Responsible Finance Forum V: Responsible Digital Finance

Outcomes Report

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Responsible Finance Forum

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Executive Summary

Background and Objectives: The Fifth Responsible Finance Forum held in Perth, Australia on 28-29 August 2014 was the first time that the various stakeholders—government, private sector, and consumer capability community—discussed together how to ensure that digital financial services are delivered responsibly. With so many different players in the digital finance ecosystem, a common understanding is required of what responsible digital finance looks like. The objectives of the forum were to:

- Identify consumer risks that arise when financial services are delivered digitally;
- Explore the approaches to manage these risks;
- Examine the role that regulatory, industry and financial capability interventions/measures can play in minimizing the risks to consumers while maintaining the business case;
- Identify collective action and specific next steps to advance responsible digital finance.

The timeliness and importance of responsible digital finance: Digital finance—with its evolution in product design and delivery as well as new players and technologies and partnerships—provides an opportunity to bring the 2.5 billion adults without access to financial services into the formal financial system by driving down costs and improving the suitability of products. Yet digital financial services, for all their benefits, do not come without risks which are distinctive to their digital nature—including their delivery channels and extended value chains. As more and more people access digital financial services, there is a need to collectively understand, mitigate and manage risks. Addressing these issues collectively, through a digital finance ecosystem holds promise.

The risks of digital finance: The following are five key risk areas, each with up to three issues that are of greatest concern.

1. **Preventing Fraud, Ensuring Appropriate Business Conduct & Promoting Fair Treatment**

- Lack of clear definitions and rules concerning customer-affecting fraud related to DFS.
- Network downtimes and associated problems.
- Inability of agents to carry out their function, due to lack of training, supervision, or support.

2. **Promoting Transparency**

- Digitally provided product information may be insufficient and or not easy to use.
- Disclosure is not enough, but consumer understanding should be verified.
- Disclosure needs to be done such that consumers can compare services and fees.

3. **Implementing Effective Recourse**

- Agents are rarely adequately incentivized to provide effective customer service and support.
- If a recourse mechanism is available, it is often not consumer-friendly, in that it may not be free and transparent or handled quickly and in a consumer-friendly manner.

- In multi-actor value chains, it is not always clear who is responsible for resolving specific problems and who has liability.

4. **Safe Guarding Client Funds**

- Customers risk being denied access or loss of their DFS funds and lack of regulatory certainty that protects and guarantees account balances.
- DFS customers may not have their funds protected by deposit insurance or be a priority in insolvency.

5. **Ensuring Data Privacy and Protection**

- Data privacy issues are of growing concern but the extent of the risk is heavily debated.
- Lack of client awareness about their rights regarding their data.
- Provider practices vary given unclear rules or guidance.

Designing and Delivering Suitable and Responsible Digital Products: The top risks that were identified by participants of digitally delivered credit, insurance, savings and payments are indicated below.

1. **Credit:**

- Behavioral biases may lead consumers to borrow too readily and/or more than needed when offered digitally.
- New issues of "suitability" in context of digital delivery.
- New issues of data privacy and protection in digital context.

2. **Deposit and Transaction Accounts**

- Service downtime can hamper client access to savings when they need it and dampen uptake.
- Lack of client understanding of differences between and risks of e-wallet and savings accounts.
- Regulations do not always strike the right balance on issues of access and risk, including licensing of providers, KYC, and disclosure.

3. **Insurance**

- Need for adequate disclosure and consumer awareness and capability vis-à-vis digital insurance.
- Recourse must be available and functional and clients need to know how to access.
- Partnerships need to build in mechanisms to protect clients from unilateral actions that result in client harm.

4. **Payments and Remittances**

- Service downtime leading to failed transactions.

- Opaque fees result in a lack of transparency and undermines client trust in the products.
- Lack of consistent payment standards between parties leads to uncertainty for clients about recourse when transactions fail or errors are made.

Whose Responsibility Is It?

1. **Regulatory Pillar:**

- Close and ongoing dialogue with industry needed to help regulators understand and keep pace with market developments and to ensure that rules and standards are proportionate to risks.
- Engagement with representatives of consumer interests also needed to ensure that regulators have insights into the consumer experience and the risks they are facing so as to ensure that rules and standards are proportionate to the risks and likely to be effective.
- Regulators need to increase their capacity to assess risks associated with digital delivery of products, and ensure they have adequate access to expertise to help inform their decisions.
- Regulators have a key role to play in recourse. While there are different ways to design such a function, a strong complaints handling function within a central bank is important.
- Cross regulator coordination is a new promising area.

2. **Industry Pillar**

- Providers have the greatest responsibility for identifying and mitigating customer risks. They identified five core risk areas as high priority for DFS industry to tackle: data integrity, including identity threat; connectivity and its effect on network downtime; fraud; agent management; and responsible and effective complaints handling.
- Industry Codes of Conduct that is multi-stakeholder and developed through a consultative process and results in a voluntary yet enforceable code could be promising approach.
- “Cooperate, then compete” particularly on mitigating consumer risk—though some said it would take regulators to force sector to cooperate.
- Industry would like to hear more about needs and the risks faced by low income customers.

3. **Consumer Pillar**

- Consumer-focused organizations have a critical role to play in enhancing the understanding of the experiences and behaviors of consumers, articulating and elevating the voice of consumers, and representing consumers in RDF discussions.
- More and better research to guide other pillars.
- Resources needed to enhance consumer advocacy.

4. **Supporting Entities: academics, donors, other development organizations**

- More focus and capacity needed to monitor the market for risks.
- Need to find the right advocacy-evidence balance to ensure learning and applications of lessons.

Where Do we Go From Here? The following were identified by participants as next steps for collective action.

- Develop common language, common definitions, and common framework.
- Gather and share more and better evidence.
- Work together to better understand and develop effective solutions to mitigate consumer risk.
- Explore whether RDF standards or principles could be useful, starting by mapping of what exists and what are the gaps.
- Bring in other government representatives beyond regulators to cover financial education and social inclusion components.

I. Background of Fifth Responsible Finance Forum

Digital finance is now widely recognized as one of the most powerful tools to reach financial inclusion targets at low cost, to create opportunities for people in remote communities, to provide them with the financial tools and services to grow their businesses, and to enable them to channel more household resources into education, health, and other key household expenses and investments.

As the market for digital finance expands, it is important to consider the consequences, risks and benefits of transitioning to such products in a manner that reaps benefits for the customers, especially the poor. While there is a great opportunity to leverage digital technology, there are a number of challenges to be considered. Such challenges include increasing fraud, process and distribution risks in managing innovative and branchless products, liability for mistaken and unauthorized payments, the formation of electronic contracts and disclosures, low financial and technology awareness amongst customers and inadequate training of agents. These challenges, if not met, may become barriers to financial inclusion per se as they lead to a lack of trust in the use of digital financial services, resulting in low product uptake and rising costs for businesses and customers. The Fifth Responsible Finance Forum held in Perth, Australia on 28-29 August aimed at filling the dialogue and evidence gap on consumer risks to digital finance. This event was particularly exciting since it is the first time that the various stakeholders—government, private sector, and consumer capability community (see Annex 2 for forum participants list)—came together to discuss what it means to ensure that digital financial services are delivered responsibly. This is particularly crucial as digital finance lives at the intersection of so many different industries and regulatory authorities. It is not enough to ensure that one set of players has practices in place to ensure that DFS is done responsibly. Because there are so many different players in the digital finance ecosystem, it is essential that there is a common understanding of what responsible digital finance looks like when implemented—and with all players. The forum was structured to facilitate an open and collaborative dialogue among many different players in the digital finance ecosystem.

The objectives of the Fifth Responsible Finance Forum on Responsible Digital Finance were to:

- Identify consumer risks that arise when financial services are delivered digitally;

- Explore the approaches to manage these risks;
- Examine the role that regulatory, industry and financial capability interventions/measures can play in minimizing the risks to consumers while maintaining the business case;
- Identify collective action and specific next steps to advance responsible digital finance;
- Launch the RFF Community of Practice Virtual Platform.

With support from the Bill and Melinda Gates Foundation, The MasterCard Foundation, and the Netherlands Ministry of Foreign Affairs, the RFF V was organized and further supported by the Better Than Cash Alliance, Consultative Group to Assist the Poor (CGAP), the German Federal Ministry for Economic Cooperation and Development (BMZ/GIZ), the International Finance Corporation (IFC), the United Nations Capital Development Fund (UNCDF) and the World Bank.

This report highlights the nature and content of an engaging and open two-day discussion on the current state and collective vision for responsible digital finance globally (see Annex 1 for forum agenda).

II. Why Responsible Digital Finance Now?

The promise of digital finance. With the advent of digital finance, now more than ever before, there is an opportunity to bring the 2.5 billion adults without access to financial services into the formal financial system. We know that people—whether rich or poor, whether managing a household or a business, whether farming their own plot of land or working as an employee—all need financial services. Furthermore, they need a range of services—savings, credit, insurance, payments—that fulfill their varying needs. Digital finance marks an important evolution in the design and delivery of financial services, as new players, technologies and partnerships have the potential to drive down costs and improve the suitability of products. Finally, governments—policymakers, regulators, line ministries—now more than ever recognize the importance of financial services for all to their citizens, and increasingly understand the power of digital delivery to democratize finance.[1]

Yet what are the risks of innovative financial services? Digital financial services, for all their benefits, do not come without risks. Yet there has been little discussion to date as to the nature, incidences and consequences of risks related to digital finance. Are there unique or distinct aspects of DFS business models that reduce or exacerbate the traditional risks of conventional financial services, or perhaps create altogether new risks that are not well understood or explored? Marcos Bader, a former Banco Bradesco executive and now on the Board of Banco Pan in Brazil, argued that, "digital risks are quite different from conventional risks, and we observe risks in digital financial services beyond those specific to the products, but also throughout DFS delivery and extended value chains. We will face a significant challenge as the big money shifts rapidly to the digital space. And, those with low levels of literacy and tech knowledge are likely to be more impacted and more vulnerable."

