NOTE

This Guideline Note provides an important framework that policymakers and financial regulators can use to plan for future crises; and to build on the lessons learned from the COVID-19 pandemic to develop effective consumer protection regulations, inclusive consumer awareness and financial education initiatives beyond the pandemic. It is complemented by several AFI knowledge products: the note on SME finance during the crisis<sup>4</sup>, Guideline Note on Digital Financial Literacy<sup>5</sup>, policy framework on Leveraging Digital Financial Services to Respond to Global Emergencies - Case of COVID-19<sup>6</sup>, and special report on Mitigating the Impact of COVID-19 on gains in Financial Inclusion.<sup>7</sup>

# 2. POLICY CONTEXT AND RESPONSES

The impact of the COVID-19 pandemic on financial consumers and financial consumer protection (FCP) policy is discussed across four main categories:

1. Severe restrictions on movements limiting physical access to financial services providers (FSPs).
2. Widespread income shocks, with many households needing urgent support from governments, and the need to reassess their financial situations.
3. The sudden increase in digitalization across many areas of people's lives.
4. The differential impact on certain population groups, including women, vulnerable groups, youth and MSMEs.

Regulators responsible for financial consumer protection in AFI jurisdictions responded to this latest crisis with a range of interventions. The examples discussed below are illustrative while more are available on the evolving and regularly updated AFI COVID-19 Dashboard.

1 <https://www.weforum.org/agenda/2020/03/coronavirus-global-epidemics-health-pandemic-COVID-19/>

2 <https://www.worldometers.info/coronavirus/coronavirus-death-toll/>, downloaded 12 November 2021

3 <https://www.afi-global.org/COVID-19/>

4 [https://www.afi-global.org/sites/default/files/publications/2020-04/SMEF\\_COVID\\_infographic\\_AW3.pdf.pdf](https://www.afi-global.org/sites/default/files/publications/2020-04/SMEF_COVID_infographic_AW3.pdf.pdf)

5 [https://www.afi-global.org/wp-content/uploads/2021/05/AFI\\_Guideline45\\_Digi\\_Finance\\_Literacy\\_aw2.pdf](https://www.afi-global.org/wp-content/uploads/2021/05/AFI_Guideline45_Digi_Finance_Literacy_aw2.pdf)

6 <https://www.afi-global.org/publications/policy-framework-for-leveraging-digital-financial-services-to-respond-to-global-emergencies-case-of-COVID-19/>

7 <https://www.afi-global.org/publications/mitigating-the-impact-of-COVID-19-on-gains-in-financial-inclusion-early-lessons-from-regulators-and-policymakers/>



Responses<sup>8</sup> fall into three, somewhat overlapping phases:

- > **Mitigation:** interventions to protect citizens, businesses, and the financial system from the negative consequences of the immediate shock and prevent irreversible damage.
- > **Recovery:** removing temporary support without causing harm or disadvantage; implementing measures to aid the economic recovery; and maintaining consumer protections and financial inclusion in the changed financial landscape.
- > **Moving forward:** learning from the crisis and implementing a long-term plan to build financial resilience and operate effectively in future crises.

## 2.1. COVID-19'S IMPACT ON FINANCIAL CONSUMERS

### RESTRICTIONS ON MOVEMENTS

Lockdowns and restrictions on movements had numerous and severe consequences for existing financial consumers.<sup>9</sup> For example, consumers could not access new financial services in the usual way by providing physical proof of identity, some types of insurance claims were disrupted as loss adjusters could not visit premises, and many authorities discouraged the use of cash due to concerns that it might spread the COVID-19 virus.

### INCOME SHOCKS

Many adults lost their income source during the pandemic, while others had their working hours reduced or had no option but to stop working as children were sent home from school. Remittances from migrant workers declined in some jurisdictions, leaving families on considerably reduced incomes. This had an immediate impact on the ability of consumers and businesses to make repayments on loans in the short-term and subsequent risk of widespread default.

## 2.2. NATIONAL EMERGENCY RESPONSES

National governments stepped in rapidly to meet the immediate income needs of households. The measures employed included financial and in-kind support, targeted at the most vulnerable families, seniors, unemployed and informal workers. Payments in-kind included meals or food stamps, or reduced utility bills.

### PAYMENTS AND PAYMENTS IN-KIND

At the outset of the pandemic, Afghanistan distributed bread to households. The government also provided relief to households with incomes of USD2 or less (twice the national poverty line), covering around 90% of the population, with financial support provided by the World Bank. Households in rural areas received basic food and hygiene items worth USD50 while those in urban areas were provided with goods and cash worth USD100.

Bangladesh distributed USD29.50 to five million families affected by the crisis through mobile financial services. The prime minister also directed District Commissioner offices to ensure food support to vulnerable groups, including tea stall owners and the third gender community. A further program distributed approximately USD91 million to informal workers.

In Ghana, the USD200 million (approx.) Coronavirus Alleviation Programme ensured the delivery of hot meals and dry food to over 400,000 vulnerable families, absorbed water bills for three months and provided free or subsidized electricity.

*Source: AFI COVID-19 Dashboard*

### PROTECTING CONSUMERS IN FINANCIAL DIFFICULTY

Central banks introduced various loan support measures to help consumers and MSMEs that could not afford to carry on making loan repayments. This included encouragement or instructions to FSPs to restructure loans, e.g., extend loan terms, reschedule the dates of capital or interest payments, grant additional grace periods, change the collateral, or change the interest rate or fees on the loan. FSPs were generally free to decide on whether and how to restructure loans, although some jurisdictions placed requirements on them, in some cases, to protect specific groups. Table 1 below provides some different options for consumers with additional country examples available in Annex 2.


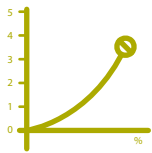





<sup>8</sup> See Annex 1 for Responses to the pandemic at the International Financial Consumer Protection Organisation.

<sup>9</sup> FSPs closed many branches and others were open only for limited hours with strict hygiene and social distancing measures. FSP staff also had to adapt to new ways of working, often from home. Even where branches were open, in many cases consumers could not travel to them, or chose not to, to avoid contact with the virus. It became difficult or impossible to make loan or mortgage repayments, pay insurance premiums, or deposit or withdraw cash. This also had knock on effects for people trying to undertake a whole array of other transactions from paying bills to buying food.



**TABLE 1  
EXAMPLE OF INITIATIVES**

**Protecting consumers in financial difficulty**

<p><b>Suspension of fees and penalties for late payments</b></p>		<p>Afghanistan, Kazakhstan, Tunisia, Uzbekistan</p>
<p><b>Ban on unreasonable increases in commission payments, no increase in the interest rate on restructured loans</b></p>		<p>Belarus</p>
<p><b>Regulation of loan fees or fee free loan restructurings</b></p>		<p>China, Palestine</p>
<p><b>Personal loan guarantees not activated</b></p>		<p>El Salvador</p>
<p><b>Payment deferral for low paid workers who were furloughed or lost their jobs</b></p>		<p>Cambodia</p>
<p><b>Introduction of blanket payment moratoriums, in some cases these were made mandatory</b></p>		<p>Belarus, Kazakhstan, Namibia, Nepal</p>
<p><b>Allowance of early access to retirement funds</b></p>		<p>India, Malaysia</p>

### NBC CONSUMER SUPPORT MEASURES

Main consumer support measures from National Bank of Cambodia (NBC) include:

- > Loans restructuring concessions allowed to all affected sectors. Validity of the restructuring mechanism is extended until 31 December 2021
- > BFIs can draw down 50% of their Capital Conservation Buffers
- > Recognize audited interim profit to be added in the calculation of net worth
- > Restriction on dividend payment of the 2020 audited profit.
- > Reducing Reserve Requirement to 7% in domestic and USD currencies
- > Reduction of minimum interest rate on LPCO by 0.5%

Source: AFI COVID-19 Dashboard

### MAINTAINING AND STRENGTHENING CONSUMER FINANCIAL PROTECTIONS

AFI member financial regulators implemented measures to ensure that consumers continued to be treated fairly and remained protected from potential harm, even when accessing financial services for the first time or in new ways. Central banks and other financial regulators issued timely communications to FSPs, either directly or by working through trade associations. These explained how the regulator would continue to operate during the crisis and set out expectations for how FSPs should treat their customers. These communications typically<sup>10</sup> outlined that the FSP should, where relevant:

- > Maintain access to banking and payment services
- > Notify customers about branch closures or reduced hours
- > Encourage and support digital transactions
- > Ensure customers can continue to pay insurance premiums
- > Treat insurance claims fairly and expeditiously
- > Communicate clearly to new and potential customers on exclusions in insurance policies relating to COVID-19
- > Warn customers about the latest financial scams and advise consumers on how to protect themselves
- > Continue to handle complaints expeditiously and identify root causes

### BALANCING CONSUMER PROTECTIONS AND FINANCIAL STABILITY

Extensive measures to help consumers and businesses in financial difficulty have the potential to weaken the balance sheets of banks and ultimately threaten financial stability. AFI member central banks introduced measures to reduce this threat, including:

- > Increasing liquidity
- > A reduction in the repo rate
- > Increasing the size and duration of repo facilities
- > Buying government bonds
- > Using regulatory flexibility
- > Permitting the use of capital buffers (including countercyclical buffers)
- > Lowering the liquidity coverage ratio
- > Lowering capital requirements
- > Relaxation of loan classifications and loan provisioning rules
- > Restricting dividend distributions and bonuses

In addition, some national governments subsidized loans or provided loan guarantees, while others gave direct grants to MSMEs.

