



“What We Heard” Summary and Follow Up from the 2015 Financial Inclusion Forum

On November 30 and December 1, 2015, the U.S. Department of the Treasury and the U.S. Agency for International Development (USAID) brought together leaders in U.S. Government (USG), other governments, and the private and non-profit sectors to discuss the urgent topic of how to foster and expand financial inclusion domestically and internationally. Our goal was to encourage a robust exchange of ideas and approaches to significantly expanding financial inclusion so that people around the world have the opportunity and the tools they need to for their own financial growth and security. After two days of experiential activities, panel sessions, and focused breakout conversations, we learned a lot about where we are and where we need to be. Below is a brief summary of the discussions and our takeaways from the Forum.

For your reference, a video recording of the second day of the event can be found at <http://www.yorkcast.com/treasury/events/2015/12/01/financial/>. Additionally, you can find participant insights from the event on Twitter using the hashtag #FIF2015.

We must continue to better understand the challenges facing those who are excluded from the financial system and respond with action-oriented USG leadership

Financial exclusion is not only costly to individuals, but also to our domestic and global economy. As Secretary Lew clearly stated in his opening remarks, “we must find new approaches to include young people and financially isolated individuals and communities, and consider how to support the credit needs of small and medium enterprises.” With that charge, Forum participants deepened their understanding of evidence showing that financial inclusion has a direct bearing on national economic growth and is inter-related to financial stability, integrity, and protection. As we heard from Tilman Ehrbeck, (Partner at Omidyar Network), currently, two billion people globally live completely outside the formal financial sector, and the financial services available in the informal economy may be five to 10 times more expensive. This exclusion means people too often lack the basic financial management tools required to save for aspirational goals, manage risks, and recover from financial shocks – whether a natural disaster or economic crisis – that can plunge them into or even further into poverty. Thirty-four USG participants became more familiar with these challenges by spending a morning conducting transactions at alternative financial services providers in neighborhoods around Washington, D.C. They noted a lack of transparency, high fees, and inconvenience as major obstacles to conducting financial transactions in underserved communities right here in the United States. Throughout the Forum, some participants noted the same type of challenges also exist among the underserved in developing countries.

There is keen desire for the U.S. Government to lead on this issue. At least two factors make USG leadership and attention to this issue relevant for all countries, emerging and developed alike. First,



countries around the world have determined that financial inclusion is needed for sustainable development, as demonstrated by the majority of the universal 2015 UN Sustainable Development Goals, which require deeper financial inclusion to be achieved. Second, many countries and markets follow the USG's lead and a lack of attention can hamper broader action globally and in national economies. As Bill Gates noted in his remarks, "The influence of the U.S. government and the reach of U.S. financial markets make our country the global leader and standard-setter." There was general agreement among participants that the USG is uniquely placed to lead financial inclusion efforts both domestically and abroad. In interactive workshops participants identified the following opportunities:

- **USG as Investor and Grantmaker** – Participants discussed the critical role the USG can play in stimulating deeper financial inclusion through investing and grantmaking. Key ideas included investing in public goods such as payments infrastructure, open data systems, and technology-based supervision tools for regulators; providing seed funding to entrepreneurs and others to identify breakthrough ideas that will help reach financially excluded individuals; supporting community-based institutions, like community development financial institutions, serving hard-to-serve markets; and funding research to identify what works for hard-to-reach populations.
- **USG as Rulemaker** – The USG's domestic rulemaking and influence on the financial services industry have an outsized impact on financial inclusion. Developing innovation-friendly regulatory tools, while providing for strong protections, in the United States would set an example for the world. Participants discussed several ideas for accomplishing this, including revising or updating existing regulations to accommodate new technologies, facilitating the entry of new players such as novel payments services providers and online lenders, and fostering new types of relationships between regulators and providers that support innovation. They also discussed the opportunity for a tiered approach to regulation, such as Mexico's tiered Know Your Customer approach, which makes it easier to bring lower-income consumers into the financial system.
- **USG as Service Provider** – The USG directly touches millions of individuals through social benefit transfers, tax refunds, and other activities that could be further deployed as an on-ramp for driving greater financial inclusion. Participants identified several opportunities for enhancements in this area, including leveraging human-centered design to build consumer confidence and deliver more effective products and services, additional partnering with the private sector, and better utilizing technology. The USG's efforts can serve as a catalyst to help spur private sector solutions that can meet the needs of underserved consumers in an appropriate and sustainable manner.
- **USG as Market Facilitator** – Participants also discussed other areas where USG leadership can play a powerful role in fostering robust markets that serve the needs of under-served consumers. Key areas of opportunity included leveraging the USG's advocacy and diplomacy, convening



power, capacity building support in underdeveloped markets, and open data platforms. These activities can also bring stakeholders together and improve coordination and collaboration between the public and private sectors to foster deeper financial inclusion.

We must act quickly to address this challenge, and technology and business model innovations offer a powerful opportunity to reduce financial exclusion

The Forum made clear that technology and new business models now make financial inclusion more achievable than ever before. And given the urgency of the challenge, technology provides one of the fastest and most scalable paths forward for achieving universal financial inclusion.

