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# FINANCIAL INCLUSION OF FORCIBLY DISPLACED PERSONS: PERSPECTIVES OF FINANCIAL REGULATORS

## A SPECIAL REPORT ON CURRENT POLICY AND REGULATORY APPROACHES TO ADDRESSING FINANCIAL INCLUSION FOR FORCIBLY DISPLACED PERSONS

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AFI SPECIAL REPORT

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# EXECUTIVE SUMMARY

This special report, prepared by the Alliance for Financial Inclusion (AFI) in partnership with the Global Partnership for Financial Inclusion (GPFI) and under the auspices of the German G20 Presidency, examines the current views and national regulatory approaches to addressing the financial inclusion of forcibly displaced persons (FDPs),[1] especially the roles of the central bank, financial regulator and other financial sector players.

With 65.6 million people forcibly displaced worldwide,[2] FDPs represent an important segment of the world's two billion unbanked. Although there is no hard data demonstrating they are all unbanked, it is evident that populations who are displaced and on the move do not always have easy access to formal financial services.

Options to safely store money, build up savings, receive money transfers and conduct everyday financial transactions are vital for FDPs. Financial inclusion can enable FDPs to overcome difficult situations, apply their skills and competencies and realize their future potential. This in turn helps them to contribute to the economic development of their host community or even country, and mitigate the inherent challenges forced displacement poses to the Sustainable Development Goals (SDGs).

However, FDPs often do not have adequate access to appropriate, fast, cost-effective and safe financial services in their host communities. This has made it increasingly important to elevate this issue at the international level and create national regulatory frameworks conducive to improving financial access.

There is a real opportunity for global standard setters, governments and regulators to enable fast, efficient and sustainable delivery of financial services to FDPs. However, it will require improving the way regulation is designed and able to deliver financial services to FDPs. Governments, central banks and regulators can support and influence these efforts by promoting innovative new services and supporting the business and compliance of existing services.

There is an extraordinary array of experiences across the AFI network that can help to enhance the diversity, value and range of financial services offered to FDPs, and displaced communities themselves have a role to play in designing local solutions. Where appropriate, FDPs should be given the opportunity to indicate their individual preferences and needs. Where this approach has been adopted there is greater vision, leadership and understanding of what will and will not work in practice.

Broadly speaking, access to quality financial and banking services for FDPs, including payments and transfers, microfinance, savings, loan and insurance facilities, is still minimal. Products for the FDP community have typically focused on responding to emergency needs, such as pre-paid cards, smart cards and basic bank account facilities.

Large numbers of FDPs in protracted situations either have no access to formal banking facilities or to products with limited functionality. In part, this may reflect already low levels of financial inclusion in a host country.

The political situation surrounding FDPs — their status, entitlements and assumed permanence — also influences the provision of financial services. Employment restrictions in many host countries draw FDPs into the grey market, leaving them unable to document their source of income.

It is evident that the evolving payment landscape and implementation of digital technologies, including distributed ledgers, have the potential to substantially improve compliance, cost efficiency and accountability. To support these improvements, regulatory architecture needs to provide vision, leadership and platforms to ensure financial products are 'fit for purpose' and that the supporting technology is robust in terms of privacy and security.

Risk management responses urgently need to be enhanced to address several potential barriers. Compliance with customer identification requirements for FDPs requires much more dialogue and understanding, and addressing FDP issues within the context of anti-money laundering and countering the financing of terrorism (AML/CFT) regulations and national risk assessments is a priority.

Financial regulators are rapidly gaining a better understanding of the financial needs of FDPs, with many issues already identified, investigated and, in a few cases, resolved. However, if regulators are disengaged or wait for 'perfect' solutions, there is a danger they will miss the chance to shape and implement appropriate responses. Concerted coordination should continue among regulators, global and regional standard-setting bodies, the United Nations High Commissioner for Refugees (UNHCR) and other humanitarian agencies, to develop a clear vision of action to be taken. This report offers some initial responses to shape this vision.

1 Terminology: For the purposes of this report, "FDPs" will be used to describe all types of forcibly displaced persons, including refugees, internally displaced persons (IDPs) and asylum seekers. In general terms, this will include people who are forcibly displaced as a result of armed conflicts, situations of widespread violence, violations of human rights and/or natural or human-made disasters.