The communications also set out reporting requirements, and any relaxation of deadlines for submitting statutory returns. Some central banks, for example, the State Bank of Pakistan, issued instructions on cybersecurity.<sup>11</sup> Others, such as the Central Bank of Mozambique, issued guidelines to FSPs on preventing the spread of COVID-19.

### COMMUNICATIONS TO FSPs IN SOUTH AFRICA

The Financial Sector Conduct Authority (FSCA) communicated clear expectations of regulated entities, recognizing the risk that FSPs would not treat customers fairly during the pandemic, and that uncertainty could lead to customers making poor financial decisions. The communications made clear that the regulator would not tolerate 'profiteering off those who are vulnerable and suffering.' The FSCA's requirements are available in Annex 3.

<sup>10</sup> Insurance and Pension Commission Zimbabwe (<https://ipecc.co.zw/wp-content/uploads/2020/04/PRESS-STATEMENT-ON-COVID-19-RESPONSE.pdf>)  
Kenyan Retirement Benefits Authority (<https://www.rba.go.ke/download/communique-to-the-kenya-pension-sector-in-light-of-COVID-19-outbreak/>)  
<sup>11</sup> <https://www.sbp.org.pk/psd/2020/C3.htm>

## CONSUMER COMPLAINTS

Maintaining access to complaints was important to help monitor how well COVID-19 policies were working and identify new risks to consumers. AFI members found a large number of complaints about the failure of FSPs to implement loan support policies, as illustrated in Annex 4.

### FINANCIAL CONSUMER COMPLAINTS ON SOCIAL MEDIA

The Central Bank of Armenia (CBA) and government ministries set up hotlines to answer questions. The CBA hotline received 17,000 calls in 2020, up from 10,000 in 2019. Many were about payment issues, such as a payment device not working or the inability to make a loan repayment because the bank branch was closed.

The Central Bank of the Philippines (BSP) developed a chatbot to handle customer concerns sent by SMS, Facebook Messenger, and online chat. The chatbot is called the BSP Online Buddy, or BOB, reflecting its consumer-centric style.

The Central Bank of Seychelles (CBS) advised the public to use the CBS contact number to access one of three helplines, covering queries about the private sector relief scheme, treasury bills and complaints and enquiries relating to institutions under the regulatory purview of the CBS. The hotline number is operational 24 hours a day and complemented by an email option.

Many financial regulators changed their complaints processes to make it easier for consumers to lodge complaints by telephone, online or using social media<sup>12</sup>.

### 2.3. AN INCREASE IN DIGITALIZATION

Easy access to digital payment services can encourage consumers to shop online and use mobile banking. This makes it easy to transfer funds between bank accounts and e-money accounts and can also promote acceptance of contactless payment methods among consumers and merchants.

The pandemic accelerated a trend in many jurisdictions towards greater use of DFS. Consumers made greater use of cards and mobile payments with many FSP branches closed and social distancing measures in place. In addition, an increased preference for online purchasing led retailers to move their offers online and to growth in food delivery services.

### DIGITALIZATION OF CASH TRANSFER PROGRAMS

The pandemic led to cash transfer programs on an unprecedented scale. This required an efficient method of distribution protecting both the sender and recipient, and many jurisdictions adopted digital payments:

- > The Banco de la República de Colombia, for example, used existing cash transfer infrastructure to support low-income households.

### CHANGES IN CONSUMER BEHAVIOR IN ARMENIA

Several measures provide useful insights into the effects of the pandemic on spending patterns in Armenia. Initially, the COVID-19 pandemic resulted in a reduction in the amount of cash being used, possibly due to consumer concerns about contamination. Data from the first quarter of 2020 showed for the first time that card payments (57%) exceeded cash payments (43%). In addition, the total number of transactions undertaken by credit cards increased by 39% between 2019 and 2020.

At the same time, banks took steps to offer access to their services online through websites and smartphones. The growth in the number of account holders increased during this period with banks recording 7.5% growth of accounts in 2020, compared with growth of 5.6% in 2019.

Source: <https://mirrorspectator.com/2021/05/29/consumer-spending-and-financial-literacy-facing-stress-in-post-COVID-post-war-armenia/>

- > The Dominican Republic set up three emergency cash transfer funds, distributing a total of USD603 million from April-June 2020, while UNICEF supported the Social Protection Programme, including cash transfers to 2,700 families with children with disabilities in 2020.<sup>13</sup>
- > The Government of Paraguay provided subsidies to poorer households and the self-employed which were disbursed at no cost to the recipient via e-Money accounts offered by four registered providers. The largest support program comprised two monthly payments of about USD85 per person. The USD255 million program was facilitated by the regulation of e-Money providers in 2014 and was expected to reach 30% of Paraguay's adult population.




G2P emergency relief measures relied on the recipient having a bank account, electronic wallet or payment card. This required some innovative approaches to reach citizens who had previously been unbanked or who lived in remote areas.

12 Innovations for Poverty Action with Citibeats analyzed around 2.7 million social media interactions relevant to financial consumer protection in Kenya, Nigeria and Uganda in the year to July 2020. They found an increase in complaints after the beginning of the COVID-19 pandemic although the nature of the complaints did not change substantially. Complaints about operational failures increased slightly, problems with mobile money increased, while the reporting of ATM problems decreased, consistent with a move away from cash. Complaints about unexpected fees and charges also increased, particularly in Nigeria. Customers expressed annoyance that they were often asked to visit a branch or obtain documents, which was difficult or impossible during the lockdown. This was a particular issue for customers of commercial banks. [www.poverty-action.org/sites/default/files/publications/Social-Media-Usage-by-Digital-Finance-Consumers-April-2021.pdf](http://www.poverty-action.org/sites/default/files/publications/Social-Media-Usage-by-Digital-Finance-Consumers-April-2021.pdf)  
13 <https://www.unicef.org/media/100626/file/Dominican-Republic-2020-COAR.pdf> and <https://openknowledge.worldbank.org/bitstream/handle/10986/35861/Social-Protection-Response-to-the-COVID-19-Crisis-in-the-Dominican-Republic.pdf?sequence=1&isAllowed=y>





**TABLE 2  
MAINTAINING ACCESS TO FINANCIAL SERVICES THROUGH DFS**

<p>Promotion of digital money transfers by reducing the cost of remittances and increasing the limits on mobile money transfers; removing fees and commission charges on small electronic payments and bank transactions; increased transaction limits on mobile wallets while encouraging banks and electronic money institutions to take appropriate measures to strengthen digital payments.</p>		<p>Ethiopia, Mozambique, Eswatini, Ghana, Kenya, Rwanda, Seychelles</p>
<p>Reduction of mobile network fees</p>		<p>Lesotho, Rwanda, Uganda</p>
<p>Encouraging customers to use various types of digital payments, including the electronic transfer customer platform, which was made available even to customers of banks without a digital presence.</p>		<p>Sierra Leone</p>
<p>Reducing regulatory requirements to promote digital payments.</p>		<p>Belarus, Ghana</p>
<p>Government scheme incentivized a move away from cash, which reimbursed a proportion of the cost of household essentials providing they were bought at registered, local retailers using digital payments<sup>14</sup>.</p>		<p>Thailand</p>

14 <https://www.menosfios.com/en/lispa-with-new-program-for-university-students-in-angola/> and <https://thefintechtimes.com/building-the-financial-services-and-fintech-ecosystem-foundation-in-angola/>

## MAINTAINING ACCESS TO FINANCIAL SERVICES

With face-to-face contact difficult or impossible, national authorities and FSPs encouraged remote access to accounts and services, including through increased use of telephone and web-based services. They also accelerated progress on DFS, electronic IDs and document verification procedures and encouraged their use among consumers.

### EXAMPLES OF DFS INITIATIVES

The Palestine Monetary Authority began to operate electronic clearing in January 2021.

The South African Reserve Bank is consulting on the feasibility of establishing a domestic card scheme.

In Angola, the Laboratory of Innovation of the Payments System of Angola (LISPA) aims to encourage entrepreneurship including the use of new technologies. The National Bank of Angola and the Ministry of Higher Education, Science, Technology and Innovation, have developed a program to promote innovation in terms of fintech and the wider entrepreneur and financial services ecosystem of the country.<sup>15</sup>

An innovation sprint was organized by the Central Bank of Egypt and the Financial Regulatory Authority in March 2021. This event, designed to address the challenges of the COVID-19 pandemic and develop or refine FinTech solutions, was targeted at entrepreneurs and start-up owners to support the banking sector and financial institutions to overcome the impacts of the pandemic.<sup>16</sup> Prior to this, in 2019, the IFC had also launched a Fintech Acceleration Programme which was followed by initiatives to encourage innovation and help entrepreneurs overcome the challenges of COVID-19.<sup>17</sup>

Many authorities encouraged insurance providers to be flexible with regards to the evidence required to support claims, where it was impossible to verify directly. They also emphasized the importance of communicating changes to policies due to the pandemic in a timely manner to policyholders, and the need to promptly pay claims.

