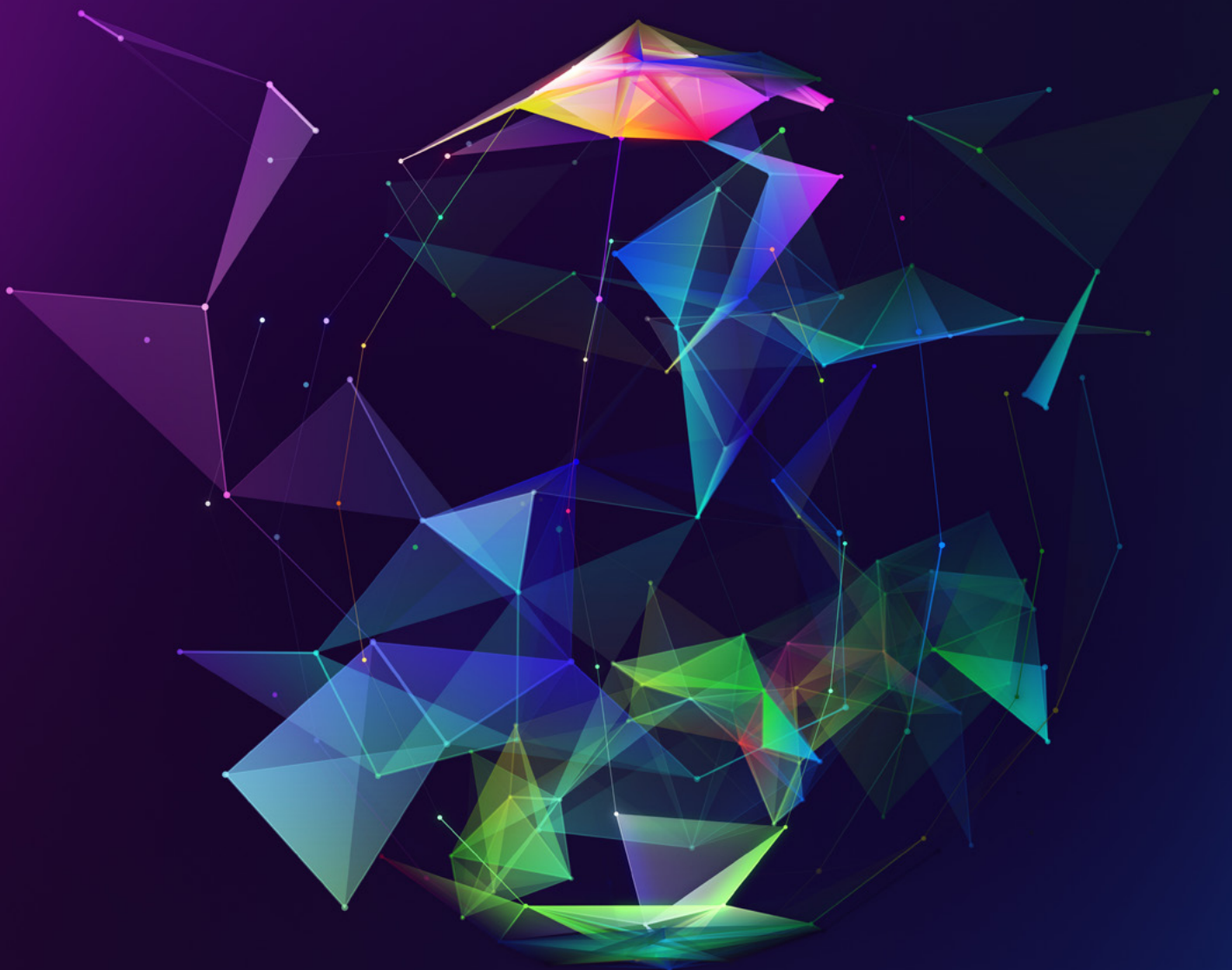




INCLUSIVE
FINTECH

POLICY & REGULATORY IMPLICATIONS: LESSONS FROM TWO YEARS OF THE AFI INCLUSIVE FINTECH SHOWCASE



SPECIAL REPORT

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EXECUTIVE SUMMARY

The AFI Inclusive FinTech Showcase is an initiative under the 2018 Sochi Accord whereby AFI's membership committed to *“create and participate in platforms for systematic dialogue and partnership among regulators and policymakers with FinTech companies and technology providers”*.¹

The competition showcases the most promising FinTech innovators who are enhancing access to, usage and quality of formal financial services for low-income populations in developing countries and emerging markets across AFI's membership. This is particularly notable for women's financial inclusion as the gender gap in accessing finance currently stands at nine percent in developing economies and has remained stuck at that level since 2011.

Based on interviews with the selected finalists from the 2019 and 2020 editions, this report presents qualitative information related to the three following areas:

- i) challenges faced within the regulatory and supervisory frameworks in the country/s where the organization operate;
- ii) conditions creating and enabling a conducive environment for the development of the FinTech industry; and
- iii) contribution of digital solutions to mitigate the negative impact of COVID-19.

¹ AFI, 2018, “Sochi Accord FinTech for Financial Inclusion”. Available at: https://www.afi-global.org/sites/default/files/publications/2019-02/Sochi_FS18_AW_06.09.18_digital-compressed.pdf.



Pitching session at the AFI Inclusive Fintech Showcase 2019

FURTHER INFORMATION

> Sochi Accord
FinTech for
Financial
Inclusion



Panel of judges from the 2019 FinTech Showcase

INTRODUCTION

FinTech is a new term for a long-standing phenomenon: the application of technology in finance. FinTech products and services have the potential to reach underserved individuals, such as women and communities living in rural areas, through various salient features: mobile money and eWallets, Peer-to-Peer (P2P) lending, equity crowdfunding, alternative credit scoring, cross-border remittances, electronic Know Your Customer (eKYC) processes and Regulatory Technology (RegTech).

FinTech is leading rapid innovations within the financial services industry. These innovations can enhance financial inclusion, support economic growth and reduce poverty by broadening financial access “at scale” and improving the affordability and quality of financial services. Nevertheless, if not developed in a gender-sensitive and accessible way, they present a risk of further excluding those already excluded.

The discussions to reinforce AFI’s efforts to expand its work in FinTech ensued from the 2016 Global Policy Forum (GPF), where AFI members unanimously approved AFI to embark on expanding and refining its digital financial services workstream to incorporate peer learning initiatives on FinTech and RegTech.

Subsequently, at the 2018 GPF through the Sochi Accord, the AFI network strengthened its determination and affirmed its commitment to leverage on digital financial services and FinTech for financial inclusion.

As more regulators are recognizing that the base of every future goal-setting or financial inclusion target is founded on indicative and sex- and age-disaggregated data, the Digital Financial Services Working Group (DFS WG), in collaboration with the Financial Inclusion Data Working Group (FIDWG), developed a holistic set of indicators to address the three basic dimensions of financial inclusion: access, usage and quality.²

The global COVID-19 pandemic and the ensuing emergencies have reinforced the urgency of using Digital Financial Services (DFS) to preserve the functioning of financial systems and people’s security during a period of declining demand, reduced supplies,

and tightening credit terms. Moreover, women have been hardest hit by the effect of COVID-19 and the persistent gender gaps in women’s financial inclusion, their lower opportunities to gain digital literacy skills, access technology in the same way as men, and own and use identification documents, may further unintentionally exclude them by gender-neutral programs. Therefore, gender-sensitive products and design needs to keep in mind these gender-specific constraints³. Nevertheless, the Global Findex 2017 revealed that digital payments and use cases seem to have a strong correlation with the reduction of gender gap⁴.

Digital payments, particularly when accompanied by digital financial infrastructure (interoperable payments, unique digital IDs, etc.) and enabling regulations (eKYC, fees, etc.), help governments quickly and securely make cash transfers and other socio-economic benefits in the form of financial support. The AFI network developed a Policy Framework for leveraging digital financial services to respond to global emergencies, case of COVID-19⁵ which aims to provide gender-sensitive policy guidance to regulators within the AFI network and beyond, in developing relevant policy/regulatory responses to mitigate the effects of global pandemics by leveraging on DFS.

National and international regulators and policymakers are increasingly working with industry participants from a wide variety of backgrounds to develop appropriate gender-sensitive policy and regulatory approaches. This endeavours to balance opportunities and risks, where possible building systems and financial infrastructures that not only perform better from the standpoint of market participants, but also from the standpoint of major regulatory and policy objectives. Enhancing public-private dialogue (PPD) between regulators and industry participants can strengthen their mutual understanding of FinTech innovation and risk profiles, the role of technological innovation in financial inclusion, and contribute towards defining global standards in areas such as cybersecurity and data privacy.