2 UNHCR figures at a glance. Available at: http://www.unhcr.org/en-my/statistics/unhcrstats/5943e8a34/global-trends-forced-displacement-2016.html

# INTRODUCTION: THE FINANCIAL INCLUSION OF FDPs

## TERMINOLOGY, PURPOSE AND AUDIENCE

This special report was prepared in support of the German G20/Global Partnership for Financial Inclusion (GPFI) priority on improving the financial inclusion of FDPs.

It must be stated at the outset that using the right terminology for displaced persons is politically very important. There are distinct differences, legal rights and international conventions that apply depending on whether an individual is categorized as a refugee, asylum seeker or migrant. For the purposes of this report, "FDPs" will be used to describe all types of forcibly displaced persons, including refugees,[3] internally displaced persons (IDPs)[4] and asylum seekers.[5] In general, this includes people who are forcibly displaced because of armed conflict, situations of widespread violence, violations of human rights and/or natural or human-made disasters.

There is now broad consensus in the international community that addressing the financial needs of FDPs is critical to finding a sustainable solution to the global crisis of forced displacement. Humanitarian agencies and related stakeholders have already done extensive work on access to finance for FDPs, and this report does not aim to duplicate these efforts. Instead, it draws on AFI's unique position as a global network of developing and emerging country financial regulators and policymakers to solicit member views on current approaches, challenges and opportunities.

**This report has two main goals:**

1. **to create a road map for central banks and financial regulators to engage, and**
2. **to help shape a regulatory landscape based on innovative approaches to improving financial inclusion for FDPs.**

Against this backdrop, this special report examines the full range of financial needs of FDPs, the challenges of meeting these needs and the progress AFI members have made. A distinction is made between immediate cash payment needs and longer term financial inclusion. It also looks at the provision of traditional banking services for FDPs and the parallel growth of financial services outside conventional branch banking structures. It also looks ahead to the use of technology and innovative business models and how these developments may shape future responses to providing financial services for FDPs.

## APPROACH AND METHODOLOGY

The report documents the situation and regulatory approach of AFI member institutions from 13 countries to providing financial services to FDPs. Qualitative interviews were conducted with several AFI members and non-members, and questionnaire responses were submitted by AFI members unable to participate in the interviews. Interviews were also held with representatives from the United Nations (UN), international non-governmental organizations (INGOs) and the private sector, including banks and financial technology (FinTech) startups.

AFI member countries participating in this study include: Jordan, Palestine, Pakistan, Kenya, Tanzania, Afghanistan, Uganda, Lebanon, Nigeria, Philippines, Costa Rica, El Salvador and Morocco. This special report is a synthesis of member discussions and draws on country case studies to identify common challenges and approaches.

3 A refugee is defined by UNHCR as a person who has fled their country of origin and is unable or unwilling to return because of a well-founded fear of being persecuted because of their race, religion, nationality, membership of a particular social group or political opinion.

4 This refers to the involuntary movement of people inside their own country. This movement may be due to a variety of causes, including natural or human-made disasters, armed conflict or situations of generalized violence.

5 An asylum seeker is defined by UNHCR as an individual who is seeking international protection. In countries with individualized procedures, an asylum seeker is someone whose claim has not yet been finally decided on by the country in which he or she has submitted it. Not every asylum seeker will ultimately be recognised as a refugee, but every refugee is initially an asylum seeker.

## FDPs: THE SCALE AND NATURE OF THE PROBLEM

According to UNHCR data, the world is witnessing one of the highest levels of displacement on record, with 65.6 million people around the world forced from their homes. These displaced communities include nearly 22.5 million refugees, over half of whom are children (under the age of 18),[6] 40.3 million IDPs and 2.8 million asylum seekers. At current levels, nearly 20 people are forcibly displaced every minute.[7] In 2014, only 126,800 refugees were able to return to their home countries — the lowest figure in 31 years.[8]

Over half the world's refugees are from Syria, Afghanistan and Somalia, hosted mainly in the neighboring countries of Turkey, Lebanon, Jordan, Pakistan, Iran, Ethiopia and Kenya.[9] Alongside Syria, Afghanistan and Somalia are an array of other unresolved crises and conflicts, such as in Burundi, Iraq, Libya, Niger, Nigeria, the Central African Republic, the Democratic Republic of the Congo, South Sudan, Palestine and Yemen.