## PAYMENTS INFRASTRUCTURE AND FINTECH

A rapid increase in the use of DFS and G2P payments requires a secure payments infrastructure with a high degree of interoperability to enable maximum use. Some authorities that accelerated the development of their digital payments infrastructure during the pandemic are building on this going forward.

## KYC REQUIREMENTS

Digital identification documents and relaxed Know Your Customer (KYC) requirements helped consumers access new financial services and government support during the pandemic. The Banco Nacional de Angola, for example, made it possible for people who were unable to meet the conditions for opening an account under the terms of regulations for standard bank accounts to access a 'simplified' account<sup>18</sup>, while Comisión Nacional

de Bancos y Seguros de Honduras introduced simplified digital signatures.

Changing KYC requirements often requires new processes and may not be a quick option in times of crisis, however. Some jurisdictions implemented pilot programs but were unable to make rapid changes at the national level. For example, Kazakhstan launched a pilot biometric information center to support banks seeking to check the identify of new customers requiring remote banking services.

### KNOWING YOUR CUSTOMERS

Life insurance sales in Bangladesh are dominated by conventional tied agents. To overcome social distancing and other COVID-19 restrictions, insurer Guardian Life implemented an electronic KYC facility within its EasyLife App, while also improving the app's functionality.

In Egypt, plans to implement eKYC predated the pandemic.<sup>20</sup> Additionally, the National Telecommunications Regulatory Authority allowed electronic wallets to be registered for free using electronic identification methods. Between March and May 2020, the number of electronic wallets in Egypt increased from 12.3 million to 13.5 million.<sup>21</sup>

The central banks of Papua New Guinea, Samoa, the Solomon Islands and Fiji are part of a regional collective effort supported by the International Monetary Fund and other international agencies to develop a KYC facility. The aim is to develop a facility that complies with the Financial Action Task Force (FATF) and other standard-setting bodies. The Digital Identification Bureau Limited will be incorporated as a partnership company for all financial institutions, non-bank institutions and possible mobile network operators, and will promote the development of an identification system.

In India, identification documents were integrated into a full government register of the socio-economic status of citizens.<sup>22</sup> In May 2021, the Reserve Bank of India also amended its guidelines on KYC procedures to allow for the expanded use of video-based customer identification.

15 <https://dailynewsegypt.com/2021/02/20/cbe-hosted-fintech-innovation-sprint-launched-to-address-COVID-19-challenges/#:~:text=The%20Central%20Bank%20of%20Egypt%20%28CBE%29%20has%20collaborated,changes%20caused%20by%20the%20novel%20coronavirus%20%28COVID-19%29%20pandemic.>

16 <https://www.techgistafrica.com/news/africa-news/ifc-launches-accelerator-program-to-empower-fintechs-in-egypt/> and <https://www.egypttoday.com/Article/3/100117/IFC-Egyptian-Fintech-Association-partner-to-support-entrepreneurship>

17 [https://www.bna.ao/Conteudos/Artigos/detalhe\\_artigo.aspx?idc=175&idi=16815&idl=1](https://www.bna.ao/Conteudos/Artigos/detalhe_artigo.aspx?idc=175&idi=16815&idl=1)

18 Authorisation "to use the electronic signature and / or data messages for all their procedures, both internal and in the context of their commercial activity with the financial user, through the electronic platform that they design and enable for these purposes, which they must guarantee at all times the security, reliability and consistency of the information".

<https://www.cnbs.gob.hk/blog/circulares/circular-cnbs-no-014-2020/>  
19 <https://en.amwalalghad.com/egypts-cbe-pilots-ekyc-solution-for-financial-inclusion/>

20 <https://dailynewsegypt.com/2020/07/04/egypt-sees-13-5m-mobile-wallets-end-may-ntra/>

21 IMF. 2020. Reaching Households in Emerging and Developing Economies: Citizen ID, Socioeconomic Data, and Digital Delivery.

22 <https://www.oecd.org/daf/fin/financial-education/financial-consumer-protection-and-financial-literacy-in-asia-in-response-to-COVID-19.htm>

## 2.4. CONSUMER AWARENESS AND FINANCIAL EDUCATION

In countries like Fiji, consumers had no other option than to go online, with a large number being first time users. However, this shift was not backed-up by safety tips or awareness of the dangers of the internet and online payments, thus exposing a large vulnerable group to scammers and other unscrupulous actors. Consumer awareness and financial education, therefore, became even more important during the pandemic, to ensure that consumers were aware of the support that was available and how to access it, demonstrating ways to build or maintain their financial resilience in the changing economic climate, and helping them safely manage changes such as transitioning from cash to DFS.

Authorities used a wide variety of channels to disseminate messages about COVID-19 and finance-related information including TV, radio, online quizzes, and social media.

### IMPROVING DIGITAL AWARENESS

When the pandemic struck Costa Rica in March 2020, digital payments provided by the national platform, SINPE, experienced a large increase in transaction volumes. This payment system was created by the central bank many years ago and allows consumers to make financial transactions in real-time, with a commission payment. All credit lenders, commerce, and financial providers operate within this platform, which is preferred by consumers. SINPE MOVIL experienced 55 billion transactions in 2020, mobilizing around USD2 million, a 742% increase from 2019. This system permits the consumer to link a bank account with their mobile phone and make digital payments through the service, which is free but has a limit of CRC200 000 per day (around USD315).

The Philippines launched a campaign with information on electronic payments, including what to do in the event of any mistakes or fraudulent transactions, using the hashtag #SafeatHome sa E-Payments. BSP cooperates with a range of partners to deliver financial education programs, using a 'train the trainer' approach in workplaces and other settings. This activity moved online during the pandemic, with partners redesigning modules for online delivery. The BSP also rolled out a digital literacy program from March to December 2020, covering, for example, how to open and use a bank account, and how to stay safe online.

The Central Bank of Seychelles moved quickly to raise awareness of DFS. They conducted various public awareness campaigns through video clips aired on TV and social media posts, as well as articles in newspapers and posters campaigns. They also emailed employees in both the government and private sectors to raise awareness of the benefits of DFS, including avoiding long queues, as well as the steps needed to avoid any unintended consequences such as knowing your rights and avoiding falling victim to scams.

Additional AFI member country examples are available in Annex 5.

## 2.5. IMPACT ON DIFFERENT GROUPS OF THE POPULATION

The pandemic has had a disproportionate effect on many vulnerable sectors of society. Women around the world have had increased responsibilities due to children being home from school, or having to look after sick family members. In developing countries, women are more likely to be working informally than formally, and many are working in sectors that have been negatively impacted by the pandemic.

### GENDER INCLUSIVE FINANCIAL SERVICES

The African Development Bank (ADB) awarded the West African Monetary Agency (WAMA) a grant of USD320,535 to enhance gender sensitivity in core DFS regulatory frameworks. The grant will fund a gender gap analysis of WAMA strategies including financial inclusion, gender disaggregated data analytics, digital payment services and infrastructure, and digital identity. This project is expected to run for three years and benefit 350 million people in the 15 included nations.

The second national Financial Services Demand Side Survey in Fiji included a focus on gender and green financial inclusion, capturing the issues women face with regards to access, usage and quality of financial products and services, as well as the resilience of the Fijian population to climate-related events.

Egypt's National Council for Women launched a response program to boost women's financial inclusion in rural areas by investing in the scale up and digitalization of Village Savings and Loans Associations, which reach over 120,000 Egyptian women.

Source: AFI COVID-19 Dashboard

### WOMEN

Many women's savings groups stopped meeting thus limiting women's access to financial services, networking, and information. Loss of employment, and employment and mobility restrictions due to the lockdown have exposed women and girls to a greater risk of domestic violence.<sup>23</sup>

In addition, G2P payments can disadvantage women.<sup>24</sup> For example, women are less likely than men to have:

- > A bank account or other means of receiving electronic payments, or the knowledge of how to open and use an account.

<sup>23</sup> According to <https://oecd-development-matters.org/2021/03/08/gender-based-violence-the-pandemic-within-a-pandemic-with-devastating-human-and-economic-consequences/>, "the economic impact of gender-based violence has traditionally been vastly underestimated. Considering only direct costs, gender-based violence reduces global GDP by 2% per year, equivalent to an annual loss of more than USD1.6 trillion."  
<sup>24</sup> Ibid.

- > The right documentation needed to prove identity or the means to provide it.
- > Access to a mobile phone.

Some AFI jurisdictions took account of the gender impact of the pandemic. The government of Eswatini, for example, recognized that informal cross-border trade is predominantly undertaken by women, for whom it is their only or predominant source of income. The government introduced a subsidy for cross-border COVID-19 tests, reducing the cost to SZL200 (around USD14), subject to limits on the total number crossing the border.

Lower levels of numeracy and literacy and, in some cases, cultural norms, exacerbate the problem of access for women. Other vulnerable groups, including senior citizens, youth, persons with disabilities (PWDs) and forcibly displaced persons (FDPs), may also be less able to access G2P payments in addition to facing many other challenges.