2 AFI, 2019, “Digital financial service indicators. Guideline Note No. 33”. Available at: https://www.afi-global.org/sites/default/files/publications/2019-07/AFI_GN33_DFS_AW_Digital.pdf.

3 Center for Global Development, 2020, “Ensuring Women’s Access to Cash Transfers in the Wake of COVID-19”. Available at: www.cgdev.org/blog/ensuring-womens-access-cash-transfers-wake-covid-19.

4 AFI, 2020, “Lessons on enhancing women’s financial inclusion using digital financial services (DFS)”. Available at: www.afi-global.org/sites/default/files/publications/2020-05/AFI_WFI_DFS_SR_AW_digital.pdf.

5 AFI, 2020, “Policy framework for leveraging digital financial services to respond to global emergencies - Case of COVID-19”. Available at: www.afi-global.org/sites/default/files/publications/2020-10/AFI_DFSWG_COVID_PF_AW4_digital.pdf.

AFI MEMBERS ADOPTED A FRAMEWORK FOR INCLUSIVE FINTECH, BASED ON FOUR MAJOR PILLARS⁶:

PILLAR I:

Empowering access - Digital identification, electronic Know Your Customer procedures (eKYC) and simplified account opening.



PILLAR II:

Enabling use - Digital payments infrastructure and open electronic payment systems.



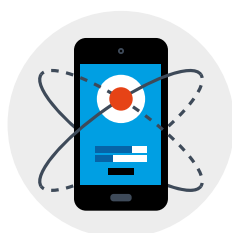
PILLAR III:

Scaling use - Digitization of government payments and provision of services.

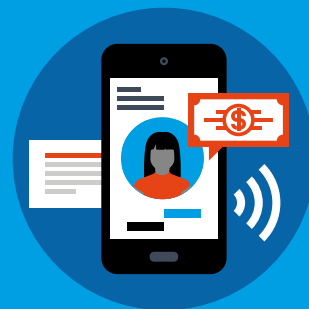


PILLAR IV:

Expanding the quality and range of services - Designing financial market infrastructures and systems.



Gender Inclusive Finance (GIF) is a cross-cutting theme across all these pillars and together with supportive infrastructures and an enabling policy and regulatory environment, these pillars provide a foundation for an evolving digital financial ecosystem and help policymakers and regulators maximize the financial inclusion benefits of FinTech, whilst balancing financial stability, consumer protection and financial integrity.



⁶ AFI, 2018, "FinTech for Financial Inclusion: A Framework for Digital Financial Transformation". Available at: https://www.afi-global.org/sites/default/files/publications/2018-09/AFI_FinTech_Special%20Report_AW_digital.pdf.

THE AFI INCLUSIVE FINTECH SHOWCASE

This Global competition was looking for organizations whose:

1

Core product/solution that target poor or low-income customers such as women, youth, those in rural areas and forcibly displaced peoples, in AFI member countries and/or have a defined, developed, institutionalized executive-level strategy for doing so.



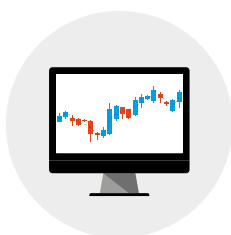
2

Product/solution enabling fresh, meaningful dialogue with financial policymakers and regulatory communities thanks to their cutting-edge technology or innovative nature.



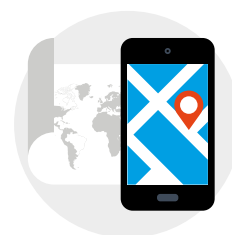
3

Product/solution that is or has potential for scaling up and ensuring commercial viability.



4

Product/solution that is operating, active and based in at least one AFI member jurisdictions.



Entrants can be start-ups, established financial institutions or technology companies that offer a technology or innovation that aims to compete with traditional methods of delivering financial services.



ABOUT THE 2019 EDITION

As a requirement to apply to this global competition, the organizations had to explain how their digital solution solved one or more of the following seven themes⁷:

1. **Gender:** Solutions that enhance the uptake and usage of digital financial services by low-income women in developing countries.
2. **Youth:** Solutions that facilitate financial access for youth entrepreneurs.
3. **Ageing:** Solutions that enhance the quality of financial inclusion for the elderly population.
4. **Forcibly Displaced People:** Digital solutions that enhance refugees and other forcibly displaced people's access to formal financial services.
5. **De-risking:** Solutions that mitigate the loss of correspondent banking relationships and formal remittances services, with a focus on impacted small-island states.
6. **Regulatory technology/supervisory technology (RegTech/SupTech):** Solutions that support financial policymakers and regulatory communities to improve market regulations and supervision.

7. Inclusive Green Finance: Solutions that leverage digital financial services to encourage green consumer behavior or help low-income consumers in developing countries to adapt to climate change impacts.

The 10 finalists were selected by assessors from AFI's staff, members, and external experts, and presented and pitched their solutions during a plenary session ("Reaching the Last Mile: Solutions from the AFI FinTech Showcase") at AFI's annual flagship event, the Global Policy Forum (GPF), held on 11-13 September 2019 in Kigali (Rwanda).

As part of their participation, the innovators exhibited their solutions to AFI's members in the "Innovation Marketplace" throughout the GPF and attended a high-level roundtable with leaders from AFI's member institutions and private sector partners.

The winners, second and third place in the Showcase, were selected by an expert jury, comprising leaders from AFI's member institutions and by a popular vote of all GPF participants, and were awarded their prizes during the AFI Awards Night.

⁷ The themes were selected based on AFI members' financial inclusion commitments, policy goals and global priorities.



OKO

Overall winner



YEGO INNOVISION

Overall second place



GESTELL

Overall third place

ABOUT THE 2020 EDITION

Due to the current COVID-19 pandemic and travel restrictions, the AFI Management Unit decided to proceed virtually with this Initiative. The Showcase highlighted to AFI's members the potential of FinTech and RegTech solutions to contribute to effective COVID-19 crisis response and recovery.

Based on that current context, and compared to the 2019 edition, some themes were added. It was established that the organizations should meet at least one of the following criteria:

1. **Youth:** Solutions facilitating financial access for youth entrepreneurs.
2. **Supporting MSMEs through the COVID-19 crisis:** Solutions facilitating financial access for MSMEs.

3. **Digital payments in the crisis response:** Solutions enhancing cost-efficiency digital payments.
4. **Innovative cross-border payments remittances:** Innovative cross-border payments remittances, particularly in corridors impacted by global bank de-risking.
5. **Financial Health & Lifetime Planning:** Solutions supporting the ability of low-income individuals and communities in developing countries to plan and build financial resilience across the lifecycle and cope with financial shocks.
6. **Digital identity for disadvantaged groups:** Solutions enabling disadvantaged groups (as defined by AFI's Kigali statement)⁸ to onboard efficiently to a range of formal financial services.
7. **Digital Financial Literacy:** Solutions which build enhanced digital financial literacy and contribute to strengthened cyber hygiene for low-income users in developing countries.

8 AFI, 2019, "Kigali Statement: Accelerating Financial Inclusion for Disadvantaged Groups". Available at: www.afi-global.org/publications/3091/Kigali-Statement-Accelerating-Financial-Inclusion-for-Disadvantaged-Groups.



PEZESHA

Overall winner



IDEMIA

Overall second place



ARIFU

Overall third place



8. Green digital inclusion: Digital solutions enabling low-income communities in developing countries to limit negative impacts on the environment.

9. RegTech/SupTech for central banks: Solutions enhancing the supervisory processes' efficiency for Central Banks and other financial supervisory agencies.

In addition, Gender Inclusive Finance (GIF) and COVID-19 were cross-cutting thematic areas. On the one hand, applicants were required to state how their solutions contribute to women's financial inclusion and to closing the gender gap in access to formal financial services.

On the other hand, they were required to explain how their solutions contribute to effective COVID-19 crisis response and recovery for the most affected and disadvantaged groups (youth, women, forcibly displaced people, amongst others).

As part of the benefits, the selected finalists had access to a mentoring and training session on pitching to investors, provided by the Luxembourg House of Financial Technology (LHoFT).⁹

Then, finalists were given a dedicated slot from 26 to 27 November 2020 to deliver a virtual technical presentation, followed by a question and answer session with AFI's members.