And what will happen to the promise of digital finance if these risks are ignored? Initial evidence suggests that trust and confidence in a product, service or provider can be the difference between uptake and usage of DFS at scale, or stalled markets with low-growth and high dormancy rates of DFS accounts. Argwings Koyoson of Airtel remarked, "there is excitement when you introduce new technology but if they [the customers] have a bad experience, it is hard to convince them to come back. The 1st impression of a client will go a long way – we don't want it to just end up in a P2P situation -- we want to see customers graduating into using DFS for savings and borrowing and insurance."

As digital finance grows, the need to collectively understand, mitigate and manage risks is growing. By seeking to understand these risks, we can identify practical ways to minimize and mitigate them.

[1] The benefits of greater financial inclusion have been touted in many fora. It can help people with managing risk and smoothing consumption, and thus has poverty reduction benefits. It is associated with financial deepening and with growth, with the potential to create jobs and contribute to a virtuous cycle. When women have greater access to finance provided in ways that are convenient and secure, there can be empowerment benefits that go beyond the financial benefits themselves. The potential of financial inclusion has been recognized by global leaders, including those of the G20, as a contributor to strong and balanced growth as well as increased resilience to shocks.

We can suggest what strategies, commitments, and actions might be adopted or undertaken to bring the benefits and reduce the costs of digital finance responsibly. This is best achieved, however, with the engagement of the range of public, private and non-profit stakeholders in order for effective solutions to be identified and implemented: digital finance lives at the intersection of so many different industries and regulatory authorities.

Modelo Peru shows that a holistic model for advancing a responsible digital financial ecosystem is both needed and possible. In her keynote address, Carolina Trivelli of Asbanc in Peru (and former Minister of Development and Social Inclusion) underscored the critical role of collaborative, cross-pillar engagement to make digital finance broadly, and responsible digital finance specifically, work for all. She recommended participants consider a holistic approach that prioritizes ongoing interaction across the three pillars, a guiding framework of financial inclusion, agreement on standards and a clear "intention" to make progress through commitments, starting with the easier wins. This is the recipe used for Modelo Peru, in which government, regulators, private sector financial service providers and mobile network operators, and an association representing "the voice of the client" came together to collectively advance the digital financial ecosystem in the country.

It is time to ask hard questions and develop new solutions. Forum participants shared a variety of views and experiences but with a shared cautious optimism that asked, for the first time in this kind of setting, some difficult questions:

- *Are the incentives for responsible risk management, products, and conduct in digital financial services (DFS) sufficiently strong or is prioritization of rapid market growth creating undue risks in the system?*
- *Are market leaders doing an adequate job of incorporating consumer risk mitigation in their business modeling and practices?*
- *Is there adequate investment in building a quality agent network and managing it well?*
- *Are the products reasonably transparent and appropriate to the needs of DFS customers?*

While these questions were posed, the event also highlighted that innovative solutions are already emerging from private sector providers that are taking steps to move responsible digital finance forward (see Box 1).

III. What do we know about consumer risks in DFS?

Clear consensus that consumer risk in DFS is an important, yet a new and poorly understood issue. Participants at the forum felt reasonably confident that consumer risks to digital financial services – particularly as these services are targeted toward segments with lower levels of literacy, less familiarity with financial services, little experience with use of technology (or a combination of these) – will vary in their nature and consequences from those related to conventional products and channels, but were less sure as to how or to what extent. Indeed, because these channels are new and evolving and the products are many and varied, little is known about the specific consumer risks to DFS, how to mitigate them, and who is responsible for doing so. In short: to date, there has not been enough data and evidence on consumers' perception of risks and actual experience with them in developing DFS markets in order to draw necessary conclusions.

In this context, the forum launched with a series of presentations aimed at coming closer to a common understanding of what DFS consumers are actually experiencing when they interact with digital financial services and providers.

Perspectives of financial inclusion stakeholders point to growing concerns. A pulse taking survey[2] conducted by CGAP prior to the Responsible Finance Forum revealed that only 17% of nearly 240 participants felt that providers of digital financial services (DFS) were currently doing an adequate job of protecting consumers. (See Annex 4 for highlights) In regard to whether digitally provided financial services are more risky to consumers than conventionally provided services, the respondents were somewhat divided. Only 9% of respondents indicated that they have not yet observed any consumer risks to DFS, and the majority of respondents who have experiences with these risks have been unable to mitigate them to their satisfaction. They appeared skeptical that consumers could adequately self-protect, rather seeing providers as those that need to take the lead, in close consultation with regulators, in ensuring the risks are addressed. Respondents expressed solid support (83%) for more work on responsible digital finance principles and standards. Many felt that in the DFS environment, a lack of or unclear regulation regarding provider liability, consumer education, poor recourse and agent management issues pose clearly more risks than conventional financial services, yet others felt that reducing the reliance on cash in the system was a clear advantage to consumers that reduced risk. In terms of digital financial products, survey participants felt that mobile credit posed the greatest risk to clients.

Emerging consumer evidence indicates low-income consumers are vulnerable to distinct risks. In order to have an understanding of client perspectives on consumer protection and emerging risks in digital financial services, CGAP commissioned research by MicroSave and Bankable Frontier Associates in Bangladesh, Uganda, Colombia and the Philippines.[3] Qualitative research with 700 users and non-users revealed that while consumers value access to and the convenience of the services, they are concerned about network downtime and system unreliability (which can result in failed or delayed transactions, financial losses, denial of service, and increased exposure to risks, as well as inconvenience), fraud, complex and confusing front-end interfaces, and non-existent or poor recourse options. For instance, Manoj Sharma of MicroSave described a troubling situation related to customer

[2] CGAP conduct a global pulse taking survey on responsible digital finance in June-July 2014. Over 240 participants came from around the world and hailed from a range of constituencies: 29% were researchers/consultants, 24% of respondents were financial services providers (banking, MFI, telco), 19% multilateral or donor, 17% NGOs, 10% policymaker/regulator/government, 7% consumer advocate. For more information and highlights of the survey see: Excerpted from Zimmerman and Tyler, "How Responsible is Digital Finance? 10 Global Insights", from http://www.cgap.org/blog/how-responsible-digital-finance-10-global-insights, December 2014, CGAP: World Bank

[3] For more information on the outcomes of this research, see McKee, Zimmerman and Kaffenberger, "Doing Digital Finance Right: The Case For Stronger Customer Risk Mitigation," Forthcoming (May 2015), CGAP: World Bank. The presentation of early research findings and analysis, as presented by Manoj Sharma of MicroSave at the RFF V, can be accessed here: https://responsiblefinanceforum.org/presentations/1796/

recourse, stating “Customer support is not there: In Bangladesh, customers are charged for calling customer care; in Colombia, no one picks up; and in Uganda agents are indifferent or even blame the customer for poor customer service. This is all leading to slower customer uptake.” The deep dive findings also drew on 86 interviews with providers, regulators, and in-country experts. They confirmed most of the key problem spots while also underscoring the challenges of finding cost-effective fixes for consumer risks such as fraud and agent conduct.

These risks—whether perceived or actual—are influencing market growth. The evidence, while preliminary, indicated that perceptions and experiences of risk and loss can lead to a lack of trust and an unwillingness to try or continue using digital services. Interestingly, the evidence also showed that consumers’ risk perceptions might not align with the actual risks they face or the severity of existing risks. For instance, they tend to focus on the front-end concerns (system and network reliability, lack of effective recourse when things go wrong, agent fraud, transparency, overcharging) and to have limited awareness of other risks (e.g., provider solvency, identity theft through larger-scale hacking, etc.). Overall, loss of confidence and trust in the system will stifle the envisioned benefits of digital finance for creating more inclusive financial markets. As such, provider, policymakers, development agencies and consumer-focused organizations that ignore or shy away from understanding and addressing these risks are likely doing so at the peril of their own objectives.

IV. What Are the Risks?

With this cautionary evidence fresh in participants’ minds, they next sought to further expose and debate the evidence – or knowledge gaps – around specific consumer risks that will shape responsible digital finance. In particular, participants aimed to explore what, if anything, about DFS products, services and business models – such as the role of agents, customer technology interface, electronic nature of transactions, and the potential application of Big Data – differentiates the risks consumers face and the solutions for mitigating those risks from financial services provided through traditional means?

Despite the early evidence shared at the start of the forum, the actual nature of consumer risks to digital financial products and services is still largely unknown. Building upon the emerging understanding of consumer risks and perspectives on the critical themes around responsible digital finance, the forum discussed the following broad, and not necessarily exhaustive, categories of risks mitigation priorities in more depth.

A. Preventing Fraud, Ensuring Appropriate Business Conduct & Promoting Fair Treatment

In general, there is lack of clear definitions and rules concerning customer-affecting fraud related to DFS. Participants expressed concerns that, particularly compared to traditional bank-led models, many MNO-led DFS models are subject to relatively less oversight for fraudulent practices, exacerbated by a lack of clear regulation. This, in turn, makes it harder to identify when fraud occurs, to establish what amounts to fraud and what does not and the related liability regime. Forum participants called for clearer definitions to facilitate better diagnosis and mitigation of fraudulent practices in DFS. For example, Joseck Mudiri of the IFC based in Kenya and Indrani Thuraisingham of Consumers International for Asia Pacific and the Middle East suggested that the definition of fraud in DFS be expand to encompass any "intentional denial or theft of [client funds]." Yet, participants still debated what they perceive as remaining grey areas, such as whether agents charging unauthorized fees or intentional lack of transparent pricing at agents are elements of fraud. Regardless of definition, participants agreed the experiences and perceptions of loss and fraud will hamper customer uptake and usage in the industry, as well the prospect for regulatory approvals of new operations, business models or products.