Global trends in forced displacement indicate that natural disasters and climate change are growing concerns. From 2009 to 2015, it is estimated that one person was displaced every second by a natural disaster, such as typhoons and drought, with an average of 26.4 million people displaced by climate or weather-related events since 2008. While the number and scale of natural disasters fluctuate from year to year, the total number of people displaced over decades is on the rise.[10]

In certain parts of the world, food insecurity and famine continue to drive regional displacement. For instance, in March 2017, the UN warned that 20 million people across Yemen, South Sudan, Somalia and northeastern Nigeria are facing starvation and famine. In Kenya, four million people have been identified as food insecure.[11]

Given the number of people involved, financial inclusion for FDPs is an urgent problem, and the humanitarian and economic realities for FDPs are likely to remain a major policy issue for the countries hosting and supporting them. Moreover, displacement crises tend to be protracted — 80% of them last 10 years or more — and have drastic effects on national economies and the sustainable development gains of host communities.[12]

"As displaced people settle down — no matter how temporary or long-term — to become self-sufficient and thrive they will need to establish new financial relations. This can be for simple transactions such as receiving aid through payment cards (as opposed to cash), or for sending remittances. Or it can be for something more complex as getting a loan to start a business."[13]

While FDPs may come from a relatively small number of areas, they end up widely dispersed. Developing countries in Africa, the Middle East and South Asia have received the largest number of FDPs, but other countries have also seen an increase. The large number of asylum seekers attempting to reach Europe is an illustrative example of new displacement patterns and regional displacement trends, as is migration from Central America to the US, which is driven by economic conditions, violence and poverty.

### THE SCALE OF THE PROBLEM IN NUMBERS

**65.6 million**
people around the world are currently forced from their homes, one of the highest levels of displacement on record.

**22.5 million**
refugees are part of these displaced communities

**40.3 million**
internally displaced persons (IDPs)

**2.8 million**
asylum seekers

**½**
of refugees are children (under the age of 18)[6]

**20 people**
are forcibly displaced every minute.[7]

**126,800**
refugees were able to return to their home countries — the lowest figure in 31 years.[8]

6 UNHCR figures at a glance. Available at: http://www.unhcr.org/uk/figures-at-a-glance.html

7 Ibid.

8 World Bank, 15 December 2016, Forced Displacement Brief. Available at: http://www.worldbank.org/en/topic/fragilityconflictviolence/brief/forced-displacement

9 Ibid.

10 UNHCR, 2015, Global Trends in Forced Displacement. Available at: http://www.unhcr.org/576408cd7.pdf

11 UN Security Council 7897th Meeting, 10 March 2017, available at: https://www.un.org/press/en/2017/sc12748.doc.htm

12 N. Crawford, J. Cosgrave, S. Haysom, and N. Walicki, 2015, Protracted displacement: uncertain paths to self-reliance in exile. Available at: https://www.odi.org/publications/9906-refugee-idp-displacement-livelihoods-humanitarian-development

13 Margaret Miller, 12 April 2017, "Can 'fintech' innovations impact financial inclusion in developing countries?" World Bank Blogs. Available at: https://blogs.worldbank.org/taxonomy/term/14745

# THE FINANCIAL NEEDS OF FDPs: MAPPING CURRENT AND FUTURE FINANCIAL INCLUSION NEEDS

**A coherent financial inclusion response for FDPs needs to be two-pronged. It must include:**

1. **a better understanding of the nature and scale of the financial exclusion problem for FDPs, and**
2. **a greater appreciation of how standard-setting bodies and financial policymakers can promote flexible initiatives that are in line with local needs and meet regulatory requirements.**

There is no doubt that understanding how to provide financial assistance to FDPs has come a long way in recent years, but significant knowledge gaps remain. For instance, how to best support FDPs in shifting from the informal to formal financial sector.

While a large number of FDPs may be excluded from formal financial services, there is clear evidence of strong economic participation, with active in-kind and cash-based economies reported as a vibrant feature of most FDP communities. Refugee settlements often form a ‘central business district’ that offers services, sells products, develops trade networks and exhibits varying degrees of economic activity, some of which may be regional or even global.[14] Startup grants have been a catalyst for the development of microbusinesses in a range of scenarios.[15] In short, informal lending, cash assistance programs, remittances, bartering and other routes to financial access are all features of FDP livelihoods.