The winners, second place, and third place, were selected by an expert jury comprising members from AFI's member institutions and external FinTech experts and by a popular vote of the individuals from AFI's member institutions.

As part of the benefits, the winners, second place, and third place, received a free one-year membership in LHoFT and an invitation to participate in the activities of the AFI's Public-Private Dialogue (PPD) over the next one year.

METHODOLOGY

AFI conducted in-depth semi-structured interviews with the finalists¹⁰. In this report, we present the main insights within three areas:

- 1) **Challenges** FinTech companies faced with the regulatory and supervisory frameworks in the country where they operate.
- 2) **Conditions** that create and enable a conducive environment for the development of FinTech industry.
- 3) **Contribution** of digital solutions to mitigate the negative impact of COVID-19 on the most affected vulnerable groups.

Although the finalists represent successful cases in the FinTech sector, operating across different regions, and the most promising innovators in this area, they still face barriers in many jurisdictions to disseminate their solutions. This special report presents through the cases of the finalists how they successfully overcame some limitations and what the ideal conditions would be to scale up those innovations.

The report will begin by presenting the FinTech companies, highlighting how they have been working in partnership with the public sector and regulatory communities. Then, the main findings related to the three areas are analyzed.

Finally, based on the interviewees' suggestions and contributions, the conclusions are presented with key considerations that regulators and policymakers should consider to strengthen and promote financial inclusion through digital financial solutions.

⁹ Luxembourg House of Financial Technology. Available at: www.lhoft.com/en/.

¹⁰ In the case of the 2019 finalists, some interviews were carried out face-to-face during the GPF in Kigali, while others by phone between September and October 2019. Regarding the 2020 finalists, the interviews were conducted via email in February 2021.

INTRODUCING THE FINALISTS - FIRST EDITION IN 2019

Below is the list of the 10 finalists of the FinTech competition (in alphabetical order):

GESTELL (OVERALL THIRD PLACE)



Gestell presented by Emmanuel Ruiz Velazquez (Chief Operating Officer) during the 2019 pitch session

Gestell is the first "RegTech" company in Latin America and one of the first in the world to develop advanced analytics technology for financial supervisors. It helps financial institutions and government agencies to make their compliance and regulatory-related activities more efficient and less costly.

Gestell created a platform that allows financial institutions to digitally submit information for anti-money laundering and countering financing of terrorism (AML/CFT) compliance to the Mexican National Banking and Securities Commission. This partnership with the regulatory body allows the reengineering of its data infrastructure to strengthen its AML supervisory capacity and to accommodate the growing FinTech sector.

IRISGUARD



IrisGuard presented by Herbert Louis (Business development consultant) during the 2019 pitch session.

IrisGuard is a UK-based electronic payment solutions company that uses end-to-end iris recognition technology to provide financial services to some of the world's most vulnerable populations. IrisGuard technology has been used to enroll over 2.3 million Syrian refugees, allowing them to make cardless cash withdrawals at selected ATMs, blockchain transfers, remittances and food voucher replacements in supermarkets.

IrisGuard always works closely with regulators, be it central banks or telecommunication regulators, GSMA or telecom companies to ensure adherence to the standards and respect to strict KYC/AML requirements.

IrisGuard is an established solutions provider for United Nations Agencies such as the High Commissioner for Refugees (UNHCR), the World Food Programme (WFP) and many national governments and non-governmental organizations (NGOs) around the world, in addition to several retail banks across the Middle East.

JUMO



Jumo presented by Riyaadh Hanslo (Lead, Sustainability & Stakeholder relations) during the 2019 pitch session.

Jumo uses data science and machine learning to create financial tools that help unbanked and underbanked entrepreneurs – particularly women – access loans and savings products through cellphones.

It builds and operates several services for millions of customers in Ghana, Tanzania, Kenya, Zambia, Uganda and Pakistan, including interest-bearing savings products and short-term, structured credit products. It also provides credit that can be configured to fit the needs of individuals, as well as insurance products to safeguard incomes, families, assets and businesses.

Their interactions with regulators include competition commissions, telecommunications regulators, investment promotion centres and central/reserve banks. The strong partnerships with mobile network operators (MNOs) and financial service providers (FSPs)

have been key to reach the scale and scope of their services.

KLICKEX



KlickEx presented by Robert Bell (Founder & CEO) during the 2019 pitch session

KlickEx provides a network of non-bank clearing infrastructure in the Pacific Islands. The payment infrastructure company maintains remittance flow in a severely de-risked ecosystem and provides, builds and operates a variety of clearing systems, mobile money operations, national payment infrastructures, KYC and AML/CFT platforms, biometric identity systems and production blockchain systems.

Through a regional partnership with the United Nations Development Program (UNDP), and the Australian and New Zealand governments in 2011, KlickEx continued to build services by providing a platform for Mobile Network Operators (MNOs) to integrate mobile wallet platforms into the established banking system, thereby accelerating the penetration of financial services to the unbanked in the Pacific.

OKO (OVERALL WINNER)



OKO presented by Simon Schwall (Founder & CEO) during the 2019 pitch session.

OKO provides crop insurance to smallholder farmers in Mali using satellite imagery and weather forecasting to simplify and automate claim management. It connects to mobile payment platforms, weather information

providers and distribution tools, allowing farmers to be compensated instantly when specific thresholds are reached, such as insufficient rainfalls or extreme temperatures.

Before starting the commercialization of the product in Mali, they presented the solution to the insurance regulator to be fully compliant to the regulations. They use existing mobile money solutions, which are compliant to central bank rules, and partnered with mobile operators to ensure compliance to data protection and transparency rules.

PEOPLE'S PENSION TRUST



People's Pension Trust presented by Marijn Bergsma (Advisor to the Board) during the 2019 pitch session.

People's Pension Trust provides pension products to people working in the formal and informal sector, with the aim of reducing old-age poverty in Ghana and Rwanda. Its products allow clients to save on a daily, weekly or monthly basis through mobile payments, using direct debit or community-based groups and associations.

Since their start, People's Pension Trust has been in constant conversation with existing institutes revolving around pensions in Ghana. Indeed, when the company first started, the Ghanaian law concerning micro-pension products focused on large, existing pension organizations, but not on start-ups. Their early regulatory outreach led to the People's Pension Trust being invited as an advisor to the regulator on informal sector pensions and as a member of the think tank on pensions for the cocoa sector, organized by the government of Ghana.

PINBOX SOLUTIONS



PinBox presented by Parul Khanna (Co-Founder & Director) during the 2019 pitch session.

PinBox, short for “pension-in-a-box”, is a Singapore-based technology firm that supports digital micro-pension inclusion across Asia, Africa, Latin America and the Caribbean. It helps countries, financial inclusion stakeholders and large pension funds to design, build, administer and deploy inclusive micro-pension programs that enable young, low-income people working in the informal sector to save for their old age.

PinBox works with governments, regulators, pension administrators, multilateral and bilateral aid agencies, foundations, mainstream financial institutions and large social enterprises.

SINITIC/PROTO¹¹



Proto presented by Curtis Matlock (CEO) during the 2019 pitch session.

Sinitic/Proto’s conversational artificial intelligence solution automates consumer protection for central banks and financial supervisory authorities across Southeast Asia and Africa. Sinitic/Proto aims to overcome the manual limitations in processing complaints and monitoring financial misconduct by providing communication channels (SMS and social messaging apps) for bottom-of-the-pyramid consumers.

First deployed at the Central Bank of the Philippines thanks to a competitive sponsorship process made by

the Bill & Melinda Gates Foundation, Omidyar Network, USAID and Rockefeller Philanthropy. Winner of the AI Prize and the Central Banking 2019 Fintech and Regtech Global Awards, Sinitic/Proto is now expanding its solution across central banks of Nigeria, Ghana, Zambia and Rwanda via the African Development Bank.

SMART SOLUTIONS



Smart Solutions presented by Niraj Gorkhali (CEO) during the 2019 pitch session.

Smart Solutions is a RegTech company providing data reporting and analytical systems that strengthen and automate the regulatory capabilities of central banks. Developed in collaboration with experts in digital financial services, geospatial technology, policymakers, financial and regulatory institutions, the software covers reporting of traditional banking services as well as digital financial services such as agent networks, e-money providers, branchless banking, point of sales, merchant banking and other financial products and services.

After the 2016 earthquake, Smart Solutions worked closely with the Central Bank of Nepal and the United Nations Capital Development Fund (UNCDF) to provide key data to develop financial inclusion initiatives in the affected areas. They also provided consultation services to the Regulatory and Supervisory Departments on the system's design and implementation. Similarly, the Bank of Zambia procured the system in June 2019 to digitize and automate its Payment Systems Department and is in the process of implementing it.