#### OLDER PEOPLE AND PWDs

Older people and those with disabilities, especially those living in rural areas, are at greater risk of contracting and dying from COVID-19 in addition to facing discrimination when accessing healthcare. The pandemic has most likely led to a loss of income and loss of productivity for people with disabilities due to disruptions to healthcare and other key support services such as sign language.

COVID-19 has also exacerbated the problem of social isolation as older people are more likely to live alone, having to deal with barriers such as physical accessibility and age-based discrimination. The pandemic has further disrupted home, community and health services and traditional support systems (e.g. families, health workers, caregivers, and volunteers), and most likely widened the digital divide face including limited access to technology such as mobile phones and the internet to connect with their networks and access financial services.

#### YOUTH

More than one in six young people were unable to find work due to the pandemic<sup>25</sup>. In addition, nationwide school closures have impacted 70% of the global student population while only 30% of developing countries have introduced a national distance learning platform. Even where e-learning is provided, it has not consistently reached students in households with poor internet access, particularly in rural areas, or to children with disabilities. Girls who were forced to stay at home due

to the pandemic are less likely to return to school after mobility restrictions are lifted and more likely to marry younger than they would have otherwise, severely impacting their economic opportunities and future potential.<sup>25</sup>

#### FDPs

The pandemic has also reduced access to financial support and employment among refugees<sup>26</sup>. Economic migrants are often employed in sectors particularly affected by the pandemic such as hospitality, food and retail, and manufacturing. In addition, depending on their status, some migrants may have found it difficult to access digital cash transfers and could be particularly vulnerable to the risk of fraud and scams.

#### SUPPORT PACKAGES FOR MSMEs

The Bangladeshi government approved two new COVID-19 stimulus packages worth BDT27 billion (USD16 million) to support SMEs and low-income communities. BDT3 billion of the first BDT15 billion package was given to the Small and Medium Enterprises Foundation to expand its operations to help cottage industries and small organizations, as well as female entrepreneurs.

Fiscal packages, including tax relief measures, were implemented in Uganda. The government deferred the payment of PAYE, Corporate Income tax and presumptive tax for corporations and small and medium-sized enterprises respectively. Charges on mobile money and mobile banking transactions were reduced.

Among other initiatives, the Central Bank of Uganda reduced the Central Bank Rate (CBR) by 200 basis points from 9% in March 2020 to 8% in April 2020 and later to 7% in June 2020. A Small Business Recovery Fund (SBRF) of UGX 200 billion was introduced to be lent to small businesses at 12% per annum.

*Source: AFI COVID-19 dashboard and written comments from CEMCWG*

#### MSMEs

National governments provided support for MSMEs including grants, wage subsidies, subsidized loans, loan guarantee schemes and relief on tax and social security or pensions contributions (see a summary of national government support measures for MSMEs in Annex 6).

Several jurisdictions conducted surveys to better understand the impacts of the pandemic on MSMEs and the effectiveness of the support provided which will in turn contribute to policy developments in the future.

25 [https://www.ilo.org/global/topics/youth-employment/publications/WCMS\\_753026/lang-en/index.htm](https://www.ilo.org/global/topics/youth-employment/publications/WCMS_753026/lang-en/index.htm)  
26 <https://www.refugeesinternational.org/reports/2020/7/6/locked-down-and-left-behind-the-impact-of-COVID-19-on-refugees-economic-inclusion>

### 3. POLICY RECOMMENDATIONS - LESSONS FOR THE FUTURE

While all crises are different, they have in common the need to act quickly, to manage through the crisis and adapt policies to any longer-term shifts in behavior and the socioeconomic environment.

Public health crises and natural disasters are on the increase and climate change is likely to accelerate this trend.

The COVID-19 pandemic was unique in modern times for its combination of scale, duration and global impact. Nearly two years into the pandemic, the future still looks uncertain. Authorities had to be flexible and innovative to respond to events as they unfolded. While some interventions worked well, others did not reach those they were intended to help or had unintended consequences. Below is an example of policy recommendations from Bank Negara Malaysia’s experience and key lessons learnt during the COVID-19 pandemic.

There is an opportunity to learn from this pandemic both to prepare for future crises and to adapt policies and programs to maintain consumer protections and financial inclusion in the post-crisis period.

#### 3.1. PREPARING FOR A FUTURE CRISIS

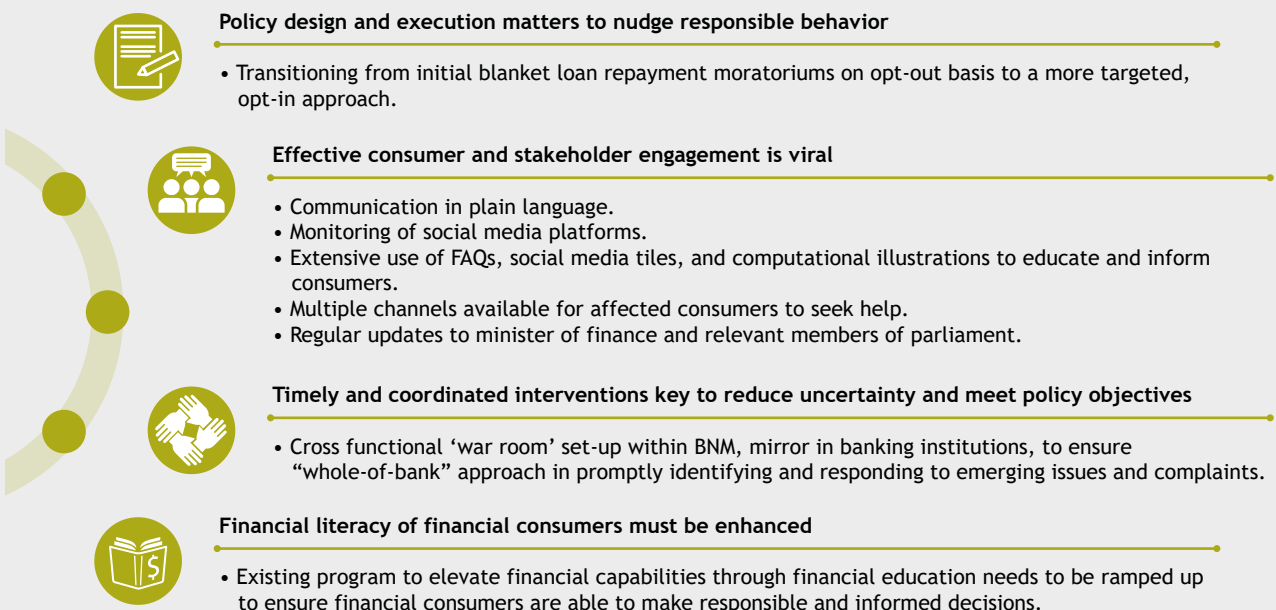
##### RATIONALE

Most AFI jurisdictions have dealt with crises in the past or were doing so concurrently with the COVID-19 pandemic. To some extent, policy and regulatory interventions were “tried and tested,” particularly those designed to maintain financial stability and provide direct support to citizens and businesses.

In response to the question, ‘What intervention did you make during the COVID-19 pandemic that made the most positive difference to financial services consumers?’ CEMCWG members responded as follows:

- > **Bangladesh:** Digital financial literacy for digital payments.
- > **Costa Rica:** Enhanced digital financial literacy, especially in digital payments during the pandemic.
- > **Egypt:** Adjusting interest rates for CBE initiatives; Initiatives for non-performing companies and individual clients; Initiatives for digital payments.
- > **El Salvador:** Strengthened digital payment systems; Temporary pause in the payment of credits; Digital financial education.

FIGURE 1: BANK NEGARA MALAYSIA REFLECTION AND LESSON LEARNT



Source: Bank Negara Malaysia, 2021

- > **Fiji:** Financial literacy and awareness; Working with FSPs to implement interventions like repayment holidays, moratorium, accessing superannuation funds, etc.
- > **Honduras:** COVID relief measures; Electronic claims window; Virtual financial education classroom.
- > **Malawi:** Digital financial literacy.
- > **Rwanda:** Loan restructuring guidelines that provided increased transparency during the COVID-19 period, and with the onset of COVID-19, from March to June 2020, there was a removal of fees for money transfers.
- > **Seychelles:** Hotline service; Private sector relief schemes; Increased awareness of DFS; Moratorium and restructuring of loans.
- > **Zambia:** Digital financial literacy to enhance the usage of electronic platforms and increase awareness in light of increased fraud (Ponzi schemes) cases.

However, in interviews AFI members noted there were several areas where improvements could be made to ensure more rapid and targeted responses in the future. This included the need for better business continuity planning and better access to 'real time' data. Some regulators also found that their consumer protection frameworks were not well-adapted to an online environment.