Uncertainty about what financial services FDPs require and the most appropriate delivery channels and regulatory approaches, is clearly complicating strategic financial inclusion efforts. For example, many financial policymakers and regulators speak solely in terms of providing limited cash-based financial assistance tools to FDPs in refugee camps. However, according to the 2016 UNHCR and Social Performance Task Force report, six in 10 refugees have been living in protracted displacement situations for more than 10 years, two-thirds have self-settled in urban areas and only one-third of refugees currently reside in managed camps.[16]

Moreover, the financial needs of FDPs are diverse and affected by a range of factors. Those highlighted by AFI members include the nature and length of displacement, local security concerns, existing levels of financial infrastructure in host countries, local regulatory frameworks, financial literacy levels of FDPs, the right to work, employment opportunities and the willingness of host countries to normalize financial access (i.e. to move beyond camp-based assistance models).

Research by the Fletcher School, Tufts University, shows that refugees are not a homogeneous market segment, and should rather be viewed as a “diverse group of people living in urban neighborhoods, and formal or informal camp settings. They have far-ranging experiences with cash management, digital technology, and banking. They have varied consumer interests.”[17] In addition, the financial needs of FDPs still on the move or not yet fully settled can be expected to be significantly different than those who are more settled and stable.

> “Social and economic conditions in refugee economies are distinct from those in more settled and integrated economies. This is particularly true where refugees live in camps designated by gender, ethnicity or language, and are separated from mainstream urban activity.” [18]

Financial regulators interviewed for this study indicated that FDPs in their countries typically live in both host communities and refugee camps of different sizes and locations, either within close proximity of cities or in isolated rural areas. The location of camps was an important factor in determining local financial inclusion strategies, as refugee camps located closer to population centers tended to have greater access to financial services.

In protracted displacement situations, there is growing recognition that FDPs may become ‘aid dependent’ unless they have the opportunity to economically integrate.[19] Some AFI members have begun to push and expand financial inclusion strategies for FDPs, including exploring how policy solutions can increase access to quality financial services while also supporting FDPs to become self-sufficient.

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14 See, for example, the Uganda situation as reported by Alexander Betts, Louise Bloom, Josiah Kaplan and Naohiko Omata, June 2014, “Refugee Economies Rethinking Popular Assumptions”. Available at: https://www.rsc.ox.ac.uk/files/publications/other/refugee-economies-2014.pdf

15 Ton de Klerk and Tim Nourse, November 2004, “Developing micro-enterprise in refugee camps: ARCs experience in West Africa”, American Refugee Committee. Available at: http://odihpn.org/magazine/developing-micro-enterprise-in-refugee-camps-arc%C2%92s-experience-in-west-africa/

16 UNHCR and The Social Performance Task Force, November 2016, “Serving the Refugee Population: The Next Financial Inclusion Frontier”. Available at: https://sptf.info/images/Guidelines-for-FSPs-on-serving-refugee-populations-Nov2016.pdf

17 K. Wilson and R. Krystalli, 2017, “Financial Inclusion in Refugee Economies: An Essay”, The Fletcher School, Tufts University. Available at: http://fletcher.tufts.edu/CEME/~/media/CC882A166CB2476CA6C5DB62739FF5CC.ashx

18 Ibid, p. 5.

19 For example, see Raouf Mazou, February 2017, “Using socio-economic analysis to inform refugee programming in Turkana, Kenya”, World Bank Blogs. Available at: http://blogs.worldbank.org/dev4peace/using-socio-economic-analysis-inform-refugee-programming-turkana-kenya

20 Chrissy Martin and Jamie M. Zimmerman, 30 September 2016, “Eight Principles for Digital Payments in Humanitarian Response”, Aid & International Development Forum. Available at: http://www.aidforum.org/mobile-for-development/eight-principles-for-digital-payments-in-humanitarian-response

For many financial regulators, the financial inclusion of FDPs is still a nascent issue, in part because of the overall low levels of financial inclusion in some host countries. The political context surrounding appropriate policy responses to large-scale displacement also continues to be a significant issue for some countries, where there are pressing questions surrounding the status and entitlements of FDPs. This, in turn, affects the extent to which the assumed permanence of FDPs is incorporated in national financial inclusion strategies. The broader macroeconomic context also has an influence, raising questions about how best to absorb FDPs into the local employment market, support unaccompanied children or whether to provide health insurance.

State Bank of Pakistan representative, March 2017
"Two to three million Afghanistan FDPs are within camps and cities. Typically, FDPs are unbanked, and have always been unbanked, which makes the situation more complicated. In 2008, 10% of Pakistan's overall population was banked. Now the figure is 25 percent."