¹¹ During the 2019 edition of the FinTech Showcase, this organization was named “Sinitic”. In February 2020, Sinitic announced its corporate name change to Proto, to reflect the company's expansion across emerging markets (www.proto.cx/news/sinitic-is-now-proto-and-raises-2-1m-for-emerging-market-expansion).

YEGO INNOVISION (OVERALL SECOND PLACE)



Yego Innovision presented by Karanvir Singh (Founder & CEO) during the 2019 pitch session.

Yego Innovision, headquartered in Rwanda, has designed and purpose-built an Intelligent Connected Fare Meter (ICFM) for the taxi industry in Africa. YEGO's ICFM solves a series of African market-specific problems, where a lack of smartphones and high data cost limit ride-hailing to 10 percent, at best. Furthermore, taxis (especially motorcycle taxis) are available everywhere and can be hailed on the street. These factors greatly limit the benefits and reach of smartphone-based ride-hailing apps.

Since the beginning, Yego has worked very closely with the regulatory authority to understand the country's needs. In 2018, YEGO obtained the world's first government-license for "Metering as a Service" from the government of Rwanda.

SECOND EDITION IN 2020

12 promising innovators selected for the 2020 edition are presented below (in alphabetical order)¹²:

ARIFU (OVERALL THIRD PLACE)

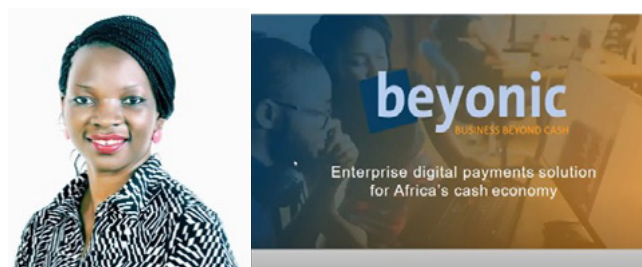


Arifu presented by Gloria Olembo (Legal and Partner Relations Manager) during the 2020 virtual technical session.

Launched in 2015, Arifu is a Kenya-based social enterprise that provides a smart personal learning assistant and content marketplace. The chatbot learning platform allows both smart and feature phone users to learn new skills, discover products and services while earning rewards via SMS, WhatsApp and Facebook Messenger.

Arifu has worked on financial literacy projects, notably with the World Bank, Mastercard, Vodacom, Safaricom, Equity Bank, KCB and Technoserve.

BEYONIC



Beyonic presented by Doreen Lukandwa (Head of Marketing & Customer Success) during the virtual technical session.

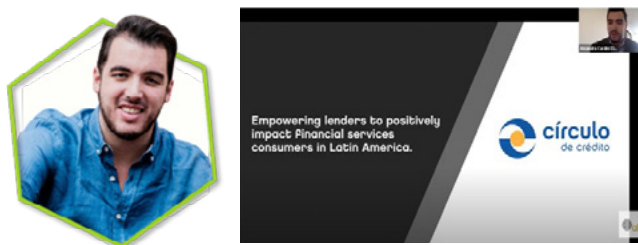
Founded in 2013, Beyonic supplies small and medium-sized enterprises (SMEs) as well as other organizations with a digital payments toolbox that provides an alternative to cash payments. It promotes business continuity and sustainable growth through remote

¹² Three 2019 finalists (KlickEx, Sinitic/Proto and People's Pension Trust) applied for the 2020 edition and have been selected. Thus, the description of their digital solutions is not presented again in this section.

payment and collection functionalities in over nine markets in Africa thanks to a range of last-mile delivery channels that include unstructured supplementary service data (USSD) for feature phones and open application programming interfaces (APIs) for apps.

Beyonic partnered with MFS Africa to increase its geographical presence in over 40 countries in Africa, enabling cross-border payments and additional value-added services that will enrich the Beyonic customer experience. They have been part of the team advocating for and supporting the drive of the Uganda's Central Bank to set up sandboxes for FinTechs.

CÍRCULO DE CRÉDITO

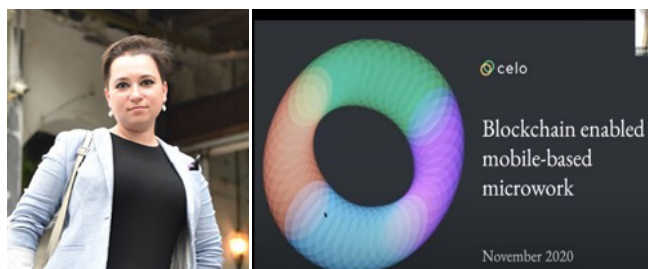


Círculo de Crédito presented by Alejandro Cardini (Head of Product) during the 2020 virtual technical session.

Círculo de Crédito, a registered credit bureau in Mexico and Peru, empowers lending companies to reach markets that are not traditionally included in financial services. Recently, it created advanced analytic models to help lenders personalize lending solutions based on a consumer's financial maturity profile, a score that extends family-level credit behavior to include typically financially excluded women as well as digital and legal biometric signatures to help disadvantaged groups sign up for loans through their phones.

Círculo de Crédito supported the drafting of the Law on the Regulation of Credit Information Societies (CIS) in Mexico.

CLABS



cLabs presented by Anca Bogdana Rusu (Head of partnerships, policy and advocacy) during the 2020 virtual technical session.

cLabs is the team that developed Celo, an open blockchain platform that facilitates access to financial

tools for mobile phone users. Its digital currency, the Celo Dollar stablecoin, can be sent to any phone number and aims to be accessible to all. Among the use cases developed on the Celo platform, the Earn program focuses on matching micro-work with integrated micro-payments.

The Earn program has been developed in collaboration with Appen, a micro work provider for the WFP's EMPACT program, and two large international NGOs are already looking at incorporating it into their main programming for decent livelihoods and economic empowerment in three large emerging markets.

IDEMIA (OVERALL SECOND PLACE)



IDEMIA presented by Ali Akbar (Director of Business Intelligence) during the 2020 virtual technical session.

IDEMIA is a multinational technology company that provides augmented identities to clients in 180 countries across a variety of sectors (financial, telecom, identity, public security and Internet of Things). Headquartered in France, the company has close to 15,000 employees and has issued over 3 billion identity documents worldwide.

Securing the identity has become mission critical in the world we live in today. By standing for Augmented Identity, an identity that ensures privacy and trust and guarantees secure, authenticated and verifiable transactions, IDEMIA reinvents the way of thinking, producing, using and protecting the identity.

MOSABI



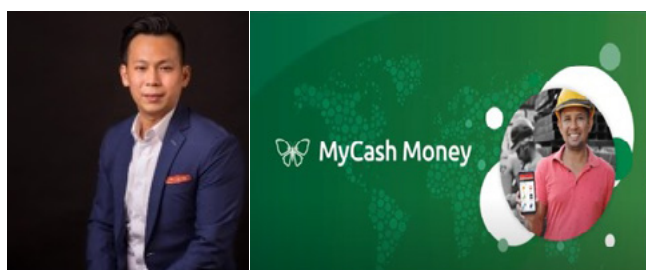
Mosabi presented by Chris Czerwonka (Founder & CEO) during the 2020 virtual technical session.

Mosabi's platform blends FinTech and education technology with artificial intelligence-driven business

and life skills electronic learning for underserved citizens and micro, small and medium-sized enterprises (SMEs) in emerging markets. Through gamified lessons and unique journeys, users can learn about managing their business and money. Mosabi also connects users with relevant partner financial providers and platforms.

Mosabi's operational base is located in Sierra Leone, and they have been testing and deploying their solutions for more than a year in collaboration with the United Nations Capital Development Fund (UNCDF) and the Bank of Sierra Leone's Sandbox program, and in conjunction with the Salone Microfinance Trust. In addition, they collaborated with UNCDF in Malaysia under the "Gig Economy Challenge" of the Financial Innovation Lab (FinLab) to improve the financial health of gig economy workers, with the support of the Malaysia Digital Economy Corporation (MDEC) and the Central Bank of Malaysia.

MYCASH MONEY



MyCash Money presented by Kenneth Goh (Director) during the 2020 virtual technical session

MyCash Money is a Malaysia-based e-market that provides online services for migrants, including purchasing bus or airline tickets, mobile top-ups and international reloads or bill payments.