A particular concern is the failure to safeguard Personal Identification Numbers (PINs). It is common practice in developing countries for customers to use very simple PINs (such as "1,2,3,4"), to share PINs with family, friends and community members, to give their PINs to agents so that the agent can make a transaction on their behalf and to write down the PIN and keep it with their access card. There is a need for consumers to be educated on these issues and for agents to provide appropriate guidance.

During system downtimes, agents may misappropriate customers' money. System downtimes are especially likely in countries where mobile technologies are new and may not be fully functional. When this occurs, an agent may still accept funds from customers but not later upload the funds onto the consumer's account once the service is working again.[4] The risks to the customers are obvious. However, as Cloud Nhau of Telecel Zimbabwe pointed out, "it is a myth to say that agents are the biggest perpetrators of fraud. The agents themselves are also often victims of fraud."

Payments may go to the wrong recipient. Mobile payments may be transferred to the wrong recipient without being recovered. The causes of this are multiple and could be intentional (e.g., fraud on part of agent) or unintentional (e.g., a mistake by the consumer in entering the recipient's details).[5] There may be technological solutions to this issue, including through text messages confirming the recipient's personal details.

Agents play a key, central role. As described by Argwings Koyoson of Airtel, "the agent is the fundamental stakeholder in the DFS business." It is therefore critical that s/he be adequately prepared and have sufficient incentives to operate in an appropriate way and offer fair treatment to their DFS clients. Participants expressed widespread concern that too often, agents are not performing up to the envisioned standard.

[4] *N. B.* Telecel in Brazil has addressed this issue by intensifying vetting of agents.
[5] *N. B.* The Reserve Bank of India is implementing biometric authentication for all withdrawals.

B. Promoting Transparency

Digitally provided product information may be insufficient and may not be provided in a form the customer can easily access and use. Transparency of product information is key to the provision of responsible digital finance. It is good practice for product providers to disclose all the product-related information, including but not limited to: fees and charges, interest rates and risks related to specific products. The concern is that this information may not be adequately disclosed in a way that is timely or accessible (e.g., only available at one point in time), legible (e.g., on small mobile screens) or understandable (if not in language of user and in easily understandable terms). Ideally this would be done before the consumer finalizes acquisition of the product.

Transparency risks vary by product and disclosure requirements should vary accordingly. For example, with complicated products such as insurance, it may be particularly difficult to provide consumers with policy information (such as policy coverage and exclusions) provided through mobile phones. Possible solutions discussed included making the required information available through third parties, such as agents, post offices, bank branches, and retail shops, rather than simply over a technological platform. Human interaction may be needed to ensure meaningful disclosure, but this can be costly. Participants discussed an approach to disclosure that focused on "verified customer understanding," which they agreed has the potential to ensure *meaningful* disclosure and put the onus on the provider.

Disclosure needs to be done such that consumers can compare services. Current practices and regulatory requirements vary. Even when pricing charts are available, however, it was noted that customers may continue to pay additional and unauthorized commission and fees because that is what they are accustomed to. A digitally provided product may come with other bundled services without all costs being disclosed, making it difficult to understand the cost of the product and easily compare fees for various services. For example, remitting companies only disclose their own fees and not those of the receiving companies, hindering the consumer's ability to compare different services.[6]

C. Implementing Effective Recourse

Agents are a critical point of contact for consumers but are rarely adequately incentivized to provide effective customer services. This is a particular concern in relation to the need for effective recourse mechanisms, but is also relevant to the need to explain digital financial products, assess their suitability for a customer and to answer customer enquiries. However agents are not always incentivized to respond in an effective manner. Providers need to ensure that adequate incentives are in place for agents to undertake the effort required for recourse activities and, more generally, provide responsible customer services. It was acknowledged that the need for agents to play a more

[6] *N.B.* In the United States (US) the Consumer Financial Protection Bureau (CFPB) obliges that all fees are disclosed, even in remittances services the remitting companies need to disclose the fees of the receiving ones.

effective role in recourse, especially in small communities where cultural considerations and traditional ways of communicating suggest the ongoing need for face to face contact with consumers. For instance, Shailendra Prasad of Vodafone Fiji described how Vodafone facilitates agent-led recourse by establishing an agent-only call center for trouble-shooting and problem-solving.

If a recourse mechanism is available, it is often not consumer-friendly. In some countries and networks, recourse mechanisms have been established. It is considered best practice that recourse mechanisms should be free and transparent and that any complaints should be handled quickly and in a consumer - friendly manner. Nonetheless, often the process is extremely lengthy, can be costly and has an unfair or unsuccessful outcome from the consumer's perspective.

Better recourse will improve DFS systems. The need to improve recourse mechanisms was another recurrent theme throughout the forum, including so that providers would have better feedback and information about the performance of their systems, distribution channels, and products. A related concern was that as the value chain for delivering digital services extends, it is not always clear which actor is responsible for resolving which problems and which actor is ultimately liable for the welfare of the customer. Indrani Thuraisingham of Consumers International noted that countries have approached this issue in a variety of ways: some use an ombudsmen process, while others create industry mediation board, but "often with consumers on the board."

D. Safe Guarding Client Funds

Customers risk denied access or loss of their DFS funds. Panelists expressed concern regarding the relatively relaxed regulatory control over the use of the funds by DFS providers relative to more traditional banking models. While panelists noted that there are very few examples of systemic inaccessibility of customer funds, lack of regulatory certainty that protects and guarantees account balances was still concerning. The principal solution discussed was for regulators to require one or more trust accounts with a prudentially regulated bank, a solution recently enact in Fiji as described by Shailendra Prasad of Vodafone.

Failure to adequately safeguard client funds could exacerbate lack of confidence in the DFS ecosystem. Although the amounts involved may be small, if risks with safeguarding client funds emerge, the disproportionately large number of account holders may lead to a systemic loss of trust in the use of digital financial services and potentially in the financial sector more generally. This risk is compounded by the fact that appropriate regulatory frameworks are still being developed and digital finance products are being made available in economies where there may not be high levels of regulatory capacity and resources.

DFS customers may not have their funds protected by deposit insurance or be a priority in insolvency. Funds held in mobile wallets are not normally considered "deposits" and are not covered by deposit insurance schemes (this would not be the case however for funds held in an individual bank account which is accessible digitally, e.g., via a mobile phone). It is also not clear that e-wallet holders would have any priority in the case of insolvency of the product provider.

E. Ensuring Data Privacy and Protection

Data privacy issues are of growing concern but the extent of the risk is heavily debated. Significant amounts of sensitive personal data are being held and rapidly transmitted as a result of the provision of digital financial services. Louis DeKoker of Deakin University warned of several emerging data privacy and protection risks related to digital products, including lack of clarity as to consumers' rights to their own data, claiming that "data is the new oil." Others however saw the increased data availability more as a means to bring greater benefits to customers: Patrick Walker of The Political and Economic Research Council (PERC) in the United States shared a study that showed that in the US adding data regarding utility and phone bill payments to credit bureaus increased access to credit to the poor tremendously. He added, "regulations [on this issue] should be calibrated according to the needs of society."

Who has the rights to the data? Participants agreed that there is a clear legal vacuum on issues such as who has the right to customer data and whether there are any limits on its use and disclosure. Further, customers are not being educated about their rights—if any—concerning data. In addressing these concerns there is a need to balance protection of personal data with capacity and cost constraints, and having regard to financial inclusion objectives, which support the development of digital financial products.

Provider practices vary given unclear rules or guidance. That debate played out in a discussion among providers on their own approaches to data privacy and protection. F-Road in China works to ensure transactions and related data are secure by using a SIM overlay card in which data is sent from overlay card through encryption, so even the MNO cannot learn private information. At the same time, Argwings Koyoson of Airtel stated that "in absence of clear rules around data privacy and protection, MNOs have come up with their own policies: they may be less consumer-friendly, but grants much wider access to better products and services." To provide more clarity, participants broadly agreed that better guidance on "*Data and Privacy Protection*" for DFS is emerging economies would be helpful, and that OECD-type principles[7] are considered unlikely to be effective or practical for DFS models.

F. Conclusions Regarding Types of Risks Emanating from Digital Financial Services

[7] *See* Guidelines Governing the Protection of Privacy and Transborder Flows of Personal Data*, available at* http://www.oecd.org/internet/ieconomy/oecdguidelinesontheprotectionofprivacyandtransborderflowsofpersonaldata.htm

Overall, forum participants prioritized two core risks as the most pertinent current issues emerging from the design and delivery of digital financial services: preventing fraud and ensuring acceptable agent conduct. For instance, evidence presented and general agreement among Forum participants indicated a sense that DFS providers do not have the full picture on either fraud or agent conduct, in part due to rapid scale-up, mixed incentives of agent network managers, and inadequate feedback loops through complaints channels. There was broad consensus around the central role of agents, who also face considerable risks themselves, e.g., fraud and physical security. As Jason Lamb of BMGF stated, "The agent sits at the nexus of all the five risk areas." Moreover, while some risks were seen as new and distinct to digital delivery and business model, participants tended to view other risks as old issues with new manifestations and dimensions, such as transparency, recourse, appropriate business conduct.

V. Designing and Delivering Suitable & Responsible Digital Products

What are the specific implications of emerging risks on the design and delivery of suitable and responsible digital financial products? Building upon sessions focused on the evidence and perspectives around the five risk areas, participants broke into multi-pillar working groups to discuss the challenges, opportunities and risks of mobile products and business models, particularly credit, insurance, savings and payments. They explored how consumer protection and client value can be improved and sustained by various stakeholders, such as through provider led initiatives, through appropriate regulation or through efforts of consumer-focused organizations. Specific insights from the product-focused sessions are described below for credit, savings, insurance and payments and remittances.

A. Credit:

Participants were broadly enthusiastic about the potential of mobile credit (m-credit) as it has the potential to quickly expand access to needed credit, neutralize potential biases including gender in credit offers and approvals, and offers a new way to establish a credit history. At the same time, practice is still nascent and participants asked many difficult questions about the potential consumer risks that may be inherent to and indirect consequences of the digital provision of credit via mobile phone to low-income populations.