#### KEY RECOMMENDATIONS

- > Develop and review business continuity plans for financial regulators, covering:
  - Key stakeholders, and how to coordinate with them
  - Governance and working arrangements
  - IT security
  - Maintenance of critical functions and networks
  - Principles and practices of remote supervision
  - Communications with FSPs and consumers
  - Maintenance of consumer protections, including continued access to complaints mechanisms
- > Work with FSPs and other stakeholders to develop business continuity plans, including:
  - How financial services will continue to be provided with minimal disruptions
  - Mitigation measures to guard against the increased risk of fraud and cyberattacks

#### ENSURING ACCESS TO FINANCIAL SERVICES IN THE SEYCHELLES

Banking institutions in the Seychelles were encouraged to fast-track their account opening processes in accordance with relevant laws, and to provide telephone support for any queries or complaints that may arise. In line with health measures and following engagements with the Seychelles Bankers Association (SBA), the CBS provided the necessary approval for a change in the opening hours of banks and the Seychelles Credit Union (SCU). The CBS advised all banks to ensure that their ATMs were properly replenished to guarantee access to funds for customers.

At the same time, the CBS took steps to increase the supply and demand of DFS to limit physical contact. Consumers were encouraged to go digital with reminders that both the Seychelles Electronic Fund Transfer (SEFT) customer platform and SEFT payments made through banks' mobile banking applications, internet banking, and interbank platforms could be used free of charge.

The CBS also reminded retailers that imposing minimum or maximum purchase amounts is a violation of Visa's Card Acceptance Rules, which they signed with their respective banks to provide POS services.

- Capacity to manage increased demand for digital transactions
  - Data reporting and mechanisms
  - Communications with customers
  - Identification and mitigation of new risks to consumers arising from the pandemic
- > Develop a roadmap to deal with future crises by working with national governments and other stakeholders. This can cover:
    - Policy priorities for different target groups
    - The balance between prudential and consumer protection measures
    - Data collection - what 'real time' data is needed to decide whether interventions are working, and how will they be collected?
    - An exit strategy - how long should measures remain in place? What are the key indicators?
    - Consumer awareness strategy, including specific interventions such as 'just in time' financial education for novel risks and situations
    - Develop an 'early warning' system to monitor emerging risks to consumers

## 3.2. TRUSTED AND INCLUSIVE DIGITAL FINANCIAL SERVICES

### RATIONALE

Rapid developments in digitalization and payments infrastructure have led to important benefits, such as more secure systems, which are paving the way to greater financial inclusion.

#### IMPACT OF PROMOTING DIGITAL PAYMENTS IN KENYA

In March 2020, the Central Bank of Kenya (CBK) encouraged the use of mobile money over cash by announcing measures such as the elimination of charges for small transactions and transfers between mobile wallets and bank accounts. This successfully increased the value and number of transactions, together with the number of customers. Most of the increase was in low-value transactions of KES1,000 (USD8.87) or less, which accounted for over 80% of mobile money operations. However, business-related transactions declined marginally.

In January 2021, the CBK reported that the mobile money sector had increased at the expense of bank cards. The number of mobile transactions grew by 160.45% during the year, reflecting a major change in consumption habits that is expected to remain.

However, while many people have benefited from digital services during the pandemic, others struggled to cope with the unfamiliar technology. A survey of AFI members<sup>27</sup> found that barriers to using DFS included financial illiteracy and limited awareness of DFS, poor perception of DFS, and low usage of formal financial services. Seven out of 30 AFI respondents also mentioned the lack of access to technology<sup>28</sup>. Demonstrating one's identity online can also be a challenge, especially for women and other vulnerable groups.

#### G2P PAYMENTS IN TOGO

The “Novissi” cash transfer scheme, created by the Government of Togo to provide funds to informal workers who lost their incomes as a result of the pandemic, disbursed over USD24 million in monthly payments during the crisis. A total of 1.6 million citizens were registered for eligibility and over 800,000 individuals benefited from the cash assistance. The first wave of Novissi deployments alone created 170,278 new mobile money accounts as of January 2021, an increase of 7% from the previous year.

Source: AFI COVID-19 Dashboard

Given these barriers, rapid digitalization can lead to a ‘digital divide,’ with some people unable to access services that are only, or, provided online. This may lead to exclusion from government cash transfer programs<sup>29</sup> or similar benefits.

### KEY RECOMMENDATIONS

- > Build inclusive DFS, with an emphasis on vulnerable consumers, education and effective G2P payments.
  - Examine barriers to the take-up of DFS, and how these affect different groups.
  - Develop multi-stakeholder digital financial literacy and awareness programs for the most vulnerable segments, linked with existing financial education programs where these exist. These programs should address the opportunities and risks of DFS, enabling individuals to competently and confidently use DFS.<sup>30</sup>
  - Develop simplified digital identity systems where money laundering and terrorist financing risks are lower, in line with FATF principles<sup>31</sup>.
  - Strengthen systems for G2P payments, with a particular emphasis on systems to identify eligible individuals and streamlining controls and approvals<sup>32</sup>.
- > Develop a sound regulatory framework and effective supervision to help avoid consumer harm and increase trust in DFS. The recommendations of the AFI Policy Model on Consumer Protection for DFS<sup>33</sup> cover the regulatory framework, product development and service delivery, consumer awareness, and complaints and redress.
- > Ensure that financial consumer protection regulations fully take into account the increased risks in a digital environment, notably fraud and scams.

27 <https://www.afi-global.org/publications/digital-financial-literacy/>  
28 There are still barriers to using DFS even in countries with high mobile phone ownership. For example, in the Philippines, 70% of unbanked adults have a mobile phone, but only 12% of mobile phone owners use them for digital transactions, mostly in metropolitan areas. In a survey, the BSP found that lack of awareness and trust were the two reasons most commonly given as barriers preventing greater use of mobile and digital transactions. Around half of respondents did not know that they could transact through their phones or online, while 39% lacked trust in digital transactions.  
29 Cash transfer programs present significant challenges: identifying the right recipients; ensuring those eligible are aware of the schemes; and making payments rapidly and efficiently, while minimizing the potential for fraud or errors. Many AFI jurisdictions have experience disbursing G2P payments in a crisis. However, the scale and severity of the COVID-19 pandemic have exacerbated the challenges but presented an opportunity to develop systems that offer greater speed and accuracy in the future.  
30 For recommendations on particular vulnerable segments, visit: <https://www.afi-global.org/publications/digital-financial-literacy/>  
31 Further guidance is available at: <http://www.fatf-gafi.org/media/fatf/documents/COVID-19-AML-CFT.pdf>  
32 Based on IMF Special Series on Fiscal Policies to Respond to COVID-19: <https://www.imf.org/-/media/Files/Publications/COVID19-special-notes/en-special-series-on-COVID-19-digital-solutions-for-direct-cash-transfers-in-emergencies.ashx>  
33 [https://www.afi-global.org/wp-content/uploads/2020/12/AFI\\_CEMCDF5\\_PM\\_AW3\\_digital.pdf](https://www.afi-global.org/wp-content/uploads/2020/12/AFI_CEMCDF5_PM_AW3_digital.pdf)

Integrate simplified digital identity and eKYC into the regulatory framework<sup>34</sup>.

- > Review how well financial consumer protection legislation works in a digital environment, for example, does it rely on hard copies of documents?

### 3.3. PROTECTING BORROWERS AND LENDERS

#### RATIONALE

Borrowers and lenders need protection when sudden income or expenditure shocks change repayment patterns. Without adequate protection, borrowers are likely to become overindebted and lenders will face unmanageable levels of default. This could potentially lead to scenarios such as the sub-prime mortgage crisis in the US and subsequent global financial crisis experienced over a decade ago.

The provision of loan support has taken place on an unprecedented scale in most AFI jurisdictions. The measures were put in place rapidly, with very little data on which to base decisions. While loan moratoriums and similar measures alleviate the pressure on households and MSMEs providing temporary relief, they give rise to several issues<sup>35</sup>. Some of these issues are highlighted in Annex 7.

#### KEY RECOMMENDATIONS

- > Analyze and evaluate the impact of the loan support measures implemented during the COVID-19 pandemic. Some questions that might be addressed are:
  - Did the support reach the intended recipients?
  - Were individuals given support who did not want or need it?
  - Were certain groups excluded? If so, what were the barriers?
  - Were consumers aware of the loan support available, and did they understand the consequences of taking it?
  - How straightforward did FSPs find it to apply for the loan support measures? If they failed to implement the central bank's policy, what were the reasons? Where national governments guaranteed bank loans, what was the impact?
- > Develop principles for future support in a crisis. Some issues for consideration include:
  - Blanket implementation versus targeted to particular groups
  - Whether a blanket moratorium should be opt in or opt out

- How interest and capitalization of interest should be treated
- Whether to cap or ban arrangement fees or penalties
- How payment moratoriums and other loan support measures should be reported to credit agencies and affect individuals' credit ratings
- The extent of FSP discretion in implementing measures
- How loan support measures should be communicated to consumers
- The expectations on lenders to treat customers fairly
- How to minimize the adverse effects on consumers of withdrawing support

### 3.4. PROTECTING CONSUMERS FROM NEW OR INCREASED RISKS

#### RATIONALE

The consequences of the COVID-19 crisis led to new or increased risks for consumers, one of the most significant being the indirect risk from the increase in online scams and fraud. In a recent survey of AFI members<sup>36</sup>, the most common consumer protection risks associated with DFS in the previous three years were fraudulent companies offering fake services (mobile money, online transactions, ATMs, credit cards) and identity theft or fraud (card cloning, PIN theft, phishing). These scams have greatly increased during the pandemic. Some of these risks are highlighted in Annex 8.