During this COVID-19 pandemic, they implemented MyCash Money in Singapore with the approval of the Monetary Authority of Singapore (MAS). Over the years, they have partnered with many digital wallet providers to help unbanked migrants. They are also connected to other eWallet providers like bKash and Rocket (Bangladesh), Wing (Cambodia), Easypaisa (Pakistan), Wave Money (Myanmar) where users can send money almost on a real-time basis from MyCash Money app.

PEZESHA (OVERALL WINNER)



Pezesha presented by Hilda Moraa (CEO) during the 2020 virtual technical session

Started in 2016, Kenyan-headquartered Pezesha is a capital enabler platform tackling the financial gap by connecting sub-Saharan SMEs to working capital among other financial services. It also provides financial education to match banks, microfinance institutions and other financial institutions or networks with SMEs using their proprietary credit scoring technology.

In October 2020, the Capital Markets Authority (CMA) has granted Pezesha a letter of "No Objection" to operate its debt-based crowdfunding platform in the Kenyan capital markets, after a successful one-year testing period in the Regulatory Sandbox, which was launched in March 2019.

TANDA



Tanda presented by Bisher Assamak (Co-founder and CEO) during the 2020 virtual technical session

From its operations hub in Jordan, Tanda offers access to alternative financial solutions through the introduction of online savings clubs via a mobile application. Tanda works with payment service providers to enable electronic transfers of payments.

Tanda is currently supported and funded by the Central Bank of Jordan through the Money for Resilience fund provided by the Bill and Melinda Gates Foundation, grant awarded in 2020. Tanda is currently working on participating in Central Bank of Jordan's sandbox.

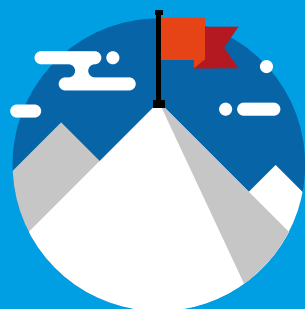
MAIN FINDINGS

PART I: Challenges and limitations faced with the regulatory and supervisory frameworks

In this first section, we asked the participants what their challenges and limitations are with regards to the regulatory and supervisory frameworks in the country(s) in which their companies operate.

The main challenges and limitations mentioned by the FinTech companies are related to the following factors:

- a) Restrictive or inflexible regulatory frameworks,
- b) Bureaucratic license approval processes,
- c) Limited innovative regulatory frameworks for digital financial inclusion,
- d) Lack of financial consumer protection frameworks.



A) RESTRICTIVE OR INFLEXIBLE REGULATORY FRAMEWORKS

The experience of dealing with absent, restrictive or inflexible regulatory frameworks in specific jurisdictions was highlighted.

YEGO INNOVISION: “Our solution was a brand-new concept, so there was no precedent or existing framework upon which we could operate; most things were being implemented for the very first time. We took this as a challenge and decided that we would help shape the regulatory environment and adopt it as soon as it was formalized. Sometimes, it is best to move forward and let the regulations follow, that’s the best way to be disruptive and innovative.”



OKO: “Sometimes, the regulators create new laws or rules to accommodate for microinsurance, microfinance, micropensions, etc. But, other times, it has the opposite effect. For example, we want to do microinsurance in Ivory Coast. But that means, insurers who already have a full-fledged license are not allowed to provide microinsurance if they do not apply for a new specific license.”

PEOPLE’S PENSION TRUST: “In some places, there is some concern from our side that the regulations are changing...(and) that makes it very challenging to start in a country where you are not sure of the regulations. If there’s uncertainty about the regulations then our investors are unlikely to invest. For us, another challenge was the stated capital because of the amount of equity you need to have in your company; it is a bit challenging for us because we’re supposed to have approximately 250,000 Euros (or 300,000 USD) in our bank account at the end of the year to adhere to the regulations.”

KLICKEX: “The costs of AML/CFT risks imposed on digital services will continue to limit inclusion, and transparency. Sixty percent of the costs of sending money to the Pacific is due to the lack of [proportionality] in the implementation of AML/CFT rules in Australia and New Zealand.”

MYCASH MONEY: “Some countries take a more conservative approach where the framework is not revised. Thus, the barriers for new entrants are higher, and it is more costly to operate. Operating cost is always in the minds of new startups and may deter innovations and better solutions.”

C-LABS: “In the absence of a clear regulatory framework or a sandbox, it remains difficult for gig-workers paid in digital currency to use that income stream to qualify for additional financial services. Entities that require licenses to operate are hesitant to engage with companies working with digital currencies due to a lack of clear guidance from the regulator and are justifiably worried that experimenting with uses of digital currencies could impact their license. The challenge is that, instead of having digital currency solutions complement the existing ecosystem, they risk ending up creating a parallel one due to a lack of cooperation and/or interoperability with existing FinTech players.”

B) BUREAUCRATIC LICENSE APPROVAL PROCESSES

In addition, and in direct relation with the previous point presented, the lengthy delays involved in obtaining a license or other permission requirements often present challenges for FinTech innovators.

YEGO INNOVISION: “Sometimes, progress can be slow and may cause you to lose momentum. However, we believe that persistence is key to success. It is important to reach out to the heads of the various institutions and take their feedback to heart. When you come back to them with revised plans, you must have already worked on and fixed all the gaps in your business model. In the FinTech space, one must move very quickly! If you snooze, you can lose to the competition.”

OKO: “As a start-up, we do not have too much time to wait, but we understand that it is important to get the proper licenses, go step by step and follow all the regulations.”



Finalists from the 2019 FinTech Showcase at AFI Awards

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PEOPLE'S PENSION TRUST: “It took us two years to get licensed, just from the point of first contact to having a license, the reason being we didn't fit within the existing framework. We're the only company that was starting to set something up for the informal sector, so there was just no real understanding of what we're doing.”

C) LIMITED INNOVATIVE REGULATORY FRAMEWORKS FOR DIGITAL FINANCIAL INCLUSION

Furthermore, it was highlighted that there are limited innovative regulatory frameworks for digital financial inclusion and limited technical knowledge of specific technologies from regulatory institutions.

IRISGUARD: “Regulators are one of the most important stakeholders of financial systems, however they have been [historically focused] on traditional banking institutions who are slow to adopt new technologies and to address financial inclusion.”

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GESTELL: “There is also a lack of technical comprehension from supervisors regarding the use of Machine Learning algorithms for AML, credit and liquidity risk models, making it difficult for financial institutions to adopt. This makes our products and solutions more expensive, less efficient, and with a limited scalability for our clients. We find a limited use of cloud-based technology and supervisory IT teams are resistant to change, impeding technological innovation.”



Yego Innovision receiving the prize (2nd overall winner) at the GFP

PINBOX SOLUTIONS: “Our sense is that the regulators in some countries are a little hesitant to take on new things. But, in almost all cases, that's being driven by a lack of full understanding of what those FinTech solutions are about. I think it is just a lack of prior experience.”

D) LACK OF FINANCIAL CONSUMER PROTECTION FRAMEWORKS

Leveraging FinTech for financial inclusion creates new regulatory challenges and poses cybersecurity, data privacy, money laundering and consumer protection risks. From the side of the finalists, the lack of financial consumer protection frameworks in specific markets was mentioned as a challenging issue. However, it was recognized that regulators are actively working on this.

JUMO: “One hurdle, and probably the most important one, is customer protection. What we're finding in the majority of the markets we're active in, is that the regulatory framework needs to address this. That being said, many regulators and policymakers are working to build a consumer protection framework that can really support all customers within the ecosystem, whether they are advanced and financially sophisticated, or rural and financially excluded.”

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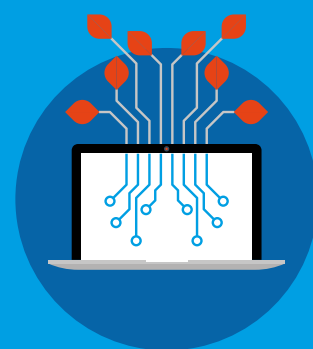
ARIFU: “Though mostly beneficial, the General Data Protection Rules (GDPR) have sometimes made it difficult to engage with organizations that are not fully compliant with its requirements and have made it difficult for Arifu to pursue its mission of placing information and opportunity in everyone's hands. More awareness needs to be created with regards to the GDPR and its requirements to accelerate the contracting processes and foster strong partnerships. This will also help to eliminate barriers preventing the quick adoption of such partnerships.”

PART II: Conditions creating an enabling and conducive environment for the development of the fintech industry for financial inclusion

In this section, the finalists suggested the key factors in creating an enabling and conducive environment to develop the FinTech industry for financial inclusion.