Behavioral biases that may lead consumers to borrow too readily and/or more than needed when offered digitally. There is a need to better understand behavioral biases in accessing digital credit. For example, credit may be offered at time when the consumer does not necessarily need it and when credit is not tied to any particular purpose. Or the consumer may overestimate capacity if new credit limit appears via SMS on mobile. Due to private nature of digital interface, they may be less inhibited to take up credit even in cases in which they are exceeding their capacity.

New issues of "suitability" in context of digital delivery. Participants debated the role of standards for creating simplified products, scored with non-traditional and/or digital data that would be transparent and safe. India's proposed new suitability requirements, which would place the burden on FSPs to not sell unsuitable products, were noted. What is the best combination of human interaction (agents, loan officers) and digital efficiency in credit products? Furthermore, Chris Tan from Grameen Foundation questioned whether "lower-touch credit models will reduce credit discipline," as some evidence from Grameen's work with CARD Bank in the Philippines seems to indicate. Digital disclosure can exacerbate problems when inappropriate or unsuitable products are offered, particularly when there are not opportunities for consumers to speak to an agent or go to a branch to get more information. There needs to be better alignment of lender and agent incentives to achieve good consumer outcomes, and a better understanding of how and when the lender communicates with the borrower.

New issues of data privacy and protection in digital context. There is an even greater challenge in the era of big data on how to achieve "informed consent." People may not understand the use of non-traditional data for scoring (such as use of mobile services, savings behavior, SME retailer transactions and business data). There are a number of data-related issues including accuracy, customer comprehension, and portability. Customers may not fully understand the importance of credit histories, and the potential consequences of blacklisting (e.g., hundreds of thousands of M-Shwari customers were reported to the new credit bureau early in the product's history for failure to make timely repayment). While there is a strong case for inclusive credit information sharing to bolster inclusive credit markets, it must be done in ways that ensure consumers' understanding of the implications and consent to use of the data.

The digital environment has given rise to innovations in credit that need to be better understood by consumers and appropriately regulated. Some of these include alternative lending models as well as alternative scoring models using non-traditional data, new lending marketplaces (for example, using P2P), and payment companies offering loans (such as Kopo Kopo). These may be loan-like products, but are not regulated as such, which may give rise to need for regulatory coordination (e.g., with other financial regulators and/or consumer protection body and/or telco regulator) in order to pursue the objectives of responsible lending and data privacy and protection. Finally, panelists pointed to the need for clear roles and responsibilities around how **recourse works in a digital environment** in which there may be mobile-only recourse, and multiple actors in the digital credit value chain, creating confusion and uncertainty for clients.

B. Deposit and Transaction Accounts

Service downtime can hamper client access to savings when they need it and dampen uptake. While there was an expectation that digital channels would lead to more people saving through these channels given greater convenience and privacy, few are leaving much money on digital accounts across countries and regions, as evidenced in Findex data cited by Leora Klapper of the World Bank. Dormant accounts are as much an issue for DFS as for traditional financial services. There are many reasons for this, but one of those noted was service downtime.

Understanding the difference between mobile savings and mobile money wallets, and the consumer risks they pose. On the demand side, low customer confidence needs to be addressed by better educating customers on what differentiates a mobile wallet from a savings account and in particular, on the safeguards that are—and are not—available for digital savings, for example, the safety of where their funds are held and whether they are insured. There is a lack of understanding of the differences between an e-wallet and a savings account, and in fact OTC looks the same as the traditional transfers. This is of course not simply an issue of education, but a fundamental issue that also entails a regulatory role.

Better linkages between mobile savings products with other DFS could increase their utility, and their use. Silos between savings and other products create additional risks and limit the utility and uptake of digital savings products. Bridges are needed between mobile wallets and traditional savings accounts, and G2P can also be channels to digital savings accounts. Examples of these silos abound: in Burundi, Alexandre Berthaud of the Universal Postal Union reported that clients using mobile wallets through Ecocash cannot make transfers to their accounts at the Burundi Post, notwithstanding the partnership between Ecocash and the Post. In Mexico, 6.5 million beneficiaries of the government program Oportunidades now receive pre-paid cards instead of having to receive their payments through vans that come on designated days—yet the effect is no different, since the lack of acceptance leads to people queuing up at the vans anyway. When people cannot use digital money, whether in the form of mobile wallets or pre-paid cards or other forms, they are at risk of losing access to those funds, or of not being able to benefit from saving and instead resort to cashing out.

Regulations need to strike the right balance on issues of access and risk, including licensing of providers, KYC, and disclosure. For example in Peru, regulators have attempted to provide greater flexibility through simplified KYC for low-level transactions, as customers can open a regular savings account with almost any kind of ID, as note by Jimmy Izu from the Peruvian Superintendency. Regulations also provide for other types of simplified accounts to be offered upon approval by the central bank. To issue e-money, telcos must create a specific entity supervised by the banking regulator. Work remains to increase competition in Peru, however, as a few bank and telco players dominate the market.

Overall, participants agreed that the success of mobile savings services, and the reduction of both perceived and real risks to the products will depend largely on more intentional product design, starting from a better understanding of customer perceptions, behaviors, and experience and even building on products widely used in the informal sector. Additionally, regulations need to take into consideration new digital forms of savings to ensure that client savings are protected, and that clients understand when stores of value do not have the same protections as savings.

C. Insurance

Mobile insurance – insurance policies offered via a mobile device, and often bundled with other financial services such as payments, savings or credit products – is growing rapidly. Over 100 mobile insurance schemes have been launched globally with some very successful examples. Mobile distribution channels offer significant potential to enable access to insurance for millions of people who otherwise would have no coverage. On the other hand, this massive growth has exposed some risks and challenges of digitally provided services.

Partnerships need to build in mechanisms to protect clients from unilateral actions that result in client harm. Panelists discussed a series of major challenges in m-insurance models, such as the power imbalance between MNO and insurer, MNO brand power creating confusion around who is the insurer and creating distance between the insurance company and their clients, multiple regulatory jurisdictions and the potential for regulatory arbitrage, and the limitations of technology to achieve "verified customer understanding" of the product given low consumer literacy. Jeremy Leach of BFA shared one particularly striking example from Zimbabwe in which m-insurance provider, Ecolife, had reached 20% of the adult population within 7 months and then was cancelled overnight due to fall out between the service provider and the MNO. Not only did these clients lose their coverage and any initial resources invested into it, it dramatically and negatively influenced their perception of (m-)insurance products and providers and the likelihood that they would ever trust another offer.

Need for adequate disclosure and consumer awareness and capability vis-à-vis digital insurance. People are sometimes not aware that they are covered against certain risks and do not understand the product. Cloud Nhau of Telecel in Zimbabwe described their challenges launching an m-insurance product, such as clients not understanding that Telecel is not the insurer, but the distribution network, and lack of clear terms and conditions leaving consumers open to disclosure risks. Participants agreed that an SMS exchange is not sufficient to inform customers about the terms and conditions, and that while the role of agents is critical, they are often not well trained and do not have sufficient knowledge and / or incentives to inform customers adequately about this product type.

Recourse is a major issue. As a matter of course, it is not always clear to consumers where to go and how to make a claim or even ask questions. Participants agreed that—whether in individual cases or in case of company failure such as in the Ecolife case—mobile insurance providers may require enhanced approaches to recourse that minimize damage to consumers, reputation, and trust in the safety and stability of insurance and that recourse mechanisms exist and that consumers are aware of them.

Recommendations. In order to mitigate the risks, the following recommendations were formulated during the session. First, the product has to be clearly defined and well communicated and explained to the customer. Second, coordination among insurers, banking and telco regulators is required and clarity needs to be created on supervisory jurisdictions. Breakout session participants discussed whether a global code of conduct might be a good solution as inter-regulatory cooperation is often difficult to achieve. Faraz Uddin Amjad of Securities and Exchange Commission of Pakistan described their m-insurance regulations, which includes an enforceable code of conduct for m-insurance providers; mandatory training for mobile insurance agents, caps on commission paid to insurance agents (which were up to 80% prior to regulations), and compulsory data reporting.

D. Payments and Remittances

While the benefits to customers of sending and receiving payments electronically are legion—including speed and security (in the case reported by Rajpal Duggal of Oxigen-India having reduced payment time from 10 days to real time, distance to walk to make/receive payment to less than 15 minutes and limited wait time), accessibility and convenience, lowering costs (as noted by Leesa Shrader of CGAP for small-holding farmers in Indonesia), access to other financial services (through developing a financial history and having payments linked to accounts with BanKo in the Philippines as noted by Tessie Tan)—there are a number of risks that are introduced or take on new dimensions when these services are provided electronically.

Service downtime leading to failed transactions. One of the things that people count on and that gives them confidence to make payments is when they are conducted in real time. So service downtimes and interruptions create both real and perceived risks to customers. One of the ways that Oxigen deals with this issue as noted by Raipal Duggal, is that when someone sends money to a number, the sender receives a verification with a name and a question (is this who you mean to send it to?) and the sender confirms before the transaction is completed. This is made possible by ensuring that the POS device is connected to a national switch connecting the major banks. Gane Simbe of the Central Bank of the Solomon Islands noted that this is a particular problem in places like the Pacific islands where connectivity is limited in the first place.

Opaque fees result in a lack of transparency and undermines client trust in the products and services. Not only are total fees often unclear, frequently the costs change on a daily basis, particularly as they are based on bilateral agreements between players. Tessie Tan described BanKO's concerted effort to better understand what clients wanted and valued as they developed new hybrid telco and bank remittance products. As a result, their product has very transparent fees, with information being shared immediately via SMS regarding what is the balance, what was remitted, what were the fees. Additionally, all fees are charged to sender so no one is charged anywhere else.