#### KEY RECOMMENDATIONS

- > Using consumer complaints and other data, analyze new or increased risks that emerged during the crisis, for example:
  - Scams and fraud
  - Predatory lending or insurance sales practices
  - Lack of access to insurance; failure to pay claims
- > Analyze the impact on the 'newly banked,' who used formal financial services for the first time during the pandemic. What happened to these consumers? Did they continue to use their accounts and mobile wallets? What difficulties did they face?

34 For example, AFI Policy Model for e-money at: [https://www.afi-global.org/sites/default/files/publications/2019-09/AFI\\_DFS\\_Emoney\\_AW\\_digital\\_0.pdf](https://www.afi-global.org/sites/default/files/publications/2019-09/AFI_DFS_Emoney_AW_digital_0.pdf)

35 <https://www.cgap.org/blog/debt-moratoria-next-pandemic-be-prepared-and-be-fair>

36 Digital Financial Literacy. Guideline note No. 45. AFI. May 2021



- > Monitor the credit market after loan support is withdrawn for signs of predatory lending, excessive fees and charges, and aggressive debt collection practices.
- > Consider how consumer protection regulations can be strengthened to address these new risks. Temporary measures may be needed, for example, capping loan fees and charges, or suspending debt collection for a period. Other risks, such as scams and fraud may need a more systematic long-term approach.
- > Consider a deposit guarantee scheme if one does not already exist to increase confidence in formal financial institutions.
- > Use the pandemic as a ‘teachable moment’ to increase public awareness of the important need to build a savings buffer against future shocks, through one-off campaigns and existing financial education initiatives. Work with stakeholders to improve the financial resilience of specific target groups.

#### FINANCIAL AWARENESS AND EDUCATION PROGRAMS

In December 2020, the Reserve Bank of Fiji (RBF) delivered a financial literacy outreach program in the western division of Viti Levu aimed at sugarcane and cash crop workers, and MSMEs affected by the pandemic. In parallel, the RBF ran VotCity, a mini exposition for new entrepreneurs who had lost their jobs as a result of the pandemic. The RBF also took a complaints management team to the Western Division, to answer questions and take customer complaints.

To increase public engagement, the RBF set up FinTalk Fiji, a Facebook page aimed at providing Fijians with simple, easy-to-understand information about key financial issues and concepts, create awareness about financial products and services and improve their understanding of RBF initiatives. FinTalk also provides tips on managing money, using products and how to access financial advice. The RBF uses this page to warn about scams and encourage the use of digital payments during the COVID-19 pandemic.

Banco Nacional de Angola (BNA) maintained its financial education and awareness program throughout the pandemic. However, the message on saving became more difficult to deliver as so many people lost jobs and were struggling even to eat. The program was, therefore, adapted to focus on, for example, how government assistance to families could be used to start a new business. More components of the program were delivered online (e.g. workshops and webinars), but some face-to-face training took place in the provinces with appropriate social distancing and other precautions. In addition, regional delegations in the provinces were on hand helping people to open bank accounts.

In 2020 the Ministry of Social Action, Family and Women Promotion (MASFAMU) and the BNA developed a partnership to promote financial literacy and financial inclusion of families, with an emphasis on vulnerable groups such as women and young people. In 2020 BNA reached 4,5000 youth through panels and seminars, and awareness raising activities through channels such as social media, Zoom and Teams, Radio, TV, Newspapers and Journals. The themes focused on access and usage of financial products and rights and responsibilities as consumers. In the same year BNA launched the Financial Education Portal, published the first Financial Education Workbook and streamlined the pro bono Financial Education programme. BNA also has an MOU with the Ministry of Education to integrate financial education into the national school curriculum.

### 3.5. WOMEN AND VULNERABLE GROUPS

#### RATIONALE

Many COVID-19 mitigation measures have not addressed the specific needs of women and girls, and there is almost no gender analysis of beneficiaries<sup>37</sup>. Women-owned businesses are less likely to access emergency financial support, and few financial institutions offer products or support services designed for women entrepreneurs<sup>38</sup>.

#### WOMEN-OWNED BUSINESSES

In Jordan, the Microfund for Women<sup>39</sup> received a loan of EUR2.7 million to lend to microenterprises headed primarily by women who faced hardships as a result of the pandemic.<sup>40</sup> The loans were intended to reach 9,100 entrepreneurs according to the report from February 2021.

In Ghana, half of the value of soft loans and grants for micro and small businesses under the COVID-19 SME Alleviation Programme were taken by women. Women make up 59% of the number of beneficiaries of these loans. Through the Ghana CARES Programme, the government aims to “ensure that job creation and other benefits of CARES are inclusive. The government will emphasize support to women-owned businesses and access to employment by women<sup>41</sup>”.

37 <https://www.cgap.org/sites/default/files/publications/2020.Digital-Cash-Transfers-in-Times-of-COVID-19-Opportunities-and-Considerations-for-Womens-Inclusion-and-Empowerment.pdf>

38 [https://www.ifc.org/wps/wcm/connect/industry\\_ext\\_content/ifc\\_external\\_corporate\\_site/financial+institutions/resources/COVID19-and-women-led-firms-in-africa](https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/resources/COVID19-and-women-led-firms-in-africa)

39 <https://www.microfund.org.jo/en/>

40 <https://www.findevgateway.org/news/eib-lends-3m-microfund-women-mfw-entrepreneurs-jordan>

41 <http://www.rsd.mofep.gov.gh/sites/default/files/news/care-program.pdf>

### KEY RECOMMENDATIONS

- > Analyze how well COVID-19 support reached women and vulnerable groups, for example:
  - Were there any groups that failed to access individual or MSME support?
  - What barriers did they face in accessing support?
- > Extend simplified e-KYC procedures to open accounts and for low-risk transactions, notably to consider the barriers women and vulnerable groups face in providing the necessary proof of identity.
- > Consider setting targets or quotas for FSP lending to women-owned businesses, or other groups that are underrepresented amongst MSMEs. Encourage or incentivize FSPs to disaggregate customer data by gender, and to use this to design products and services that meet the needs of women and women-owned businesses.
- > Working with other stakeholders, complement SMS and email communications with other channels proven to work best for women and vulnerable groups, including television, radio, agent banks and community organizations.
- > Work with stakeholders to reach rural women and other groups who are not digitally connected, for example, by distributing mobile phones.

#### COVID-19 and MSMEs

The National Bank of Angola developed a ‘quick response’ survey aimed at SMEs covering questions on revenue, employees, the use of government support instruments, liquidity and use of credit. The survey is to be completed monthly and submitted online to the national bank by the 15th of the following month.

In June 2020, the Bank of Papua New Guinea launched a survey to understand the impact of the pandemic on MSMEs.

In October 2020, the Bank of Namibia hosted a seminar, ‘The Impact of COVID-19 on the Namibian Economy: Mapping the Way to Recovery,’ to analyze the impact of the pandemic on MSMEs and the banking industry.

The Government of Lesotho plans to create a national registry of MSMEs after facing challenges identifying and registering vulnerable MSMEs to provide cash relief at the peak of the pandemic. The government is also considering deploying funding tools that would provide vulnerable MSMEs with automatic financing in the event of future economic shocks. These tools would help MSMEs overcome the challenges faced during the pandemic by accurately identifying those eligible for the COVID-19 Private Sector Relief Fund, and the subsequent delays in distributing grants.

The National Treasury of the Republic of South Africa found that the Loan Guarantee Scheme it launched in May 2020 with the South African Reserve Bank and Banking Association South Africa was not as effective as originally envisaged. Many distressed MSMEs had been reluctant to take on more loans because of uncertainty about the severity and duration of the economic impact of the pandemic. It was also the case that banks had provided more support through their own balance sheets, at least ZAR33 billion in payment relief between April and November 2020 in addition to restructured loans and credit facilities. These measures reduced the demand for the Loan Guarantee Scheme.

### 3.6. MSMEs

#### RATIONALE

Several AFI member jurisdictions measured the impact of the crisis on MSMEs.

Some AFI member jurisdictions reported a failure by banks to on-lend to non-banks, the reason being that banks had no incentive to do so, as they could make money at lower risk elsewhere. In some cases, governments overcame this policy transmission failure by underwriting loans made by non-banks.

#### KEY RECOMMENDATIONS

- > Analyze how well MSMEs were able to access support
  - Did MSMEs access the support available?
  - What were the barriers to accessing support?
- > Assess the effectiveness of support
  - Was additional bank liquidity used to on-lend to non-banks?
  - Did government guarantees have an impact on on-lending?
  - What was the impact when support was withdrawn?
  - Was support effective in enabling viable MSMEs to survive?
- > With relevant stakeholders, design a plan for future support in a crisis
  - How can the failure of banks to on-lend to non-banks be overcome?
  - What is the best way to reach affected MSMEs?
  - What is the right balance of support that will be most effective?
- > Consider developing SME lending platforms to enable more efficient credit profiling and lending.<sup>42</sup>

42 <https://www.afi-global.org/publications/policy-framework-for-leveraging-digital-financial-services-to-respond-to-global-emergencies-case-of-COVID-19/>

## 4. CONCLUSION

The COVID-19 pandemic has been unprecedented in modern times in its severity and duration. There are, nevertheless, valuable lessons that can be applied to future crises, whether these are due to epidemics or pandemics, extreme climate events, economic shocks, or conflicts.