- ***Digital tools and emerging innovations provide a unique opportunity to increase financial inclusion, but they may not address all the challenges.*** The rapid advancement of innovations in financial technology (FinTech), and the prevalence and accessibility of data create a unique opportunity for reducing pervasive financial exclusion. For example, new approaches that leverage mobile phones as delivery mechanisms (rather than costly brick and mortar banking infrastructure) can help drive down the cost of serving low-income consumers, making it a viable business opportunity as well as delivering services more conveniently and in demand-driven, customized ways to more people. Similarly, new data and ways of analyzing data have the potential to help consumers who lack a formal credit rating. Much of the growth in this space is being driven by non-bank institutions. There was also general recognition that more focus is needed on shared payments infrastructure and the policy and regulatory environment that underpins an inclusive digital economy. For example, India’s nearly ubiquitous biometric digital identification program has solved one of the key barriers to financial services for millions of Indians to access financial services. While new technologies have enormous potential, participants recognized that they cannot solve all of the challenges in reaching the financially excluded—especially those related to cultural disconnections, lack of trust, and product relevance. Local, on the ground, and often face-to-face connections may be needed, especially to build trust and for larger, non-routine transactions.
- ***Domestic and international financial inclusion activities can support and reinforce each other.*** A number of participants frequently noted that there are more linkages between domestic policymaking and global financial inclusion than they would have expected. For example, U.S. financial regulatory policy provides influential models and creating a friendly regulatory environment for financial inclusion in the United States would be a major signal to other countries. At the same time, a number of participants also noted there is much the United States can learn from new regulatory models and technology approaches to financial inclusion being deployed abroad. As the conversation revealed many similarities among consumers around the world, participants noted that a more deliberate effort to coordinate domestic and international responses could help accelerate financial inclusion.



We must explore more opportunities to advance a cooperative approach to Financial Inclusion

The Forum was designed to build a foundation for increased USG interagency collaboration as well as strengthened cooperation with domestic and international partners from both the public and private sectors. Participants agreed that the USG's unified voice and increased focus is necessary to accelerating financial inclusion going forward. Key areas for action include:

- Exploring and building synergies between domestic and international efforts.
- Encouraging, and where feasible, investing in new technologies and business models that lead to productive partnerships of financial institutions and technology-based service providers, and help address barriers to reaching the hardest-to-reach.
- Supporting responsible innovation, while mitigating significant risks through appropriate regulatory frameworks and actions.

Looking Ahead

As Secretary Lew indicated in his remarks, our work begins here, it does not end here. Our commitment will be sustained. We will call on each of you to stay engaged over the coming months as we develop new policy measures that build on the conversations we had at the Forum, and as you carry out the important commitments that you made. And we hope to see you develop new initiatives and partnerships.

We will be calling upon you to help us integrate high quality accounts and financial education into important milestones, such as when young people are entering their first jobs or taking on student loans. We will be looking to you to help guide policy makers as they grapple with new challenges and opportunities of data and technology. And, we will be asking that you help us develop and test tools that allow financially fragile households safe access to saving, credit, insurance, and other basic financial services. Our work should not stop with simple access, but rather to reach effective usage so that citizens around the world can fully engage in their economies, in ways that enable them to have opportunities to work toward attaining their goals. In the meantime, we invite you to share your comments and reflections on the Financial Inclusion Forum by emailing fiforum@treasury.gov. Thank you for your sustained commitment to this important topic.



Financial Inclusion Action Steps in Progress

Below is an illustrative list of key action steps that build on the momentum of the Financial Inclusion Forum.

USG COORDINATION

- Build on the Forum to **continue robust interagency collaboration** and coordination on global financial inclusion issues. Through this collaboration, diverse federal agencies will work toward a shared vision to address areas of USG action so that our overall policy can be coherent and easily understood by external partners.
- Provide **training and resources for USAID staff, economic advisors in embassies, and Treasury attaches** around the world to engage with host country regulators and policy environments for digital finance and financial inclusion.
- **We will gather investor and grantmaking USG agencies** to determine whether they are using their collective toolbox in the most effective and efficient manner around the world, or whether missed opportunities for greater leverage exists. Through the Financial Literacy and Education Commission we will continue to identify ways to **better integrate financial capability** (education and access) into federal programs that reach financially vulnerable children, youth and their families.

USG POLICY ENGAGEMENT

- **Elevate financial inclusion at the G-20, with a focus on digital financial inclusion.** With our encouragement and Chinese leadership, G-20 Deputies have already agreed to strengthen discussions on financial inclusion in the Finance track. We have also recommended that the Global Partnership for Financial Inclusion (GPMI) adopt and promote a model for country plans to advance digital financial inclusion that national policymakers and country experts, in partnership with GPMI's implementing partners, could develop in a manner tailored to their specific context and complementing existing national and international efforts. We will continue to press for this agenda working closely with the G-20 Chinese presidency and other members.
- **Work with international Standard-Setting Bodies (SSBs) on their standards so that they are relevant for financial inclusion and focused on implementation.** This includes helping to shape the upcoming SSB White Paper on Financial Inclusion broadly, engaging with the Financial Action Task Force (FATF), the Basel Committee on Banking Supervision (BCBS), the Committee on Payment and Market Infrastructure (CPMI), the International Association of Insurance Supervisors (IAIS), and the International Association of Deposit Insurers (IADI) on



how their standards are communicated to, and implemented in, national jurisdictions at convenings with the SSBS on financial inclusion, and conducting a mapping of the technical assistance/training landscape available to help countries focused on implementing the standards.