Doubt and uncertainty when something goes wrong due to unclear recourse. In many cases the lack of payment law means that there are no consistent payment standards between the various parties, leaving clients without clarity on what happens when payments are made and what happens when the payments vare not completed. To counter that risk, BanKo ensures that the transaction can be reversed if it was not done properly—and both receiver and sender receive a confirmation message of the transaction via SMS for free. Oxigen has call centers available for customers and retailers that can be used ex post as well as ex ante to verify that the payment reaches the right recipient.

Insecure digital footprint leaves uncertainty regarding who owns your data for how long and what they can do with it. In the case of BanKO, customers have to sign waiver to disclose information so that BanKO can conduct KYC and AML precautions and to be able to share info with the telco and other partners that are involved in the transaction.

Participants suggested that **greater interoperability** across payments channels may help to expand access to and quality of pay points, in turn boosting confidence, trust and familiarity with providers, products and fees**.** This will require greater collaboration between the various players in the payments ecosystem, including with the regulators.

VI. Whose Responsibility Is It?

While the first day of the forum focused intensely on discussing *What We Know* about the experience of or potential for consumer risks in DFS models, on the second day, participants were asked to tackle an arguably harder question: *What do we do about it?* At the core of that question is a dialogue on the roles and responsibilities of the various pillars of Responsible Finance – Regulators, Providers, and Consumer-Focused organizations. This year, the RFF included a focus on a fourth pillar as well: development agencies and donors, given the critical role they play in incentivizing innovation, as well as promoting good practices, in the digital finance field.

Together and in pillar-specific breakout groups, participants debated critical roles, and the challenges and opportunities for both sector-specific and collective action:

A. Regulatory Pillar

Regulators have a legitimate interest in protecting consumers and ensuring development of stable DFS markets, goals that are closely aligned with national financial inclusion goals. As a regulator, Elly Ohene-Adu noted with concern that 56% of respondents to the pulse survey said they had not yet been able to mitigate risks they have experienced or observed.

Close and ongoing dialogue with industry is needed to help regulators understand and keep pace with market developments and to ensure that rules and standards are proportionate to the risks and likely to be effective. Bangladesh, Pakistan, Peru have good cooperation between industry providers and regulators. In Tanzania, this dialogue has evolved in new ways, as agents have formed a stakeholder group so that they issues and risks they face can be more clearly articulated and addressed.

Engagement with representatives of consumer interests is also needed to ensure that regulators have insights into the consumer experience and the risks they are facing so as to ensure that rules and standards are proportionate to the risks and likely to be effective. The results of the engagement—as well as the fact that there is engagement at all—needs to be communicated more broadly so that greater trust can be established between consumers and the government on these matters. The Bangko Sentral Pilipinas ensures this engagement in part through quarterly meetings with industry associations. They also make an effort to do so on the consumer side, but there are no truly representative consumer associations to serve as interlocutor, unlike in Peru where the bank superintendency has been able to facilitate multi-stakeholder dialogue, including with representatives of a consumer organization.

There is no one right regulatory approach. But there are certain elements that will be helpful to develop an effective approach in a given context. These include "accompaniment" of innovation on the part of the regulators—that is watching and learning related to the development and testing of new products and services, as a means of better evolving the regulatory framework in a way that protects the consumer while providing space for innovation.

While they do not need to become experts in technology, **regulators do need to increase their capacity to be better prepared to assess risks associated with digital delivery of products,** and to ensure they have adequate access to such expertise to help inform their decisions. The Bangko Sentral Pilipinas has a special group within the supervision unit that works on electronic banking of supervised institutions. This group is comprised of certified raters who have additional expertise in risk management on digital issues.

There is a role for regulators in consumer financial capability and in some cases including financial education. Regulators have taken on this role in different ways, from championing to facilitating to delivering. In Armenia, this function has been brought into Central Bank activities.

Regulators have a key role to play in recourse. While there are different ways to design such a function, a strong complaints handling function within a central bank can help to boost consumer confidence in DFS, as consumers trust that effective recourse options will be in place if something goes wrong. Armine Mkrtchyan described a dedicated complaints department at Central Bank of Armenia , which manages a hotline and ensures there is adequate public awareness of the complaints mechanism. In order for recourse functions to be effective, however, they must be communicated to the public, used, and produce results.

Cross regulator coordination is a new area but has a lot of promise. In some cases, such as in the Philippines, the supervision of mobile money is under the jurisdiction of BSP—even if these services are provided by MNOs, which are otherwise regulated by the telco regulator. Similarly in Zimbabwe, the ministry of post and telecommunications signed an MOU with the central bank that grant the central bank regulatory supervision of telco-led financial services.

B. Industry Pillar

There was strong consensus that **providers have the greatest responsibility for identifying and mitigating customer risks**, and identified five core risk areas as high priority for DFS industry to tackle: data integrity, including identity threat; connectivity and its effect on network downtime; fraud (although they called for more clarity and specificity on what constitutes this for DFS); agent management; and, responsible and effective complaints handling.[8] While leadership must come from industry, it will also require pressure and support from the other pillars. An example of pressure from another pillar to get industry to take action can be seen in Zimbabwe, where, at the behest of the regulator, industry put together an inter-bank fraud working group to anticipate and avoid fraud and share information. Sharing and best practices are needed. However, panelists iterated that there is no one way to ensure that these risks are well managed, and this will vary with high-touch versus low-touch digital financial services and how these might be combined in ways to better protect clients while ensuring the business case remains.

Industry Codes of Conduct: Australia as role model? Ian Gilbert of Australian Securities and Investment Commission offered the development of the new e-payments code as an example of multi-stakeholder and consultative process that has resulted in a voluntary yet enforceable[9] code of conduct to which 125 industry actors have subscribed in Australia.[10] In 2010, ASIC convened key stakeholders for code review, including ABA, consumer groups, government to negotiate revisions and update the code. Its latest release in 2012 covers a wide variety of consumer risk issues including: liability for system malfunctions; allocation of liability between parties; reporting of problems; correction of discrepancies; recourse and recovery of mistaken payments via internet; clear instructions to clients; complaint handling and external dispute resolution scheme; and privacy protections.

"Cooperate, then compete." While participants represented a wide range of DFS providers and channels – payments industry, mobile network operators, banks, retailers and intermediaries providing DFS through card, internet and mobile channels – they admitted that actors across the industry often work in silos. Moreover, even within on industry groups, competition leads to minimal sharing of information on consumer risks or solutions to mitigate them. Participants felt that if different industry groups, and indeed those providers within industry groups, doing digital finance aligned more intentional on consumer risk issues, they could potentially improve risk mitigation by sharing data and experiences. Shailendra Prasad of Vodafone (Fiji) noted "everyone in the DFS value chain has their own strengths: this is an important place for collaboration." To get there, participants explored shared principles and standards as a way to encourage broad responsible behavior, without being too prescriptive, as a way to level the playing field across the pillar. Argwings Koyoson of Airtel questioned the feasibility of such a process: "How do you get [industry competitors] to sit down together? Regulators may have to force it." Marcos Bader, on the other hand, considered the potential intra-sector dialogue in stating "we need to cooperate and then compete: could responsible digital finance be a business opportunity?"

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[8] While consensus on these priorities was achieved in the "industry pillar" breakout session, authors of this report/RFF COP do not take a position as to whether these are or should be the actual or only priorities for industry to tackle.

[9] Provisions must be accepted in the terms and conditions offered to clients, therefore the enforcement of code is then in place as the contract between provider and its clients.

[10] The ePayments Code regulates electronic payments, including ATM, EFTPOS and credit card transactions, online payments, internet and mobile banking, and BPAY.

Industry would like to hear more about needs and the risks faced by low income customers. Financial literacy has been a core component of many DFS providers' arsenal of risk-mitigation tools. And many providers invest a lot in it. For example, Tessie Tan reported that BanKO spends 10% of its budget on financial education (equivalent to their technology budget). Yet, financial literacy campaigns and other customer awareness activities don't seem to adequately mitigate risks consumers face or their ability to self-protect against them. As first steps, industry noted that they could benefit from more information from consumer- and social inclusion-focused groups, which they feel could be strengthened in many developing markets.

C. Consumer Pillar

Consumer-focused organizations – from consumer advocacy groups, to NGOs, research firms and others focused on financial capability and customer-centric DFS design – have a critical role to play in enhancing the understanding of the experiences and behaviors of consumers, articulating and elevating the voice of consumers, and representing consumers in RDF discussions. As Indrani Thuraisingham from Consumers International said, "consumer participation is really important in the responsible design of different products: right now, consumers don't know what they are getting into." The consumer pillar discussion explored the roles that these diverse organizations advocating for and researching consumer needs and behaviors can play in advancing responsible digital finance.

More and better research to guide other pillars. More and better quantitative and qualitative research is needed as the foundation for evidence-based regulation and provider responsible finance efforts. Further exploration of consumer behavior would also be valuable, e.g., to identify means for regulations or providers to nudge consumers towards better products, better agents, or more effective self-protection. Consumer –focused organizations can help regulators and industry to better understand the customer, which will improve regulatory approaches as well as product design and provision.

Enhancing financial capability and awareness. The role of the consumer pillar, however, is not just to ensure and amplify the voice and representation of the consumer, but also to improve awareness and education around DFS and their risks. Discussions throughout the forum highlighted the effects of poor consumer awareness or literacy, as well as consumer behaviors that open themselves to risks. Financial capability interventions that effectively change consumer understanding of and behaviors when using DFS are critical. Yet, participants agreed that current thinking on financial literacy and self-protection are insufficient. As Jeff Liew of UNCDF argued, "Most talk of financial education is very paternalistic and assume the poor make irrational decisions. This is not true: a poor woman is probably better at managing money than most of us!" Expertise from the consumer pillar could help bolster insights and intervention design that can accelerate financial capability and self-protection of clients.

Resources needed to enhance the pillar. In reality, however, consumer advocacy, and particularly around digital finance, is weak to non-existent in many developing markets. As such, public or donor support might be needed to build up this pillar of responsible finance in order for it to play its critical roles with and for consumers, particularly at the market level where engagement with representatives of the other pillars is currently lacking, yet sorely needed.