The recommendations stress the need for financial regulators to have clear plans for future crises, to monitor implementation in real time, and to ensure that financial service providers have robust business continuity plans to maintain access to services. Policy options should be based on an analysis of how effective COVID-19 measures were in reaching intended target groups, and in driving positive outcomes.

The pandemic led to a surge in the use of digital financial services bringing about greater financial inclusion - but also increased consumer risks. Preserving these financial inclusion gains will be crucial and can be achieved by ensuring that the development of digital financial services incorporate the needs of the most vulnerable. Consumer protection regulations should focus on these increased risks, including scams and fraud, particularly for those using digital financial services for the first time. Finally, regulators must ensure that they are properly equipped to supervise enforce regulations in a digital environment.

# ANNEX 1 - RESPONSES TO THE PANDEMIC AT THE INTERNATIONAL FINANCIAL CONSUMER PROTECTION ORGANISATION

In 2020, FinCoNet conducted a survey of its members and selected non-member jurisdictions<sup>43</sup>. There were 89 respondents in 64 jurisdictions, including some AFI members. Respondents were mainly financial

supervisors, legislators, or organizations providing advice to financial market participants and consumers. Respondents cited the main risks to consumers they had identified as being:<sup>43</sup>

- > Difficulty in meeting financial commitments (28%)
- > Operational resilience of financial institutions (17%)
- > Individual’s financial resilience due to job loss (16%)
- > Scams and cyber fraud (15%)
  - Using fake information to persuade consumers to transfer money (26%)



**TABLE 3  
MAINTAINING ACCESS TO FINANCIAL SERVICES THROUGH DFS**

<p><b>BANKING SERVICES</b></p>		<ul style="list-style-type: none"> <li>Encouraging the use of contactless or remote payments (22%)</li> <li>Ensuring continuing access (18%)</li> <li>Providing additional information to customers (15%)</li> <li>Raising awareness of hygiene measures (14%)</li> <li>Increasing contactless payment limits (14%)</li> <li>Waiving fees and charges (9%)</li> <li>Emergency access to term deposits (4%)</li> </ul>
<p><b>GENERAL AND LIFE INSURANCE</b></p>		<ul style="list-style-type: none"> <li>Claims handling (21.0%)</li> <li>Deferral of premium payments (20.7%)</li> <li>Enhanced disclosures (20.0%)</li> <li>Communication of exclusions relating to COVID-19 (11.7%)</li> <li>Extended period of cover (7.5%)</li> <li>Refunds of premiums (4.3%)</li> <li>Consideration of ex-gratia payments (3.5%)</li> <li>Waiving of waiting periods (1.3%)</li> </ul>
<p><b>CREDIT PRODUCTS AND SERVICES</b></p>		<ul style="list-style-type: none"> <li>Deferral of loan repayments (25%)</li> <li>Changes to repayment terms (23%)</li> <li>Suspension or deferral of debt collection activities (15%)</li> <li>Enhanced disclosures (14%)</li> <li>Waiving of fees and charges (12%)</li> <li>Emergency access to additional credit (7%)</li> <li>Other (3%)</li> </ul>
<p><b>RETAIL INVESTMENT</b></p>		<ul style="list-style-type: none"> <li>Enhanced disclosures (53%)</li> <li>Deferral of contributions (8%)</li> <li>Emergency access to funds (5%)</li> <li>Waiving of fees and charges (3%)</li> </ul>
<p><b>PENSIONS</b></p>		<ul style="list-style-type: none"> <li>Providing additional information (26.9%)</li> <li>Emergency access to pension funds (17.9%)</li> <li>Contribution deferrals (12.8%)</li> <li>Reduction in contributions (6.4%)</li> <li>Changes to drawdown arrangements (3.8%)</li> <li>Waiving of fees and charges (2.6%)</li> </ul>

43 <http://www.finconet.org/financialconsumerprotectionresponsestotheCOVID-19crisis.htm>

- Obtaining personal identification information (23%)
  - Fraudsters posing as banks or advisers (16%)
  - Fraudsters posing as the government or regulators (14%)
  - Misleading claims (9%)
- > Market volatility (14%)

A majority had implemented financial consumer protection measures (82%) or were considering doing so (11%). These were spread fairly evenly between sectors with the most common measures being applied to credit products (24%) and the least common investment products (16%).

The measures were implemented through laws or regulations; guidance to industry participants; supervisory measures or information to consumers. Most were put in place between March and May 2020.

## ANNEX 2 - PROTECTING CONSUMERS IN FINANCIAL DIFFICULTY

Some jurisdictions introduced blanket payment moratoriums (Belarus, Kazakhstan, Namibia, Nepal) in some cases making these mandatory. In Eswatini, among other country examples, the Central Bank encouraged banks to restructure loans or provide payment breaks to borrowers in need. Banks invited individuals and companies to approach them with such requests, and applications were assessed using a risk-based approach.

Banks and MFIs in Cambodia were issued with a directive from the National Bank on loan restructurings for key sectors affected (garments, tourism, and construction). As of 3 July 2020, more than 220,000 debtors who had been affected by the COVID-19 pandemic were assisted with loan restructurings.

The Central Bank of Lesotho reduced its rate by 100 basis points to reduce the cost of borrowing and required commercial banks to follow suit by reducing their lending rates, granting a three-month credit payment holiday to clients and reducing transaction fees and charges.

The Development Bank of Seychelles and the Seychelles Credit Union provided supportive measures to assist individuals and businesses that were experiencing financial difficulties because of the COVID-19 pandemic in the form of moratoriums or the deferment of repayment of principal and interest on loans for a set period and the restructuring of credit facilities.

In addition, many jurisdictions temporarily removed the requirement to report late payments or restructured loans to credit agencies.

Some jurisdictions also allowed early access to retirement funds. In India, for example, employees can withdraw up to three months' salary from the Employees Provident Fund, or 75% of their balance, whichever is lower<sup>44</sup>. From March 2021, Malaysia's Employees Provident Fund allowed all members under age 55 to withdraw a portion of their Account 1 (retirement fund) balances under an early withdrawal option introduced in November 2020 in response to the COVID-19 pandemic<sup>45</sup>. This was expanded to those aged less than 55 in June 2021. As a result, younger members can apply for a maximum withdrawal of MYR5,000 (approximately USD2,000) subject to their total combined balance in both Account 1 and 2 (such as a fund for education and buying a home). Once approved, the amount can be paid over a period of up to five months if funds permit, with a fixed monthly payment of MYR1,000 per month<sup>46</sup>.

## ANNEX 3 - CASE STUDY: COMMUNICATING TO FSPs IN SOUTH AFRICA

The Financial Sector Conduct Authority (FSCA) communicated clear expectations to regulated entities. The communications, recognizing the risk that FSPs would not treat customers fairly during the pandemic and that uncertainty could lead to customers making poor financial decisions, made clear that the regulator would not tolerate 'profiteering off those who are vulnerable and suffering.' The requirements included:

- > Any major risks arising from COVID-19 that could materially affect fair outcomes to consumers should be reported to the FCSA.

<sup>44</sup> <https://cleartax.in/s/much-can-withdraw-epf-account-due-COVID-19>

<sup>45</sup> <https://mbwl-int.com/insights/malaysia-epf-withdrawal-criteria/>

<sup>46</sup> <https://www.kwsp.gov.my/-/epf-introduces-i-citra-withdrawal>

- > New or changed insurance products should continue to be suitable and emphasis placed on the vulnerability of policyholders or potential policyholders. Pricing should be sound and sustainable.
- > Claims should be settled as quickly as possible. Any unavoidable delays must be pro-actively communicated to consumers. Insurers should be flexible on claim requirements. Additional costs associated with investigating claims should not be passed on to policyholders.
- > New exclusions or requirements arising from the COVID-19 pandemic must be discussed with the FCSA.
- > Policy changes due to the impacts of COVID-19 should be highlighted at renewal.
- > Insurers should help policyholders avoid lapsing a policy where possible and communicate alternative options clearly and in advance.
- > Banks should make alternative arrangements where branches are closed and help and encourage customers to use digital platforms.
- > Retirement fund board members should keep abreast of risks and take steps to mitigate them. They should communicate risk management strategies to fund members to maintain confidence and minimize the risk of premature fund withdrawals.
- > Asset managers and collective investment scheme (CIS) managers should manage liquidity risk while enabling investments that benefits investors and the wider economy. CIS managers should alert the FCSA to significant portfolio outflows that might impact investors remaining in the scheme.
- > Turnaround times for resolving complaints should not be compromised. The frequency of reporting on complaints and root cause analysis should increase to address upcoming risks.
- > FSPs should focus on increased cybersecurity risk arising from remote working. Customers should be informed about cybersecurity and scams to help avoid data breaches and financial losses.