- **Launch a Global RegTech Prize Challenge to identify, reward, and share lessons learned about innovations in the regulatory space that facilitate technology innovations for financial inclusion** and addresses proactively the new risks that such innovations may bring.

USG IMPLEMENTATION SUPPORT

- **Strengthen Treasury’s Office of Technical Assistance (OTA) financial inclusion support** in countries working in partnership with Treasury.
- **Support the multilateral development banks’ (MDBs) financial inclusion work.** Specifically, help link the MDBs to the Better than Cash Alliance and advocate for their transition to digital payments in as many projects as relevant. Collaborate with the African Development Bank on reducing the cost of Africa-to-Africa remittance corridors and driving account ownership.
- **Continue to support the Consultative Group to Assist the Poor (CGAP) and the Better than Cash Alliance (BTCA).**
- **U.S. Treasury will expand the availability of financial services and access to credit in underserved communities** through the programs of the Community Development Financial Institutions Fund, which provides capital and technical assistance to community development financial institutions (CDFIs) in low-income communities across the United States.
- **Promote the availability of Treasury’s myRA product** to help more Americans save for their future, and share the lessons learned from developing myRA with state, tribal, and international governments interested in promoting long-term savings among working people.

PRIVATE SECTOR COMMITMENTS

- **Bring development finance services to the Mississippi River Delta.** Hope Credit Union and Regions Bank are working together to establish insured community development financial institution branches in four underserved towns in the heart of the Mississippi Delta—one of the most unbanked regions in the country.
- **Support scalable solutions.** JPMorgan Chase will commit \$7.5 million to the Accion Frontier Inclusion Fund, which aims to further financial capability in emerging markets through investing



in companies that promote breakthrough technologies and innovations in financial services for low-income populations around the world.

- **Build the financial capability of young people and women.** The Coca-Cola System will unveil details of a \$1 million contribution to Operation HOPE to provide financial education to women and girls living in the southeastern United States. The contribution, supported by The Coca-Cola Foundation and two System bottlers, will fund the expansion and delivery of “Hope Inside,” nationally-acclaimed financial literacy, career training and entrepreneurship programs.
- **Build and test innovative solutions around the world.** JPMorgan Chase, in partnership with the Gates Foundation, will launch the Catalyst Fund. Working with Accion, Grey Ghost, Omidyar Network, and the Gates Foundation, the Fund will serve a dual purpose of providing capital and technical assistance to help improve technology-based financial inclusion products (funded by Gates) and generating insights on innovations in financial services for low-income households to share in the United States and other markets (funded by JPMorgan Chase). Over the next two years, the Catalyst Fund will deploy \$2 million in grants and \$1 million in in-kind advisory services to about 20 start-up enterprises globally.
- **Support retirement savings through myRA at tax time.** Intuit is connecting to 30 million consumers through its monthly newsletter and in emails to approximately 800,000 TurboTax Freedom Edition customers to educate people about the importance of tax time savings and encourage them to save for their retirement through a new myRA account. Tax time is one of the most critical moments in an individual's financial life. Encouraging savings at tax time, when most receive a tax refund averaging \$2,800, the biggest check of their year, helps consumers save more and make better financial decisions for themselves and their families.
- **Build the financial access and financial capability of small businesses.** PayPal will announce a partnership with Village Capital, in which it will serve as the lead program sponsor for two venture development programs supporting entrepreneurs that are developing technology-based solutions to address the challenges of financial inclusion. These programs, launching in the United States and Mexico in 2016, will strengthen the financial technology innovation ecosystem, creating meaningful impact for participating ventures and the customers they aim to serve. PayPal and Village Capital will hold program events in cities across both countries to engage local leaders and PayPal employees to build communities of support around participating entrepreneurs. PayPal will also expand access to capital for entrepreneurs who want to grow their businesses by increasing the loan sizes available through PayPal Working Capital, the company’s small business lending program.
- **Expand Financial Inclusion to the financially invisible.** Fair Isaac Corporation (FICO) is working with 12 of the largest credit card issuers in the United States to pilot FICO Score XD



and will expand on those partnerships over the coming year. FICO Score XD uses data found outside traditional credit files to identify creditworthy individuals who would otherwise be unlikely to obtain traditional credit.

- **Drive evidence based outcomes.** The U.S. Department of Housing and Urban Development is partnering with Experian, FICO, LexisNexis, the Policy and Economic Research Council (PERC), and TransUnion to evaluate the impact of reporting rental payment history on the credit scores of subsidized housing residents and the general population. JPMorgan Chase is partnering with Innovation for Poverty Action (IPA) to release research offering insights about effectively providing products and services to low-income individuals in the United States.