D. Supporting Entities

When it comes to digital financial services, some critical actors do not fit neatly in the traditional three-pillar approach to responsible finance, but instead provide valuable evidence, support, and resources to one or more of the pillars. At the RFF V, academics, donors, and other development groups who all have a common desire to bridge the gap between reality and vision on digital finance and who have a stake in ensuring that DFS develops responsibly gathered to discuss what else was needed to support responsible digital finance, and how their role in doing so.

More focus and capacity needed to monitor the market for risks. Donors and development agencies have pushed some products that have either failed or have not been designed or delivered as responsibly as expected. While innovation in the design and delivery of DFS is necessary, and there is no way to mitigate all risks, participants agreed that more attention is needed around building capacity and tools to monitor the market. The "other" group could play an important role in helping develop capacity and tools of regulators to cover the risks of some of these investments in innovation. Some participants wondered whether the collapse of Ecolife in Zimbabwe may be an example of the donor-advocated test-and-learn innovation that, due to lack of adequate consumer protection in the wake of an unforeseen company failure, exposed thousands of consumer to financial loss.

Findings the advocacy-evidence balance. The group agreed that more could be done to advocate for better evidence and buy in from private sector and other DFS actors in order to achieve responsible digital finance. Currently, across providers, donor-supported initiatives and donors themselves, there is a lack of incentives to share what didn't work, leading some to suggest the DFS industry itself could use less cheer-leading and more pragmatic approach to investing in DFS. Instead, investments should also focus on identifying and working to fill gaps through a variety of convening, investment, research, advisory services and other support.

VII. Where Do We Go From Here?

As the RFF came to a close, many debates and questions remained wide open: progress on understanding the nature and consequences of clients' risks, for example, fueled an interest in building the evidence base to learn more. Conversations that offered greater clarity (though perhaps not certainty) on the specific roles and responsibilities within the pillars of responsible finance inspired interest in what more can be achieved collectively to advance responsible digital finance.

In the final session of the forum, some broad themes emerged as important next steps:

The Role of Collective Action. While the responsibility of mitigating consumer risks to DFS falls predominantly on providers, with important supporting roles for regulation, consumer advocacy and self-protection and donor support, participants largely agreed that more could be achieved through collective efforts to understand and develop effective solutions to mitigate consumer risks. This was felt to be particularly true at the country/market level, but there was a recognized need for collective action at the global level as well. When asked to identify a consumer risk or problem that can be addressed via collective action, Indrani Thuraisingham of Consumers International suggested looking at solutions for recourse, particularly in terms of complaints handling, as well as tackling challenges of financial education and awareness of how to use digital finance and what consumers should do when they face a problem. Finding effective and cost-effective ways to enhance customer awareness and education and solve problems that arise will help ensure clients and regulators see they can successfully solve problems, which would help to avoid penalties and reputational risks.

Supporting entities, such as donors and multilateral organizations, viewed themselves as a potential bridge that could catalyze dialogue across all pillars, these groups can help create the basis for collective action. They suggested that, as a first step, they could help fill the need to define the core terms and common definitions for responsible digital finance. Some participants, however, questioned whether the incentives and motivations to work together in a collective way are strong enough at this time.

Gathering and sharing more and better evidence. A recurring theme throughout the forum was the critical need to gather, analyze and share more and better evidence on consumer risks to DFS. The CGAP customer risk research, and the experiences shared at the forum, offers a good initial – yet admittedly incomplete – view of the risks consumer face when using DFS. This includes not only sharing info and guidance from challenging or less successfully examples, but also bringing best practices to light. Sharing new solutions and showcasing responsible products and systems, such as those highlighted in the Responsibility in Action panel, while perhaps not replicable in every context, can provide the needed impetus for improving mitigation of particular risks. Convening and advocacy can play a critical role in sharing new evidence and drawing out lessons from emerging experiences.

RDF Standards or Principles?

At the time of the RFF V, no specific codes, standards or principles existed on responsible digital finance and this issue was much debated by forum participants. Most forum participants were in favor of principles and guidelines. While some saw global standards as premature, others some argued that standards for recourse and redress and minimum service standards for DFS may be warranted. They noted that having high-level principles that spanned the range of provider types, delivery channels and regulatory regimes could provide a useful overarching framework for industry-specific standards or authority-specific regulations. Others argued that existing standards, such as existing standards on Financial Literacy, G20, ISO standards on mobile financial services, could be sufficient if they were updated to account for the digital finance and/or financial inclusion context– to achieve RDF goals. Identifying and addressing gaps from a responsible digital finance perspective in current codes, standards, principles and guidelines is an immediate, collective next step with which the majority of the participants felt comfortable.

VIII. Conclusion: Next Steps on Responsible Digital Finance

In the last session of the forum, participants identified the following next steps as priorities to individually and collectively advance responsible digital finance:

- Develop common language, common definitions, common framework.
- Gather and share more and better evidence.
- Work together to better understand and develop effective solutions to mitigate consumer risk.
- Explore whether RDF standards or principles could be useful, starting by mapping of what exists and what are the gaps.
- Bring in other government representatives beyond regulators to cover financial education and social inclusion components.

Annex 1: Agenda

AGENDA
DAY 1—WHERE WE ARE
Thursday, August 28

7:30-8:30	**REGISTRATION**
8:30-8:45	**WELCOME TO RFF V AND PROGRESS REPORT ON THE RESPONSIBLE FINANCE FRONT** • Welcome from RFF organizers and the brief RFF story: **Susanne Dorasil,** Head of the Sustainable Economic Policy; Financial Sector Division, German Federal Ministry for Economic Cooperation and Development (BMZ) • Welcome from Local Host/GPFI Australia Co-Chair **Rebecca Bryant,** Assistant Secretary, Economic Engagement Branch, Australian Department of Foreign Affairs and Trade (DFAT)
8:45-9:15	**WHY FOCUS ON RESPONSIBLE DIGITAL FINANCE NOW?** KEYNOTE: **Carolina Trivelli,** Director, Peruvian Association of Banks (ASBANC) MODERATOR: **Ruth Goodwin-Groen,** Managing Director, Better Than Cash Alliance (UNCDF)
9:15-10:45	**CONSUMER RISKS IN DIGITAL FINANCE: WHAT'S NEW? WHAT'S DIFFERENT? WHAT'S "RESPONSIBLE"?** PRESENTATION: • **Jamie Zimmerman,** Senior Policy Consultant, CGAP. Evidence from CGAP Pulse Survey • **Manoj Sharma,** Asia Director, MicroSave. Country Deep Dives SPEAKERS: • **Marcos Bader,** Boards of Directors, Banco PAN and Brazilian Society for Retail & Consumer Relations • **Argwings Koyoson,** Group Compliance Manager, Airtel Money Africa • **Loi Bakani,** Governor, Central Bank of Papua New Guinea • **Manoj Sharma,** Asia Director, MicroSave MODERATOR: **Jason Lamb,** Deputy Director, The Bill and Melinda Gates Foundation
10:45-11:15	**COFFEE/NETWORKING BREAK**
11:15-12:45	**PARALLEL BREAK-OUT SESSION 1: CONSUMER RISKS WITH DIGITAL FINANCE**

Working Group A	Working Group B	Working Group C	Working Group D
Promoting Transparency	**Preventing Fraud and Ensuring Appropriate Business Conduct and Fair Treatment**	**Safeguarding Client Funds and Implementing Effective Recourse**	**Ensuring Data Privacy & Protection**
FACILITATOR: **Loretta Michaels,** Senior Policy Advisor for Financial Inclusion, US Treasury	FACILITATOR: **Joseck Mudiri,** Senior Operations Officer, Mobile Financial Services, IFC Financial Institutions Group	FACILITATOR: **Ros Grady,** Senior Financial Sector Specialist, Financial Inclusion Team, World Bank Group	FACILITATOR: **Tony Lythgoe,** Head of Financial Infrastructure and Payment Systems, World Bank Group
EXPERTS: 1. **Anurodh Giri,** Senior Analyst, Digital Financial Services, MicroSave. 2. **Prudence Kasala,** Head of Legal Services Unit, BSP Philippines	EXPERTS: 1. **Mukesh Sadana,** Domain Head -Asia for Digital Financial Services, MicroSave 2. **Cloud Nhau,** Sales & Distribution Manager of Mobile Financial Services, Telecel Zimbabwe	EXPERTS: 1. **Ross Buckley,** Professor, The University of New South Wales 2. **Nitin Garg,** Independent Consultant 3. **Shailendra Prasad,** Head of MCommerce & Corporate Affairs, Vodafone-Fiji	EXPERTS: 1. **Louis de Koker,** Professor, Deakin University 2. **Patrick Walker,** Director of Research, PERC 3. **Xiaoqiong Min,** Director of Technology, F-road, China