Bank of Uganda representative, March 2017
"1.1 million FDPs settled in isolated rural camps. Refugees are from Sudan, Somalia, Burundi and the Congo. In Uganda, individuals are required to personally visit the bank and there are no branches in the camps. In 2016, the regulations were changed to allow bank agents to offer services in the camps."

## FINANCIAL SERVICES FOR FDPS: A NEW STRAND OF FINANCIAL INCLUSION POLICY

A growing body of evidence demonstrates that access to the right financial tools at critical moments can be a powerful catalyst for strong and inclusive economic growth. It is widely agreed that a multi-pronged approach is required to tap the transformative power of financial inclusion. Innovation, education and expanding the reach of affordable and accessible financial services should be pursued together, with technology typically playing a central role in enabling the provision of financial services to FDPs.

A shift toward distributing humanitarian aid via direct cash grants has created an array of market opportunities, particularly low-cost digital payment systems accessed through mobile phones and local agents. In response, humanitarian agencies and the financial inclusion sector have begun setting out principles on the use of digital payments for humanitarian response efforts, including the Barcelona Principles of 2016.[20]

The use of digital platforms to rapidly scale up access to financial services for FDPs was noted by interviewees from several countries. The steady growth of digital payments, transfers and remittances across the humanitarian landscape is characterized by some major new innovations, such as the use of blockchain, international bitcoin Visa cards, bitcoin refugee aid and crowdfunding initiatives.

While still at an early stage of development, these technologies are clearly part of a transformation in development and humanitarian payments, making regulation of this new digital ecosystem critically important. Safety and reliability, cost, education requirements, effectiveness and sustainability, physical infrastructure and consumer protection are all subjects of ongoing debate among international regulators. AFI members also indicated the need for upfront infrastructure investment if FDPs are to be provided with reliable banking and digital financial services.

Bank of Uganda representative, March 2017
"The main hurdle is how can banks be persuaded to set up bank branches near these rural camps? As camps exist in isolated rural areas, infrastructure, including building branches, internet connection and electricity, would not be cost effective, and finding staff to live and work there would be difficult. In Uganda, new ways of channeling money are required, as well as safe and secure ways to store it."

The financial services sector is seeing an explosion of technological solutions that will likely shape future financial inclusion strategies for FDPs. Financial regulators interviewed pointed to a range of potential opportunities for communities typically unable to access financial services. Understanding the ethical, security and social implications of different technologies, as well as the financial needs of FDPs, is a necessary step to greater financial inclusion.

AFI members also stressed the importance of more traditional banking and microfinance models for FDPs, making it clear there must be sufficient opportunities to participate in the formal financial system on an ongoing basis. In most instances, this would include access to some type of bank account facility — a stepping stone may be 'basic' or 'simplified' bank accounts. Livelihood interventions, such as broad-based microfinance, and microcredit in particular, were considered critical pillars supporting financial inclusion for FDPs. However, access to insurance products was less clear. Some AFI members reported being aware of local health insurance initiatives for refugees, but on the whole this was extremely limited.

20 Chrissy Martin and Jamie M. Zimmerman, 30 September 2016, "Eight Principles for Digital Payments in Humanitarian Response", Aid & International Development Forum. Available at: http://www.aidforum.org/mobile-for-development/eight-principles-for-digital-payments-in-humanitarian-response

AFI members reported that most services currently provided to FDPs rely on more familiar models, such as pre-paid cards, mobile phone payments and mobile wallets. In fact, in many cases, these were the only financial services available to FDPs.

Superintendencia General de Entidades Financieras representative, March 2017
"We have developed the concept of 'simplified bank accounts', these are a recent creation and we will be monitoring how successful they have been in the context of FDPs."

Bank of Al-Maghrib representative, March 2017
"The Moroccan Foundation for Financial Education has organized several focus groups in order to get a reliable profiling of the FDP population segment. This survey revealed the necessity of financial education on different subjects, especially target setting, professional projects, saving, and credit. As a result, a pedagogical toolkit was implemented in 2016 and the first training of trainers was deployed in 2017 among 10 representatives of 9 FDP institutions."

Central Bank of Kenya representative, March 2017
"We need to establish proportional KYC requirements for forcibly displaced persons, taking into account their contexts to enhance financial inclusion."