## ANNEX 4 - FINANCIAL CONSUMER COMPLAINTS

In August 2020, the Central Bank of Sri Lanka (CBSL) set up a new Financial Consumer Relations Department (FCRD). The first task of the FCRD was to address consumer financial complaints and grievances against providers that are within the regulatory purview of the CBSL. This scope will expand over time to cover issues such as market conduct and competition, consumer empowerment and financial education. The FCRD dealt with many complaints during the pandemic, for example, that individuals and businesses did not receive the concessions the CBSL had put in place, that interest rates on loans were too high, or that they had been charged excessively for early loan settlements. These complaints have been resolved through mediation as the FCRD does not yet have statutory powers.

The FCRD also found a particular issue with non-banks offering asset backed loans, largely in rural communities. These non-bank lenders were often not giving borrowers the correct signed paperwork. The CBSL noted these consumers (individuals or microbusinesses) tended to borrow small amounts of money and had low levels of financial literacy.

In the early stages of the pandemic, the Bangko Sentral ng Pilipinas (BSP) mainly received complaints about the lack of access to ATMs or bank branches. Later, consumers raised issues about accrued interest, or being unable to get the grace period set out in law. As online transactions increased, the BSP saw an increase in complaints about scams and fraud, phishing, and identity theft.

## ANNEX 5 - IMPROVING DIGITAL REACH AND AWARENESS, FURTHER EXAMPLES

The Central Bank of Armenia (CBA) primarily used public TV to disseminate messages to citizens. This medium was chosen as an earlier survey had shown that 70% of the population got their information from TV.

To reach those most in need about COVID-19 related information, the Bank of Zambia partnered with Financial Deepening Zambia to support the distribution of 30,000 mobile phones and 20,000 solar panels to underserved populations. A total of 60% of those targeted were women and vulnerable households.

FSPs were also a major source of direct information to customers, through their websites, social media, and text messaging services.<sup>48</sup> In 2020, financial institutions in Peru launched 168 new digital products, including QR codes and digital wallets. This was complemented with the country announcing a new strategy to promote digital payments including financial education programs, digital skills training for entrepreneurs and investments in telecommunications infrastructure to expand financial services.

Key messages included recognizing and avoiding scams and fraud, understanding new rules and responsibilities around various financial products and services, and managing an income shock. In Costa Rica, for example, many people who opened a bank account to use SINPE MOVIL were first time users and at risk of fraud and scams. The Central Bank began an education campaign to inform the population on how to use the platform and ways to avoid electronic fraud. The central banks of the Philippines and Seychelles also covered the avoidance of scams in their public awareness campaigns. Zambia sought to increase digital financial literacy including awareness of fraud such as Ponzi schemes. Authorities also communicated with consumers to address common misunderstandings, such as those around credit moratoriums and payment holidays<sup>49</sup>.

Some countries, such as Indonesia, Malaysia, Myanmar, and the Philippines also focused on strengthening digital skills to support the rapid transition to digital payments. Many central banks launched their own awareness initiatives to encourage the use of digital payments.

## ANNEX 6: SUMMARY OF NATIONAL GOVERNMENT SUPPORT MEASURES FOR MSMEs<sup>50</sup>

### A FOCUS ON MICROFINANCE IN ANGOLA

A joint working group of the Regulation and Financial Inclusion Departments is developing a diagnostic study to disseminate policies and regulations to promote microfinance in Angola. This study will also help to develop a five-year financial inclusion strategy plan.

The project was accelerated during the COVID-19 pandemic given the need to develop solutions in the post-crisis period.

Three questionnaires were issued, covering the:

- > Supply side: types of institutions (e.g. MFI or microcredit society), products available for low-income microbusinesses and barriers to access.
- > Demand side: what products microbusinesses use (savings, investments, loans), what sector they are in (e.g. tourism, agriculture), and how they access products.
- > Government (Ministry of Finance, Ministry of Youth, Ministry of Social Action, Family and Women Promotion): the economic landscape, size of formal and informal sectors, legal framework, financial inclusion, availability of no or low-cost training, and provincial aspects.

The next stage will involve improving the regulations and reforming current policies to help promote microfinance.

48 <https://www.mckinsey.com/-/media/mckinsey/industries/financial%20services/our%20insights/how%20the%20COVID%2019%20crisis%20may%20affect%20electronic%20payments%20in%20africa/how-the-COVID-19-crisis-may-affect-electronic%20payments-in-africa.pdf>

49 <https://www.oecd.org/daf/fin/financial-education/financial-consumer-protection-and-financial-literacy-in-asia-in-response-to-COVID-19>.

50 [https://www.afii-global.org/wp-content/uploads/2021/03/AFI\\_Gender\\_workshop-report\\_AW\\_digital.pdf](https://www.afii-global.org/wp-content/uploads/2021/03/AFI_Gender_workshop-report_AW_digital.pdf)

	Grants	Wage subsidies	Subsidised loans	Loan guarantees	Tax and social security	Debt write-off
Afghanistan					X	
Armenia	X		X			
Bangladesh			X			
Bhutan			X	X		
Burkina Faso	X					
Burundi		X			X	
Cambodia			X		X	
Colombia				X		
Côte d'Ivoire	X		X			
Egypt					X	X
Eswatini		X	X			
Ethiopia					X	
Ghana			X	X	X	
Honduras				X		
Kazakhstan					X	
Kenya					X	
Kyrgyz Republic	X					
Mexico		X	X			
Mongolia					X	
Morocco					X	
Namibia			X			
The Philippines				X		



## ANNEX 7 - LOAN MORATORIUMS AND RESTRUCTURING

A CGAP survey of MFIs found a wide variation in the use of loan moratoriums and restructurings<sup>51</sup>, partly explained by the severity of the impact of COVID-19, but also the financial health of FSPs and the extent to which they received liquidity support. The same study also found that IT systems and communication with borrowers posed limitations, and that some borrowers did not benefit from relief or loan restructuring because of a lack of awareness and understanding.

## ANNEX 8 - DIGITALIZATION RISKS

Scammers and other unscrupulous actors have used their usual tools, such as ‘phishing’ but tailored them to the COVID-19 situation. In India, for example, a phishing attack offered a free Netflix subscription during the lockdown if recipients clicked on a survey link and forwarded the message to 10 WhatsApp users.<sup>52</sup> In addition, fraudsters used aspects of the crisis to extort money from consumers with access to digital payment facilities, by requesting immediate transfers of funds. Even those reliant on cash were not spared. In South Africa, for example, fraudsters visited homes to “recall” banknotes and coins supposedly contaminated with the coronavirus, providing receipts for “clean” cash that was never delivered.<sup>53</sup>

The problem is amplified by the many potentially naive consumers using DFS for the first time, having to deal with opening bank accounts or mobile wallets to receive government payments, paying for goods or services online, or making online repayments of loans or mortgages.

Loan support helped many consumers in the short-term but increased the risk of over-indebtedness or reduced the ability to borrow in the longer-term. These risks may increase as moratoriums and other loan support measures come to an end. Many may still be unable to resume payments and quickly become over-indebted, particularly if lenders call in outstanding balances requiring lump sum payments. Depending on the treatment of moratoriums in credit reporting,

consumers may see a deterioration in their credit ratings, and be unable to borrow at a reasonable rate.

Consumers also faced problems in accessing and using financial products. Those unaware of, or ineligible for, loan support programs may have sought emergency loans granted on unfavorable terms and been subject to high fees and aggressive debt collection, leading to increased over-indebtedness.

In addition, insurers may have denied COVID-19 related claims based on unfair exclusions, while consumers may have lost coverage if they were unable to maintain payments of their premiums.

FSPs may have also placed restrictions on withdrawals from savings and investment accounts or imposed unclear and unfair fees.

Permitting early access to retirement funds in defined contribution schemes may have affected the adequacy of future retirement incomes.

Finally, cash transfers have been beneficial in supporting families in need, but there remain multiple risks, including fraud and data security errors when systems are rapidly developed and ramped-up. Recipients may also face high fees and there have been some reports of creditors taking money from cash transfers to cover unpaid loans.<sup>54</sup>

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51 Sample of jurisdictions from AFI’s COVID-19 dashboard

52 Ibid.

53 <https://www.cgap.org/blog/financial-scams-rise-coronavirus-hits-developing-countries>

54 <https://www.centerforfinancialinclusion.org/COVID-19-ushers-in-new-challenges-for-consumer-protection>

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# ACRONYMS AND ABBREVIATIONS

<b>AFI</b>	Alliance for Financial Inclusion
<b>CEMCWG</b>	Consumer Empowerment and Market Conduct Working Group
<b>DFS</b>	Digital Financial Services
<b>eKYC</b>	Electronic Know Your Customer
<b>FCP</b>	Financial Consumer Protection
<b>FinTech</b>	Financial Technology
<b>FSP</b>	Financial Service Provider
<b>G2P</b>	Government to Person
<b>KYC</b>	Know Your Customer
<b>MFI</b>	Microfinance Institute
<b>MSME</b>	Micro, Small and Medium-sized Enterprises
<b>NGO</b>	Non-governmental Organisation
<b>Q1</b>	Quarter 1
<b>QR</b>	Code Quick Response Code
<b>SME</b>	Small and Medium-sized Enterprise

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