



Check Against Delivery

Aug 2, 2012

International Seminar of Central Banks: Payment Systems and Financial Inclusion, Quito, Ecuador, Thursday, 02 August, 2012

Prepared remarks by Alfred Hannig, Executive Director, Alliance for Financial Inclusion

Firstly, thanks to Banco Central del Ecuador (BCE), and congratulations on the 85th Anniversary of the Central Bank!

AFI is honored to be part of this event. We followed the call from BCE with pleasure to support their efforts to explore policy and regulatory innovations that make use of advanced information and communication technologies.

Our thanks also go to AFI members Bangko Sentral ng Pilipinas (BSP), Central Bank of Kenya (CBK), State Bank of Pakistan (SBP) and CNBV Mexico (CNBV), who support this event with their presence to share their knowledge and experience on mobile payments policy and regulatory solutions.

Payments Systems and Financial Inclusion

There are an estimated 1.7 billion people in developing countries that own mobile phones but have no access to banking services. The widespread use of mobile telephony has created new channels, new instruments and new business models for the provision of financial services to people who were formerly excluded. There is growing recognition that the dramatic reduction of transaction costs through the use of technology has the potential to make the provision of pro-poor financial services, which in the past have been severely constrained by high costs of service delivery, a profitable business on a sustainable basis.

Therefore, the potential of mobile financial services and payments to surmount cost and geographic barriers and thereby increase financial inclusion has caught the attention of policymakers and regulators around the world.

This potential has shaped the demand of AFI members around the globe. Another example is the topic of today's seminar. One of our thematic priorities has been policy and regulatory solutions which regulate and enable technology-driven financial services (in particular, mobile financial services regulations often related to agent banking regulatory solutions). In particular, this focus is due to the payment functionality of mobile telephony, which offers a game-changing technology to unlock a variety of basic services to the poor. It should also be noted that other priority policy topics of the AFI network such as financial inclusion data, financial integrity and consumer protection have often been discussed in the context of digital financial transactions.



Check Against Delivery

The AFI Network

AFI didn't exist four years ago, but today it is an alliance of central bank governors, and other financial regulators and supervisors from more than 80 developing and emerging countries in Asia, Africa, Latin America, and the Middle East; all working together to make financial inclusion a reality by sharing knowledge and developing and implementing policies that work.

AFI began as a simple idea, an attempt to capture the experiences and knowledge of emerging and developing nations in regards to financial inclusion policy - and in doing so, also help make their policies more efficient and effective.

We recognized that there is no "one-size-fits-all" solution to financial inclusion, especially from a policy and regulatory perspective. What is increasingly clear is that home-grown policy solutions have worked much better than externally imposed ideas.

During the past four years, AFI has grown along with its membership, encompassing new ideas and new priorities in response to our members' needs, and the ever-changing financial inclusion landscape. However, we have maintained our core principles, emphasizing the advantages of the **peer-to-peer learning** process, highlighting the **diversity of financial inclusion** challenges and solutions, and providing a platform for emerging and developing nations to showcase the **leading innovations and progress** that have been achieved in this field to the world.

Our annual **Global Policy Forum** (the next one will take place at the end of September in South Africa) is now the largest and most comprehensive financial inclusion meeting held anywhere in the world, and has become the most important financial inclusion event on the calendar of our members, partners and economic development organizations.

At last year's Global Policy Forum, held in Mexico, our members took an important and historical step for the development of financial inclusion policy by adopting the **Maya Declaration**. More than just a statement of principles, this document has formed the basis for a series of solid, measureable and **public financial inclusion commitments** from more than 25 AFI member institutions - and more are being announced almost monthly. Some of these committed institutions are represented here today and I encourage you to talk with them about the Maya Declaration movement.

These efforts have not gone unnoticed by the world community, which is why at the last G20 Summit held in Los Cabos, the G20 leaders made it a point to highlight the Maya Declaration and name AFI as a key implementing partner for the financial inclusion peer learning program.

The stage is set for AFI Members to have a major impact on the future of financial inclusion policy both nationally and internationally. But this opportunity does not come without challenges. We have grown rapidly but must ensure that all members have a voice in the organization. We must ensure that we adapt and embrace new developments in financial inclusion policy wherever and whenever they take place. And we must ensure that AFI's support to its members remains strong and responsive. These are just a few of the challenges which our membership will be discussing during the next Global Policy Forum in Cape Town this September.

2012-08-02-Event-EcuadorInternationalSeminarofCentralBanks-OpeningStatement AFI ED



Check Against Delivery

Mobile Payments in the Latin American Region

According to the World Bank (World Bank 2011, Global Findex), throughout the region 98 percent of the population uses mobile phones, but only 25 percent have saved during the past year, which shows the huge potential digital financial services has to reach the unbanked.

At the same time, of among more than 100 mobile money deployments in “unbanked” markets around the world, only 13 of them are in Latin America - and none have reached scale (based on recent data from GSMA’s Mobile Money for the Unbanked program). Furthermore, less than 2 percent of the population (according to the same survey) uses phones to perform a money transfer, which is very low compared to other regions like Africa or Asia.

Conversely, Brazil, México, Peru and Colombia are countries that have led the implementation of correspondent banking models which permit banks to license merchants to establish digital points of sale terminals to provide banking services such as deposits and withdrawals at cashier stations.

Looking Ahead to Today’s Seminar

It is our impression that policymakers and regulators in Latin America have a very good understanding of the important role in particular mobile payments can play in increasing financial inclusion. Our expectation for this seminar is to broaden the understanding of the entry barriers that prevent poor people from accessing formal financial services. Among those barriers are the absence of simplified account opening, the complex and prescriptive rules and regulations based on Roman law, and the lack of an appropriate definition of electronic money.

Mobile financial services might be more widely accepted and even promoted particularly by policymakers and regulators in Latin America if good practices on the creation of a comprehensive regulatory framework that eliminates these barriers could be provided.

This is why we are here today. Based on an increased common understanding we hope to build momentum among Latin American members to launch new or expand on existing mobile payment and regulatory initiatives, and deepen the penetration of these services on the continent in line with national policy priorities. This will lead to a wider **impact** on financial inclusion in the markets.

Once again, we thank BCE for taking the initiative and the AFI members from outside the region who have come from far to share their knowledge on effective policy solutions in this field.

Thank you for your attention.