Bank of Tanzania representative, March 2017
"We have 320,000 FDPs based across three camps. 125,000 have been in Tanzania for 35+ years and still live in camps. FDPs are not allowed access to bank accounts (as they are not residents), but they can get a mobile phone and mobile wallet. 700 USD is the maximum amount allowed to be stored on the mobile phone. Mobile agents are available in the camp plus Western Union."

## TAILORING FINANCIAL INCLUSION STRATEGIES TO FDPs

AFI members noted that many strategic priorities and goals of national financial inclusion strategies also apply to FDP communities, but differences within these communities will determine the most appropriate products and delivery channels. These include:

> **Stable populations versus those on the move:** Compared to stable populations (those with relatively fixed financial needs), the financial needs of FDPs change significantly over time based on the stage of their displacement and their migration plans. This may include self-relocation (moving from country to country or city to city) or relocation of FDPs by authorities to different settlements, camps or other accommodation. Each move is likely to disrupt their ability to access financial services, such as new banking arrangements, SIM cards, mobile payment platforms or cash/aid/wallet distribution networks. When crossing borders, regulatory requirements may also differ, affecting the ease with which FDPs can access financial services.

> **Legal status of FDPs:** Local legislation may prevent FDPs with irregular immigration status (those who have either not applied for or not been granted permission to stay in a country) from accessing financial services. In such scenarios, central banks and regulators may not have the necessary mandate or authority to design and deliver services to those perceived as 'illegal' immigrants.

> **The diversity of FDPs:** The diversity of age, education, country of origin, financial literacy, income and wealth makes FDPs unique to other financially excluded groups. Consequently, determining what is 'normal' within the group and designing services for different types of FDPs need to be considered.

> **Location, residency and employment authorization:** The financial needs of FDPs living in refugee camps may be different than those living in host communities. Typically, those in host communities are more likely to be closer to banking and financial services, have more opportunities to secure a job (whether formally or informally) and, in time, may have a greater chance of being granted residency.

> **Language, knowledge and lack of support networks:** FDPs, particularly refugees, may face unique hurdles, such as knowing how to access local services, language barriers and separation from their social and support networks. This may affect their ability to access available financial services and make informed decisions about using appropriate financial products.

> **Lack of appropriate support infrastructure:** AFI members noted that many practical challenges remain. For example, after a natural disaster, the priority is to distribute payments to those affected as quickly as possible. However, the logistics of digital payments are often highly problematic, especially in markets without digital payments, a large user base and/or supporting agent infrastructure. An absence of banking providers in more remote areas, plus the cost of doing business in far-flung settlement camps, were also recurring issues.

> **The extent to which FDPs are an attractive customer base:** Even when FDPs are eligible to access financial services, traditional service providers often overlook them as a viable client segment. This may be due to risk management concerns, infrastructure delivery issues or the design of local strategies. Lack of credit history and flight risk concerns (the perception that FDPs will move on) also reduce their appetite for lending. In situations where FDPs have fled conflict or natural disaster, they are unlikely to have been prepared to leave and often do not have the assets required to secure a business or personal loan, even if they had these assets in their home country. As a result, FDPs are often drawn to the informal market, where they are unable to document their income, and therefore unable to build credit history or secure a formal loan. Financial regulators interviewed stressed the importance of finding ways to

leverage the willingness of commercial providers to serve FDPs with microloans, health insurance and other services. They also recognized that for certain products, such as digital wallets and person-to-person transfers, FDPs may actually be an attractive customer segment.

> **Natural disaster-related displacement:** Overall, AFI members reported a greater ability to galvanize financial inclusion efforts when displacement is the result of a natural disaster, such as earthquakes, typhoons and flooding. In such scenarios, AFI members reported a range of situations in which regulatory relief measures, such as reduced identification requirements for FDPs, were rapidly introduced to boost the disbursement of credit. Loans for agricultural purposes, building repairs and business start-up loans were also identified as complementary stabilization efforts in disaster-affected areas.

State Bank of Pakistan representative, March 2017

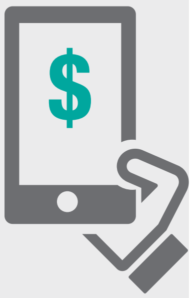
"There have been temporary programs to assist with floods, etc. that focus on regulatory exemptions, and reduce requirements for agricultural loans and loans for rebuilding homes."