	3. **Alex Rizzi,** Deputy Director, Smart Campaign, Center for Financial Inclusion 4. **Jeremiah Grossman,** Regulatory Manager of Mobile Money Ecosystems, GSMA	3. **Michael Joyce,** Mobile Money Policy Advisor, TNP2K, Indonesia 4. **Indrani Thuraisingham,** Head, Asia Pacific and the Middle East, Consumers International	4. **Joey Mendosa,** Chief of Party, E-Mitra Project of USAID, Indonesia	4. **Argwings Koyoson,** Group Compliance Manager, Airtel Money Africa
12:45-14:00	**LUNCH**			
14:00-14:30	**REPORTING BACK FROM PARALLEL BREAK-OUT SESSION 1: CONSUMER RISKS WITH DIGITAL FINANCE** Facilitated by **Ruth Goodwin-Groen**, Managing Director, Better than Cash Alliance, UNCDF			
14:30-15:15	**DESIGNING AND DELIVERING SUITABLE PRODUCTS** SPEAKERS: • **Wayne Beckley,** Chief Operating Officer, Westpac • **Pramod Saxena,** Group Chairman, Oxigen Services India Private Limited • **Israel Muchena,** Technical Director, Hollard Mozambique • **Michael Saadat,** Senior Executive Leader, Deposit Takers, Credit & Insurers, ASIC MODERATOR: **Ruth Goodwin-Groen,** Managing Director, Better Than Cash Alliance, UNCDF			
15:15-16:45	**PARALLEL BREAK-OUT SESSION 2: DESIGNING AND DELIVERING SUITABLE PRODUCTS**			
	Working Group A	**Working Group B**	**Working Group C**	**Working Group D**
	Credit	**Deposit & Transaction Accounts**	**Insurance**	**Payments/ Remittances**
	FACILITATOR: **John Owens,** Senior Policy Advisor, Digital Financial Services & Fin Inclusion Policies, AFI	FACILITATOR: **Till Bruett,** Programme Manager, UNCDF	FACILITATOR: **Ulrich Hess,** Senior Advisor, Access to Insurance Initiative (A2ii)	FACILITATOR: **Beth Porter,** Policy Advisor, Financial Inclusion, UNCDF
	EXPERTS: 1. **Mary Ellen Iskenderian,** President & CEO, Women's World Banking 2. **Christopher Tan,** Regional CEO, Asia, Grameen Foundation 3. **Sally Scutt,** Deputy Chief Executive, British Bankers Assn and International Bankers Federation 4. **Sharon Lim,** Manager, Consumer & Market Conduct Department Bank Negara Malaysia 5. **Ben Lyon,** Director, Kopo Kopo	EXPERTS: 1. **Jimmy Izu,** Head of Regulation Department/ Superintendency of Banking Insurance and Private Pension Funds (SBS), Peru 2. **Mamerto Tangonan,** Chief of Party, Scaling Innovations in Mobile Money Project of USAID, The Philippines 3. **Alexandre Berthaud,** Financial Inclusion Program Manager, Universal Postal Union 4. **Leora Klapper,** Lead Economist, Development Economics Research Group, World Bank Group	EXPERTS: 1. **Faraz U. Amjad,** Joint Director at Securities & Exchange Commission of Pakistan, SECP 2. **Israel Muchena,** Technical Director, Hollard Mozambique 3. **Jeremy Leach,** Director and Head, Bankable Frontiers Associates	EXPERTS: 1. **Raipal Duggal,** Oxigen Services India Private Limited 2. **Gane Simbe,** Deputy Governor, Central Bank of Solomon Islands and Chair of AFI Pacific Island Working Group 3. **Leesa Shrader,** Independent Consultant 4. **Teresita Tan,** Former President, BPI Globe BanKO, Philippines
16:45-17:15	**COFFEE/NETWORKING BREAK**			
17:15-17:45	**REPORTING BACK FROM PARALLEL BREAK-OUT SESSION 2: DESIGNING AND DELIVERING SUITABLE PRODUCTS** Facilitated by **John Vivian,** East Asia & Pacific Regional Specialist, Finance & Markets, World Bank Group			
17:45-18:00	**DAY 1 WRAP UP AND PLAN FOR DAY 2** Facilitated by **Ruth Goodwin-Groen,** Managing Director, BTCA/UNCDF			
18:00-18:15	**LAUNCH: RESPONSIBLE FINANCE FORUM PLATFORM** Presented by **Lory Camba Opem,** Program Manager & Global Specialist, Responsible Finance, IFC Financial Institutions Group			
18:15-20:15	**DINNER RECEPTION**			

AGENDA
DAY 2—WHERE WE ARE HEADED
Friday, August 29

8:30-9:00	**DAY 2 OPENING** Facilitated by **Kate McKee,** Senior Advisor, CGAP
9:00-10:00	**RESPONSIBILITY IN ACTION** SPEAKERS: • **Thomas Deluca,** CEO and Founder, Advanced Merchant Payments • **Karen Gifford,** Chief Compliance Officer, Ripple Labs • **Robert Bell,** Founder and CEO, Klickex • **Rajpal Duggal,** Head Group Strategy & Corporate Planning, Oxigen Services India Private Limited MODERATOR: **Matt Gamser,** CEO, SME Finance Forum, IFC
10:00-10:30	**COFFEE/NETWORKING BREAK**
10:30-11:45	**MOVING RDF FORWARD: PERSPECTIVES FROM THE THREE PILLARS OF RESPONSIBLE FINANCE** SPEAKERS: • **Pillar 1:** Policy and regulatory perspective – **Elly Ohene-Adu,** Director, Bank of Ghana • **Pillar 2:** Industry perspective – **Teresita Tan,** Former President, BPI Globe BanKO, BanKO Philippines • **Pillar 3:** Consumers/financial capability perspective - **Indrani Thuraisingham,** Head Asia Pacific and The Middle East, Consumers International MODERATOR: **Carolina Trivelli,** Director, Peruvian Bankers Association, ASBANC
11:45-13:15	**SPECIAL LUNCH SESSION – INTO THE CRYSTAL BALL: BUILDING STANDARDS FOR RESPONSIBILITY IN THE BROADER ECOSYSTEM** SPEAKERS: • **Chris Flanagan,** Managing Director, Asia Pacific Markets and Initiatives, SWIFT • **Matthew Driver,** President, Southeast Asia, MasterCard • **Sameer Sharma,** Acting Regional Director, International Telecommunication Union • **Joey Mendoza,** Chief of Party, E-Mitra Project of USAID, Indonesia MODERATOR: **Camille Busette,** Lead Financial Sector Specialist, CGAP
13:15-15:00	**PARALLEL BREAK-OUT SESSION 3: THE THREE PILLARS OF RESPONSIBLE FINANCE**

Working Group A	Working Group B	Working Group C
Pillar 1: Regulatory	**Pillar 2: Industry**	**Pillar 3: Consumer/ Financial Capability**
LEAD: **George Sije,** Legal Counsel, Bank of Tanzania, Chairman MFSWG	LEAD: **Jeremiah Grossman,** Regulatory Manager of Mobile Money Ecosystems, GSMA	LEAD: **Jeff Liew,** Financial Capacity Advisor, UNCDF/ UNDP Pacific Financial Inclusion Program
COMMENTATORS: 1. **Armine Mkrtchyan,** Head of Consumer Protection & Financial Education Center, Central Bank of Armenia 2. **Prudence Kasala,** Head of Legal Support, BSP Philippines 3. **Josephat Mutepfa,** Reserve Bank of Zimbabwe, Central Bank of Nigeria 4. **Nguyen Toan Thang,** Deputy Governor, The State Bank of Vietnam	COMMENTATORS: 1. **Marcos Bader,** Boards of Directors, Banco Pan and Brazilian Society for Retail & Consumer Relations 2. **Cloud Nhau,** Sales & Distribution Manager of Mobile Financial Services at Telecel Zimbabwe 3. **Mamerto Tangonan,** Chief of Party, Scaling Innovations in Mobile Money Project of USAID, The Philippines 4. **Ian Gilbert,** Policy Director, Australian Bankers Association Inc.	COMMENTATORS: 1. **Santadarshan Sadhu,** Specialist, Household Finance Research, IFMR Finance Foundation, India 2. **Caitlin Sanford,** Acting Director, Bankable Frontier Associates 3. **Flore-Anne Messy,** Manager, Financial Education, OECD 4. **Heidi Baker,** Policy and Education Adviser, Financial Literacy Team, ASIC

15:00-15:30	**COFFEE/NETWORKING BREAK**
15:30-16:45	**WHAT NEXT? TAKEAWAYS OF PILLARS-FOCUSED BREAK OUT SESSION, FACILITATED ACTION-ORIENTED SESSION** SPEAKERS: • **Pillar 1: George Sije,** Legal Counsel, Bank of Tanzania, Chairman MFSWG • **Pillar 2: Jeremiah Grossman,** Regulatory Manager of Mobile Money Ecosystems, GSMA • **Pillar 3: Jeff Liew,** Financial Capacity Advisor, UNCDF/UNDP Pacific Financial Inclusion Program • **Role of Development Agencies: Doug Pearce,** Practice Manager, Financial Inclusion, Finance and Markets Global Practice, World Bank Group FACILITATOR: **Kate McKee,** Senior Advisor, CGAP
16:45-17:15	**CLOSING REMARKS AND PATHWAY TO THE GPFI FORUM** SPEAKERS: • **Anna Zelentsova,** Coordinator, Russia's Financial Literacy Project, Russian Federation Ministry of Finance; Russia Co-Chair, GPFI Consumer Protection & Financial Literacy Sub-Group • **Aysen Kulakoglu,** Head of Department, General Directorate of Foreign Economic Relations, Undersecretariat of Treasury, Turkey Co-Chair, GPFI SME Finance Sub-Group MODERATOR: **Peer Stein,** Director, Finance & Markets Global Practice, World Bank Group

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Annex 3: Responsibility In Action

DFS Providers from around the globe convened in a showcase of responsible products, services and business models. Showcase highlights include insights and diverse perspectives from leaders in RDF.

Ripple Labs: The Ripple protocol interconnects the world's financial systems to enable secure and instant payments in any currency. The protocol provides the technology infrastructure onto which new payment systems can emerge and established payment systems, regulations, and institutions can migrate. Ripple is an open source protocol that values "transparency with ourselves and with others." At any time, anybody can review the ledger and see a record of all of all activity on the Ripple protocol. When changes are made to the ledger, computers connected to the Ripple protocol will mutually agree to the changes via a process called consensus. The Ripple protocol reaches consensus globally within seconds of a change being made. The consensus finding process is the engineering breakthrough that allows for fast, secure, and decentralized transaction settlement on the Ripple protocol. However, it also heavily promotes customer privacy, data security and AML/CFT compliance.