Based on their responses, the following premises would promote the development and growth of the FinTech sector:

- a) Access to funding opportunities;
- b) Data and consumer protection frameworks;
- c) National and international collaboration among stakeholders;
- d) Regulatory frameworks promoting innovation.



A) ACCESS TO FUNDING OPPORTUNITIES

The capital to fund initiatives, especially for start-ups that face high capital requirements, would help to support the development of the FinTech sector.

PEOPLE'S PENSION TRUST: "As a company, that would certainly help us to have a little bit more room to innovate because otherwise you have to raise the capital, which really becomes very difficult."

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SINITIC: "The financial inclusion environment could be more conducive to the development of new solutions based on a combination of venture capitals, project sponsorships, and new technologies being experimented by regulators."

IDEMIA: "Availability of funding for FinTechs at different stages of maturity and through various funding sources and tax incentives is a critical factor in the growth of the FinTech market. Funding sources may come from governments, financial institutions, venture capitals, pensions funds, seed fundings, and tax reductions. Regulators may review and advocate for incentives for investors to fund FinTechs."

ARIFU: "The availability of funds to support upcoming FinTechs has increased competition between tech companies and has led to the development of more efficient and well-priced solutions that speak to the customer's challenges."

B) DATA AND CONSUMER PROTECTION FRAMEWORKS

Effective data and consumer protection frameworks can increase consumer confidence, thereby increasing adoption and active use of the services.

SMART SOLUTIONS: "As an example, a person might not be aware of the risks he or she could have by sharing a password. Financial literacy should become part of the schools' educational programs."

PINBOX SOLUTIONS: "How do I make sure that the interest of the beneficiaries of financial services are being adequately protected? I would say that consumer protection is one of the principal objectives to work on."

PEZESHA: "We believe the fulcrum of FinTech success is its instant access to customer proprietary information, which needs to be guarded by regulatory institutions. In addition, considering the scale and impact of debt financing, we believe financial education should be the foremost agenda of industry players and regulatory bodies."

JUMO: "A consensus on key issues, such as consumer protection and data protection, is also needed. Whether you're talking about consumer protection, data privacy or licensing, all these issues remain consistent regardless of the type of regulator you are, and they all relate to the customer. A customer-centric and principles-based approach to building regulation works best."

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MOSABI: "Many new startups are building platforms that process a tremendous amount of personal data, but client protection and data privacy laws often aren't evolving quickly enough to keep them in check. I think it behooves us to pause to make sure approaches are responsible, inclusive, embrace self-supervision and share best practices."

C) NATIONAL AND INTERNATIONAL COLLABORATION AMONG STAKEHOLDERS

National collaboration allows a focused, coordinated and multisectoral approach to implement a national plan to advance the FinTech's agenda for financial inclusion. In addition, the international collaboration between jurisdictions can bring innovation to the FinTech sector:

JUMO: "Coordination is needed at a national level. For example, how can telecommunications regulators work with financial services regulators to build policy frameworks that are consistent and do not leave a gap for regulatory arbitrage? If you can answer that, you can get to some sort of comprehensive and robust framework."

PEZESHA: "We have identified FinTech stakeholders as governmental institutions, FinTech firms, customers, industry players etc. Collaboration among each of these stakeholders is key as they all play a valuable role in ensuring the success of the FinTech industry. It is important that each of these individuals recognize their obligations and duty of care to each other."

IDEMIA: “The success of the industry is contingent on efficient collaboration amongst entrepreneurs, governments, and financial institutions. Successful collaboration between FinTechs and incumbent banks will enable FinTechs to integrate their services and access a broader market. This collaboration will also enable banks to accelerate their innovation cycle, while in-house development teams focus on their core business.”

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PINBOX SOLUTIONS: “I think there is a need for more cooperation between regulators in a particular country to make sure there are no gaps and if the pension regulator wants to achieve some outcomes, it is not being limited by the Central Bank’s regulations or vice versa. I strongly believe that there is a lot of value in learnings across countries. I think regulators can take more confidence with precedents if they (identify) what is or is not working.”

MYCASH MONEY: “Both the private sector and the regulators can cooperate together to solve problems. During the COVID-19 pandemic peak of 2020, government grants were offered to sustain our business and allow us to focus on innovations.”

MOSABI: “Taking inspiration from other regional approaches, incentivizing bank-FinTech collaborations, opening up cross-border payments, releasing regulatory and tax burdens for emerging actors, and fostering environments for international cooperation can be part of a blueprint for progressive financial sectors in which legacy providers can thrive alongside emerging FinTech entrants.”

SPOTLIGHT 1: REGIONAL REGULATIONS

One way of international cooperation would be around regional regulations.

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OKO: Offering a regional license to operate in all countries would be useful. It would help bringing innovation to other countries because it would suddenly constitute a huge market to operate in.”



D) REGULATORY FRAMEWORKS PROMOTING INNOVATION

Also highlighted was the relevance of gender-sensitive regulatory frameworks that promote innovation in the FinTech sector. In addition, complying with regulation and security standards through an innovative technology approach was suggested as an important issue to foster financial inclusion.

IDEMIA: “Regulators need to strike the right balance between the innovation that FinTechs can provide and the risks of the digital world, such as cybersecurity and fraud. Regulators should support experimentation, such as regulatory sandboxes, while regulating to build trust, manage risks and encourage growth.”

MYCASH MONEY: “The critical element for the Fintech Industry is the stability of the ICT infrastructure. Without that, FinTech cannot provide the services and our customers cannot utilize them.”

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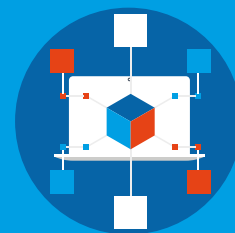
IRISGUARD: “One of the key areas regulators need to examine very carefully is the lengthy KYC requirements for a typical bank account; the world needs an eKYC standard with minimum information available for unbanked people to open wallet accounts (mobile or Blockchain-based) and transact within the regulated financial ecosystem. Regulators have an obligation to re-think financial inclusion considering modern developments towards meeting the United Nations Sustainable Development Goals (SDGs) for 2030. Over 1.7 billion people are bankless, and [the choice and cost of cross-border] remittance [services] is so restricted and expensive that development and growth are indeed undermined in many developing countries.”

PEOPLE’S PENSION TRUST: “How do you have regulators make it easier for companies to target, for example, the informal sector and new segments, sectors or markets without having an innovator?”

C-LABS: “First and foremost, a culture of education and experimentation, having a proportional regulatory approach to testing and learning about new technologies before regulating them.”

SPOTLIGHT 2: SANDBOX

Among the proactive and supportive innovation initiatives, sandboxes have been one of the main recurrent themes amongst finalists, leading to shape the regulatory framework in the respective jurisdictions where the solutions operate.



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GESTELL: “The regulatory sandbox we participated in was for the creation of a SupTech prototype for AML/CFT in Mexico. The biggest benefit from the experience was the opportunity to understand the way supervisors work and think, enabling us to polish our solutions so they could be deployed in a better and more compliant way.”

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PEZESHA: “We are the first FinTech to successfully exit the Sandbox initiative launched by the Capital Markets Authority of Kenya. This exit has set pace for the development of frameworks for crowdfunding and P2P platforms in Kenya, with our contributions and learnings shaping the outcome of such frameworks.”

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ARIFU: “African countries are beginning to buy into the idea of sandbox systems, this is favorable for the FinTech industry as it allows new innovations to be built and tested everyday. It has helped tackle inefficiencies and challenges for both financial institutions and customers, such as the ability to reach rural communities with financial products and services in a timely manner.”

As is indicated in AFI publications¹³, establishing a sandbox sends a strong message to FinTechs that regulators are open to innovation. Moreover, it provides an important learning opportunity for regulators, especially when coupled with an “innovation hub”, usually a portal through which innovative start-ups can interact with the regulators and seek their advice and bespoke waivers or adjustments to licensing conditions. A sandbox and an innovation hub can change traditional dynamics, as the industry comes to see the regulators as an entity they can approach for assistance on regulatory challenges rather than a distant policeman to be avoided.

However, a sandbox alone will not guarantee financial transformation. In some cases, there is a lack of diversity in sandbox approaches. It will likely provide limited assistance and is most useful when a jurisdiction exhibits the following characteristics:

- > Strong rule of law and transparency,
- > Regulation or time to market is the sole barrier to innovation,
- > Low risk of corruption,
- > Conducive ecosystem that advances social business models, and
- > Availability of functional substitutes to the sandbox.