## NATURAL DISASTER-RELATED DISPLACEMENT: THE CASE OF TYPHOON HAIYAN

Typhoon Haiyan (also known as Super Typhoon Yolanda in the Philippines) is one of the world's strongest typhoons on record. The typhoon wiped out infrastructure and greatly impaired the ability of government and international and local organizations to carry out relief operations. For Bangko Sentral ng Pilipinas (BSP), the major concern was the impact of Haiyan on the banking sector. To support recovery operations, the BSP provided regulatory relief packages to all banks affected by Haiyan,[21] which included a relaxation of anti-money laundering/identification requirements,[22] a reduction of the general loan loss provision from 5% to 1% for restructuring loans to borrowers in affected areas, and flexibility on branch relocation and temporary offices.

From a financial inclusion standpoint, the relaxation of KYC rules was particularly beneficial to typhoon victims who had lost property, including personal belongings such as official identification documents (IDs) needed to withdraw deposits, receive remittances, take out loans or access other financial services. It was not only residents who were affected by the catastrophe, as local authorities (e.g. barangay offices) who could issue simple IDs[23] were also affected. The BSP therefore waived the ID requirement for Haiyan victims so that banks could accept written certification from clients that they had lost their IDs due to Haiyan as proof of identification.[24] This measure was accompanied by a series of controls, including daily customer transaction thresholds and account monitoring requirements.

During Haiyan, cash donations were channeled through deposits into the bank accounts of participating government agencies and NGOs. Cash transfers were also facilitated via mobile money and other remittance channels. For example, individuals could send donations to the mobile money accounts of government agencies like the Department of Social Work and Development (DSWD). Some cash transfer programs (CTP)[25] were also conducted through cash cards.



In addition to traditional cash disbursement and e-payments, cash programs were also delivered through microfinance institutions. The Insurance Commission (IC), in cooperation with the insurance industry, established a microinsurance program (Agarang Proseso, Benepisyo ay Sigurado) to facilitate claims for typhoon victims. All insurance companies temporarily relaxed KYC requirements to allow the claims of insured victims to be processed immediately.

21 Regulatory relief for 27 thrift banks and 300 rural banks.

22 Under the Anti-Money Laundering Act (AMLA), clients must present IDs before banks and other financial institutions can process their transactions.

23 Such as a certificate signed by the village chief attesting that the person is a resident of the community.

24 Based on a report by UN OCHA and UNICEF ("Cash Transfer Programming: The Haiyan Experience"), humanitarian organizations did not completely understand the AML regulations, resulting in confusion and unrealistic expectations for cash disbursements and the requisite documentation for such transactions. As a result, the Cash Working Group (a group of humanitarian response agencies involved in cash transfer programming in times of disaster) reached out to the BSP for possible collaboration in the following areas: 1) providing briefing/clarification on the AML regulations in light of the issues encountered during Haiyan; and 2) sharing data on the locations of BSP-supervised financial institutions for nationwide mapping to help identify cash-out points post-disaster.

25 CTP is the direct distribution of money to people affected by crisis rather than traditional relief items. At least 45 international humanitarian agencies had cash-based interventions in Haiyan. At least 1.4 million disaster survivors, or 277,000 households, received cash assistance worth US$34 million during the emergency phase (UN OCHA and UNICEF, "Cash Transfer Programming: The Haiyan Experience").

# IDENTIFICATION AND RISK MANAGEMENT: STUMBLING BLOCKS TO FINANCIAL INCLUSION

AFI members identified several unresolved challenges in expanding substantive financial inclusion to FDPs. Regulatory issues surrounding identification and risk management were at the forefront of these challenges.

## IDENTIFICATION

Without exception, the main regulatory challenge identified by AFI members was determining acceptable identification and risk management procedures for FDPs. To access financial services, whether a formal bank account or other type of financial product (i.e. certain types of digital wallets), FDPs need to be identified to an acceptable standard. However, when people are involuntarily displaced, particularly in another country, they often find it very challenging to satisfy regulatory requirements for identification.

> "A person's identity can be moral (legitimized by a religious institution), legal (legitimized by a government and reinforced through documentation such as birth certificates and passports) and financial (legitimized by the financial system and reinforced through access to that system via accounts)."[26]

When a person is forcibly displaced, every aspect of their identity is affected. Research conducted by the Norwegian Refugee Council (NRC) in Syria in 2016 and 2017 found that the majority of Syrian refugees surveyed (70%) did not have national ID documents and over half of married Syrians did not have marriage documentation. In Lebanon, 92% of refugees surveyed by the NRC were unable to register the birth of their children and over 20% of Syrian refugee children under the age of five are at risk of becoming stateless.[27]

Whether in Syria or elsewhere, the very nature of displacement is that the displaced have either inadequate or no identification papers and documentation of residence. Even when basic documentation is available, verifying that it is authentic is likely to be a near impossible task.