Ripple is at the forefront of the creation of the Windhover Principles, which seek to give users control of how their personal data is used and shared while ensuring that their identities are known to someone in case law enforcement comes knocking. "The idea that privacy, security and transparency 'have to be balanced' — we have to give up some privacy so there's transparency, or give up transparency so there can be privacy," said Karen Gifford, chief compliance officer at Ripple Labs, in an American Banker article announcing the Principles. "A better solution would meet each goal without impinging on the others." [11]

Oxigen: Oxigen is India's first and largest payment services provider and the top mobile wallet company in the country. Oxigen's approach to responsible digital payments innovation developed out of critical needs in the Indian market mandated by government policies: the government has created a "60 billion USD market" for government to person payments, but with challenges in beneficiary authentication. It also has set a target for 150 million new accounts opened for low-income populations, presenting major challenges around accessibility and financial literacy. Oxigen developed a four-pronged approach to meeting the accessibility, interface, connectivity and financial capability challenges facing India's digital payments industry, as exemplified in their RFF Forum presentation:

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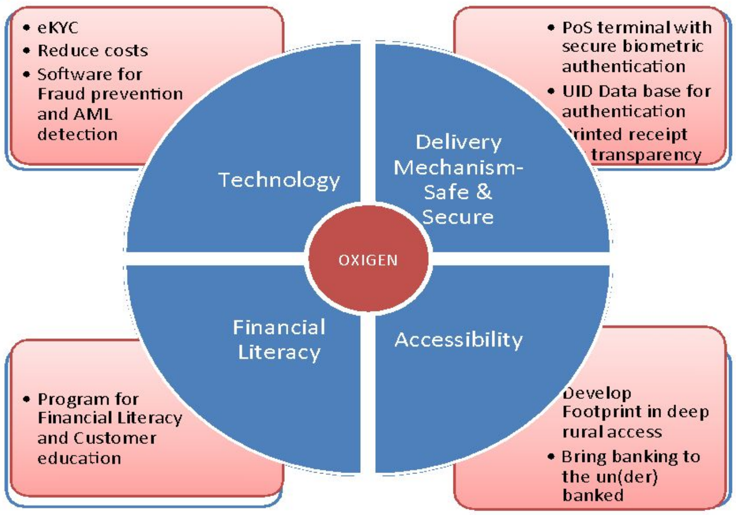
11 http://www.americanbanker.com/issues/179_202/manifesto-vows-to-give-consumers-control-of-digital-identities-1070633-1.html

OXIGEN SOLUTIONS



"The agent model is needed for now, because customers still need somewhere to go for over the counter (OTC) transaction and to talk with someone to understand the product—you need to start where the customer feels secure," said Rajpal Duggal of Oxigen. "But there will be an evolution to a more purely digital model."

Advanced Merchant Payments: AMP Credit Technologies Ltd. (AMP) is a financial technology company that enables banks and business service providers to deploy "alternative lending" technologies for the financial inclusion of their small business customers. By using innovative credit models combined with daily cash flow data, AMP's patented loan origination and automated portfolio management processes help the company evaluate business performance and allow for the fast, efficient, and profitable provision of short-term, unsecured loans to their own underserved small businesses. Asked where he saw the biggest risks in digital finance, Tom Deluca, CEO of AMP, replied "regulation: if the rules are changed without taking into consideration unintended consequences, only then providers discover the wheels are pulled from underneath them."

Klickex: KlickEx is a "community" where people come together to exchange currencies, with each other, not with a bank. If you need to move money to friends and family, transactions happen in real time, free of charge. Once an exchange occurs the money is instantly available in the other country, with no waiting days for the bank to transfer funds. Currency exchanges are made at rates you choose, which means there are no surprises. Klickex community exchange is fast, efficient, and simple to use, and as we only use cleared funds, it's really safe too," stated Robert Bell. "As long as central banks can get banks to work together, scale up can and will happen. Having the information on payments and remittances made possible by digitizing helps central banks see information in timely way, minimizes counterparty risk, and massively reduces costs (e.g., down to 2% from 22% in the Pacific region)."

Annex 4: CGAP Pulse Survey Highlights [12]

Acknowledging the significant gaps in knowledge of both the perceptions and experiences of consumer risks with digital financial services globally, CGAP conducted a field-wide Global Pulse Survey among policy makers, financial service providers, consumer advocates, and foundations involved in providing digital financial services. Over the course of two months in 2014, 237 respondents from around the world shared insights and experiences on the prevalence of mitigation strategies and next steps for combating consumer risks in digital finance. Here are the top ten survey insights based on participants' responses:

1. Seventeen percent believe that digital financial service providers are adequately protecting consumers. A majority of respondents feel that digital financial service providers can do more to safeguard consumers. Only 17% agree with the statement: "Digital financial service providers are currently doing an adequate job of protecting consumers." Even among financial service providers, only 35% responded that they were doing an adequate job.

2. Thirty-four percent believe that the digital delivery of financial services poses less risk to consumers in developing countries than traditional delivery. A little more than one-third of respondents believe that digital delivery is less risky, though providers and policy makers were divided on the matter. Fifty-seven percent of financial service providers replied that digital financial services are less risky for customers, but only 24% of policy makers agreed.

3. Digitally delivered credit is believed to be the riskiest digital product for consumers. Ninety-four percent of respondents believed there was some risk to the digital provision of credit. However, respondents also felt that digital savings and insurance products carry potential risks: more than half flagged these products as high or medium risk. Interestingly, government-to-person payments are seen as the least risky digital products: more than 60% of respondents believe there were either no clear or only slight risks associated with using these products.

4. Eighty-eight percent of respondents believe that vulnerabilities of illiterate populations merit "particular consideration" when providing digital financial services. Other vulnerable populations were not far behind: risks to the elderly (77%), rural populations (72%), and women and girls (50%) all merited "particular consideration." Urban populations were seen as the least vulnerable to the risks of DFS.

5. Eighty-five percent believe fraud and inadequate consumer recourse are particularly concerning. However, agent misconduct, data privacy, and transparency were not far behind. The only consumer risk included in the survey that did not break the 80% barrier for moderate to serious concerns was safety of consumer funds, which reached just over 70%.

6. Forty-eight percent cited agent misconduct as the most observed consumer risk with digital financial services. Nearly 50% of respondents have experienced or observed agent misconduct in the

[12] Excerpted from Zimmerman and Tyler, "How Responsible is Digital Finance? 10 Global Insights", from http://www.cgap.org/blog/how-responsible-digital-finance-10-global-insights, December 2014, CGAP: World Banks

provision of digital financial services. Lack of consumer recourse and fraud were also widely observed in more than 40% of respondents surveyed.

7. Only eight percent have not observed any consumer risks to digital financial services. Among financial service providers this percentage is even lower at only six percent.

8. Twenty-seven percent have been able to mitigate consumer risks to their satisfaction. Mitigating consumer risks to digital financial services appears to be either very new or very challenging. When asked whether they or their institution have been able to mitigate or resolve digital financial service risks to their satisfaction, more than half of respondents said "not yet."

9. Ninety-seven percent believe that digital financial service providers bear the primary responsibility for mitigating consumer risks. However, there is also a sense from respondents that risk mitigation should be a joint effort: Two-thirds of respondents felt regulators also bear at least medium responsibility to mitigate risks, and more than half felt that consumer advocates, international organizations, and donors share this responsibility as well.

10. Eighty percent of service providers and 90% of policy makers think there may be a need to establish principles, standards, or a code of conduct to help guide responsible behavior in digital finance. Policy makers and providers overwhelmingly agreed on the need for a standard set of principles regarding digital financial services.

To be sure, there are many questions about the actual incidences and consequences of risks that CGAP's online survey could not answer (but stay tuned for an upcoming Focus Note on the topic that will shed some new light). The search for answers and insights will continue as digital financial services continue to take up more of the market.

Annex 5: Background on Responsible Finance Forum

The Responsible Finance Forum (RFF) is an inter-institutional Community of Practice for knowledge exchange and consensus building on responsible finance. Founded by the German Federal Ministry for Economic Cooperation and Development (BMZ), the Consultative Group to Assist the Poor (CGAP), and the International Finance Corporation (IFC) and which has expanded to include the Better Than Cash Alliance (BTCA), the UN Capital Development Fund (UNCDF), and the World Bank. The RFF is the first joint platform to support the efforts of participating institutions committed to advance responsible finance and provide space to share knowledge and insights on responsible finance, build frameworks and tools, disseminate lessons learned and support coordinate action among stakeholders in the long term.

Since 2009, the RFF has convened 4 conferences on Responsible Finance, gathering public and private sector stakeholders (*see Table 1* below) and published three stock-taking reports on Responsible Financial Inclusion. The latest Global Mapping Report – Progress in Responsible Financial Inclusions was released in October 2013.

The 2014 RFF V will focus on Responsible Digital Finance and aims to

(i) convene public and private sector stakeholders to kick-start the process of identifying key high level principles focused on Responsible Digital Finance;
(ii) deepen understanding of the connections and implications of expanded digital financial inclusion and consumer protection across the organizations supporting the three pillars of a responsible finance agenda – (I) consumer protection regulation and supervision; (II) responsible practices by financial institutions; and (III) financial capability;[13]
(iii) discuss risks and opportunities around a set of issues specific to digital finance and consumer protection; and
(iv) identifying areas for further work and improvements.

Table 1: Responsible Finance Forum – *Conferences to Date*

Forum	Location	Date	Focus
RFF I	Berlin	January 2010	Launch of RFF CoP
RFF II	Hague	January 2011	Launch of the PIIF
RFF III	Washington	April 2012	Broaden to other sectors (insurance, SME banking, mobile banking)
RFF IV	Berlin	June 2013	Insurance market

[13] http://www.ifc.org/wps/wcm/connect/5886c3804958610ba542b519583b6d16/ResponsibleFinanceReport.pdf?MOD=AJPERES&CACHEID=5886c3804958610ba542b519583b6d16

RFF V	Perth	August 2014	Responsible Digital Finance