Although all the participants agree that a sandbox promotes incentives for innovation, they expressed some limitations.

LACK OF FUTURE PERSPECTIVE

JUMO: “While it is a great tool, sandboxes can fall short when there is not a clear plan for what happens after the sandbox. There’s sometimes a lack of foresight into how FinTechs can transition to the next phase of growth, or a clear understanding of what a sandbox actually means. We’ve had experiences where we were asked to join a sandbox, but at the time the regulators didn’t know what this would gain or how it would work. They were really looking for guidance, but without a clear understanding of what the sandbox is meant to achieve and how FinTechs can progress to the next phase, it can be a bit dangerous and constraining.”

OPEN TO LIMITED SECTORS

PEOPLE’S PENSION TRUST: “I proposed a sandbox but the regulator refused; that’s my experience. It is an early stage; they only opened up the pension sector recently. So that’s quite a recent regulation. We have few products available, with no products from the private sector and none for the informal sector. They’re not willing to open up to a sandbox environment quite yet. If organizations could pilot products in a sandbox environment, the market would benefit.”

¹³ AFI, 2018, Digital Financial Services Working Group (DFS WG) & Consumer Protection and Market Conduct Working Group (CEMCWG), “FinTech for Financial Inclusion: A Framework for Digital Financial Transformation”. Available at: www.afi-global.org/sites/default/files/publications/2018-09/AFI_FinTech_Special%20Report_AW_digital.pdf.

YEGO INNOVISION: “In countries seeking disruptors and innovators, especially from other nations, it is important to have a regulatory framework that is supportive of such changes. The challenge is to find the right balance between a regulatory framework that protects the interests of its citizens, whilst providing room for start-ups to have creative freedom.”

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SMART SOLUTIONS: “They have to be proactive on these new things because these disruptive technologies could have a lot of benefits in getting to the grassroot levels to impact a lot of people. They have to be receptive to these new ideas and then obviously, they have to regulate them.”

In direct relation with those items, other issues should be taken into account by regulatory communities to support the growth of the FinTech sector.

• SCALABLE SOLUTIONS

In terms of implementing impactful solutions, transforming academic software solutions into practical and scalable initiatives was mentioned as a challenge.

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SINITIC: “There needs to be faster prototyping and deployment of financial inclusion solutions that solve real gaps in the market. Typically, what we’ve seen as a software vendor, much of the effort in the ecosystem is used toward theoretical or academic conversations. But, to actually be generating real data toward real results, there needs to be more initiatives in deploying scalable solutions.”

• CONSENSUAL MEASURES TO ASSESS IMPACT

Having tools and guidelines to help companies and states measure and compare the impact of the FinTech initiatives would be an essential item to consider when thinking of next steps.

OKO: “I think it is important to talk about the results assessment of different programs; for example, to see what works best between mobile and traditional approach. So, it would be good to have tools or to

think globally about things that are measurable and comparable between countries.”

• GENDER DISPARITY

The gender gap across different countries would be an important factor to consider in a potential dialogue between FinTechs and regulators to foster a more gender-inclusive financial system.

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YEGO INNOVISION: “A critical issue that is still not addressed often enough is the huge disparity between the opportunities for men and women. Regulatory authorities ought to focus on the under-represented sections of society, especially women and people below the poverty line, to bridge the digital divide and drive financial inclusion.”

SMART SOLUTIONS: “For financial inclusion [a priority] is disaggregated data on gender, age and geographical location. All data come from the KYC (Know Your Customer) backend information, i.e., the banks. So, the problem is that the KYC process is not efficient; if a person has more than two accounts, they would have to go to two different banks to fill in this KYC. The idea is for the Central Banks to centralize the KYC process so that a lot of data would be easily available to be analyzed.”

• HUMAN CAPITAL DEVELOPMENT

With the FinTech as a fast-growing industry, human capital challenges arise, particularly in attracting women and people from minority and/or vulnerable groups/population segments.

IDEMIA: “Attracting qualified talents, from both domestic and foreign pools, is essential to drive the growth of FinTechs’ markets. There is a need for governments and educators to work together to create policies that foster opportunities for students and young professionals across the fields of technology, financial services, innovation and entrepreneurship. In doing so, they will be more attractive to top talents from around the world.”

PART III: contribution of the digital solution to mitigate the negative impact of covid-19

The finalists of the second edition of the AFI Inclusive FinTech Showcase explained how their digital solutions are mitigating the negative impact of COVID-19. A summary of each response is presented in the following paragraphs.



IDEMIA: “By combining digital onboarding, branchless banking solutions, and digital payment services, IDEAMIA helps to mitigate the negative impact of COVID-19 on the most affected vulnerable groups. Digital payment solutions are helping federal governments in distributing financial aid to vulnerable populations in the pandemic context. To avoid current long queues at the branches and ATMs, our tokenization and prepaid virtual cards solutions are used by banks, domestic schemes and processors to digitize these payment disbursements through mobile apps.”

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ARIFU: “Arifu provides digital financial literacy for businesses so as to instantly access links to digital products and touchless payments in Kenya, Tanzania, Nigeria and Zambia. Arifu has also partnered with SOMO, a Kenyan-based NGO, under a Kenya Catalytic Jobs Fund (KCJF) project to help micro, small and medium-sized companies (MSMEs) mitigate the impact of COVID-19. The project aims to build MSMEs' resilience and help them to stay afloat during the pandemic. In addition, we are offering our platform at a reduced cost for the first three months to any new partners that sign up, so our content can reach more learners in need.”

PEZESHA: “We conduct financial education modules for every potential borrower covering how to generate, maintain and/or improve their credit scores with Pezesha. We have designed our business model to achieve scale by partnering with supply chain networks to provide productive credit to quality borrowers and reduce risks in our portfolio. We have also partnered with patient capitals and global partnerships such as Mastercard and Google to provide interest-free recovery working capital through our lending infrastructure. Finally, we have enabled our lending infrastructure to act as a micro lending originating partner to microfinance institutions (MFIs), banks and other institutional capital providers who can now access quality SMEs credit-scored using our proprietary credit scoring technology, PataScore.”

BEYONIC: “We waived our fees as company which further reduced the barriers to entry for multiple businesses to try-out the use of digital payments. Over the last few months, we have noticed a spike in relief payments and related businesses using the platform; increase in use by retail businesses that could no longer rely on their physical teams or branches; increase in use of healthcare-related services; increase in agricultural activities with continuation of farmer payments; increase in repayments for solar and water services through pay-as-you-go providers; increased digitization of businesses in unique sectors like legal and publication; increased use by smaller domestic businesses.”

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MOSABI: “There are risks that overindebtedness, productivity losses, anxieties, and diminished capacity to deal with financial shocks could afflict large-scale segments of the world’s economies. Mosabi’s users benefit from our lessons to make better decisions and apply improved behaviors around household and business finances. Our topics on savings help users build a buffer for upcoming lean times; digital literacy content upsills MSMEs to continue business even amid restrictions on movement; budgeting and bookkeeping content provides blueprints for helping to make sure funds do not go through the cracks; and financial literacy learning on our chatbots put Mosabi as a “digital coach” in citizens’ pockets, helping them to choose responsible providers and products that best fit their contexts.”

C-LABS: “The C-Labs team, working in close partnership with Appen, has created Corsali, a blockchain-based mobile microwork application that will give anyone in the world with a low-end smartphone the opportunity to earn money and ensure their livelihoods while safely teleworking. Additionally, a steady flow of payments in digital currency creates a history of financial transactions for workers, further enabling them to build financial resilience and start accessing formal financial services.”

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TANDA: “Tanda’s online Rotating Savings and Credit Association (ROSCA) platform solves multiple points of friction: (a) providing a platform that allows them to start saving using simple, relevant, familiar and easily accessible tools; (b) helping them open an eWallet, thus facilitating receipt of payment without having to put themselves and their families in danger by seeing other people or dealing with cash; (c) solving the problem of not being able to receive payments during lockdown when movement is restricted; and (d) facilitating and supporting them in building saving skills to create safety nets for themselves and their families especially during these difficult times.”

PEOPLE’S PENSION TRUST: “We have begun to deliver products, services, support and education remotely. Additionally, we are adding outreach capacity through Interactive Voice Response (IVR) and Robocall technology as alternative reach channels. We have leveraged voice messaging and calls in the various local languages and embarked on a dynamic campaign to migrate our existing cash customers into our digital platforms. Our messaging has been fashioned around



the devastating impact of lacking a financial cushion to incentivize savings as well as COVID-19 health messaging. We have again reduced our withdrawal turnaround times from 72 hours to around 24 to 36 hours to ensure clients have money readily available.”

PROTO: “Before the COVID-19 pandemic, supervisors’ abilities to fulfill their consumer protection mandate was limited by the current communication channels (emails, letters, and in-person visits) which are slow, costly, and favor affluent consumers. This problem has been exacerbated by the lockdowns, which cause consumer protection departments to operate on skeleton crews and run-up large backlogs. The new automated system is comparatively more inclusive, cost-effective and immune to COVID impacts, without transferring any part of the consumer protection mandate to the private sector, which is also disrupted by the situation.”

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CÍRCULO DE CRÉDITO: “We developed a ‘financial maturity score’ which helps low-income communities to benefit from more relevant, manageable and cheaper financial products and services. In addition, we created a digital and legal biometric-based signature to help low-income people legally sign up for loans through their phones. This keeps them safe from being obliged to go to crowded spaces during the pandemic and allows them to get credits from a formal source, which makes it safer and cheaper.”

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KLICK-EX: “We have implemented COVID-19 resiliency programs which have seen end user usage surge by 400 percent+ in some segments, and our tourism systems grow from handling two percent of gross domestic product (GDP) to more than 90 percent of all tourism spending. We added COVID-19 cross-border worker insurance to our portfolio of products, we have increased commissions, lending and support to all our related parties during the COVID-19 program. We are also partnering with Central Banks to offer wonderful cross-border and national platforms to assist with the scourge of de-risking.”

MYCASH MONEY: “Most of the migrants in Singapore were isolated inside dormitories for the last three to four months. We have onboarded 10,000 migrants over the past three months and are still working to increase this number. We are offering them a very convenient platform to send money home. Our service fits both ‘Digital payment during crisis’ and ‘Solutions for more affordable and efficient cross-border payments’, particularly in corridors impacted by global bank de-risking. We are particularly helping unbaked Bangladeshi migrant workers. During this COVID-19 Pandemic, we have implemented MyCash Money in Singapore with the approval of the Monetary Authority of Singapore.”



Finalists from the 2020 FinTech Showcase

KEY CONSIDERATIONS

The 19 cases included in this report show that while significant progress has been made to deepen financial inclusion through FinTechs, some constraints are still impeding its growth and potential to accomplish that goal.

Restrictive, inflexible or lack of regulatory frameworks to ensure financial inclusion rank at the top of the limitations faced in the countries where FinTech finalists have started their operations or are currently working. Nevertheless, it was noted that in cases where legal frameworks exist, they are not always appropriate for the new landscape. Those limitations were overcome mainly through strategic partnerships and synergies with regulators to draft frameworks or develop fully-compliant solutions to the regulations.

Secondly, high levels of bureaucracy in licensing approval processes were frequently mentioned, taking at least two years or more for specific markets. However, in some countries, while a framework was still being developed, FinTech finalists were initially allowed to operate with a “letter of no objection” before issuance of a temporary and, later on, a full license, thus reducing the timeline of starting operations.

Thirdly, limited innovative regulatory frameworks for gender-sensitive digital financial inclusion was an important concern. In addition, the limited and/or low levels of technical-specific knowledge about technologies from the regulatory side were associated with their limited expertise in this area, potential risks and mistakes that come with those new approaches. As the FinTech industry is growing rapidly, new technical skills should be adapted by financial regulators to foster the positive impact of these solutions.

FinTech has an enormous potential to promote financial inclusion, particularly for women and other vulnerable groups. But, according to the finalists interviewed, in order to fully take advantage of it, it is necessary to have: access to funding opportunities; data and consumer protection frameworks, national and international collaboration among stakeholders, and regulatory frameworks promoting innovation.

ACCESS TO FUNDING OPPORTUNITIES

Acquiring early-stage or seed funding is particularly challenging for many innovators. Moreover, many FinTechs face constraints in accessing capital, not

only to create the company, but also to meet certain minimum capital standards to comply with regulations. Funding and technical support entities, such as venture capitals, accelerators, angel investors and financial institutions, have the potential to foster the development of the FinTech ecosystem.

DATA AND CONSUMER PROTECTION FRAMEWORKS

The participants affirmed that the adoption of technological innovations could exacerbate existing risks and even create new ones. Data and consumer protection frameworks are key to tackle this problem. As the future is moving towards cashless economies, regulators need to ensure that transfer mechanisms are implemented with the lowest friction possible and yet, provide transparency, traceability and accountability.

NATIONAL AND INTERNATIONAL COLLABORATION AMONG STAKEHOLDERS

National coordinated regulatory efforts are needed to reach a comprehensive strategy for financial regulation.

In addition, as the finalists revealed, the role of the working groups gathering FinTech companies and regulatory communities at national and international level would be valuable to share good practices, information, and expose the positive impact of certain schemes or regulatory frameworks on financial inclusion, especially between those that are yet to adapt enabling regulatory environment for FinTechs. An international dialogue could encourage some jurisdictions to implement those solutions. It was concluded that there is a strong need for a cooperation between regulators and FinTechs.

REGULATORY FRAMEWORKS PROMOTING INNOVATION

During the last years, regulators in advanced, emerging, and developing economies have developed several promising initiatives to regulate and adapt regulatory frameworks for FinTechs, such as: innovation offices, regulatory sandboxes, and RegTech for regulators. During the interviews, FinTech innovators were of the view that sandboxes offer a potential pathway to FinTech innovation. However, further perspectives and plans beyond the testing environment and its extension to other sectors should be addressed.

There is a need for enabling environments, regulations and laws to provide legal certainty to the FinTech industry. FinTech interventions demand a reconsideration into the existing regulatory approaches and structures. As FinTech continues to shape the future of the financial sector, it requires regulators to keep informed by implementing appropriate financial market environments to build sustainable, gender-inclusive and effective financial inclusion ecosystems.

MOVING FORWARD

AFI recognizes that FinTech innovation holds great potential to spur improved access to, and usage of, quality digital financial services. In this light, the AFI's DFS and FinTech workstreams are taking forward interventions to support and provide guidance to members on FinTech-related initiatives and deliverables.



1. GUIDANCE

One of AFI's main strategic objectives for its members is the development of relevant and actionable guidance on specific and gender-sensitive policy initiatives. The DFS and FinTech workstreams are providing extensive guidance and support to the network through the adoption and adaption of key knowledge products, such as policy models and frameworks. Examples include the E-Money Policy Model¹⁴ and the Policy Framework for Women's Digital Financial Inclusion.¹⁵

2. BUILDING RICHER COLLABORATIONS

Advancing strategic collaborations through new workstreams and initiatives, such as Dialogue (3D) and Public Private Dialogue (PPD) platforms, global advocacy and joint learning programmes to facilitate peer learning and exchanges on how FinTechs could thrive in an enabling environment and push the needle forward on financial inclusion.

3. KNOWLEDGE PRODUCTS AND RESOURCE DEVELOPMENT

Developing and sharing knowledge is a key fulcrum on which the DFS and FinTech workstreams stand. Towards this end, several knowledge products and capacity-building events will be developed in the coming year. Specifically, the workstreams have been exploring topics such as cybersecurity, data privacy and protection, standardizing merchant payment acceptance technologies with QR Codes, exploring consumer protection in the wake of increasing DFS, RegTech and its promise for financial inclusion.

4. CONTINUED ENGAGEMENT WITH FINTECHs

In line with the desire to ensure continuous growth and alignment with the financial inclusion agenda of members, AFI will actively engage FinTech innovators in systemic dialogue with its regulator membership, showcasing ideas and business models that address members' needs and advancing collaboration to overcome regulatory impediments to inclusive innovation. This mandate will be explored at the regional level, for example through the Pacific Islands Regional Initiatives (PIRI) in support of the Regional Regulatory Sandbox.

5. IN-COUNTRY IMPLEMENTATION

Providing technical advisory and support to members as they establish specific FinTech-related strategies, policies and/or regulation and employ new innovative regulatory approaches.

¹⁴ AFI, 2019, Digital Financial Services Working Group (DFS WG), "Policy Model for E-Money". Available at: www.afi-global.org/publications/policy-model-for-e-money/.

¹⁵ AFI, 2019, Digital Financial Services Working Group (DFS WG), "Policy framework for women's financial inclusion using digital financial services (DFS)". Available at: www.afi-global.org/publications/policy-framework-for-womens-financial-inclusion-using-digital-financial-services/.

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