According to the FATF Recommendations, countries should require financial institutions to apply each of the above CDD measures using a risk-based approach. If, for example, a customer is assessed as a low risk for money laundering or terrorist financing, reduced CDD may be sufficient. Likewise, enhanced CDD is required when the customer and product/service combination is considered higher risk. It is important to note, however, that all customers must be identified regardless of the situation.

### THE FINANCIAL ACTION TASK FORCE (FATF) RECOMMENDATIONS

The Financial Action Task Force (FATF) Recommendations are recognized as the global AML/CFT standard that countries and institutions providing financial services should abide by. A central premise of the Recommendations is that financial institutions should identify, assess and understand the risks posed by their customers. As such, financial institutions are expected to undertake the following customer due diligence (CDD) steps in line with FATF Recommendation 10:

> Identification and verification of the customer's identity (this normally includes full name, residential address and date of birth)

> Identification of the beneficial owner

> Understanding the purpose of the business relationship

> e-relationships.

Equally important is the recognition that these obligations extend in different ways to new and innovative payment products and services that may provide an alternative to traditional bank accounts. For instance, FATF Recommendation 14 indicates that countries should take measures to ensure that natural or legal persons who provide money or value transfer services (MVTS) are licensed or registered, subject to effective monitoring systems and in compliance with relevant measures set out in the FATF Recommendations.

The services currently used to deliver financial products to FDPs vary greatly and typically involve new technologies in some way, such as mobile payments, pre-paid cards, digital wallets and person-to-person transactions. FATF Recommendation 15 specifically addresses new technologies and stipulates that countries and financial institutions should identify and assess the money laundering or terrorist financing risks that may arise in relation to a) the development of new products and new business practices, including new delivery mechanisms, and b) the use of new or developing technologies for both new and existing products.

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26 Taqanu, 12 November 2016, "Is a Person Without an Identity Still a Person?" Available at: https://www.taqanu.com/backblog/2016/11/12/is-a-person-without-an-identity-still-a-person

27 Statement by NRC Secretary General Jan Egeland on the ongoing Brussels conference, "Supporting the future of Syria and the region", 5 April 2017. Available at: https://www.nrc.no/news/2017/march/statement-brussels-conference/

28 In defining financial institutions, the FATF provides a list of financial activities that would be covered by the Recommendations. The definition goes beyond formal banking activities to include a range of other activities.

A precise determination of how the FATF Recommendations apply to different financial products varies between jurisdictions. What is clear is that market advancements have fueled a range of new financial services technologies and a significant number of FinTech startups. These advancements are generating an unprecedented number of new products and services, as well as new types of business arrangements.

How AML/CFT regulations apply to these new products and services is subject to much debate.[29] On the whole, the global trend is to ensure some compatibility between the opportunities of these new technologies and AML/CFT regulatory supervision. For instance, the European Commission is proposing to bring virtual currency exchange platforms under the scope of the new Anti-Money Laundering Directive, which requires these platforms to apply customer due diligence controls when exchanging virtual currencies for real ones. For prepaid instruments, the European Commission is also proposing to lower thresholds for identification and expanding customer verification requirements. Similar proposals are being introduced across a range of other jurisdictions.

## PROVING IDENTITY

The types of document(s) and/or data generally deemed acceptable to open a bank account and/or access other types of financial services (i.e. certain types of digital wallets, prepaid cards and mobile platforms) will vary between jurisdictions. Local regulation normally stipulates what is and what is not expected. Much weight will be placed on official photo-based identity documents, such as passports and national identity cards, particularly for individuals. The most reliable forms of identification generally use biometrics, which automatically check and authenticate measurable physical characteristics. Where such documents are not available, the expectation is that evidence of identity may emanate from other recognized sources (i.e. documents issued by a government department or public sector body). Non-government issued evidence is often only considered acceptable in certain limited circumstances.

The FATF requirement for "reliable, independent source documents, data or information" can extend to accepting a broad range of documents and innovative IT solutions. In short, there is no set standard for what should be considered reasonable when verifying customer identity. Another factor influencing what documents should be accepted is the likelihood that they have been forged, borrowed or stolen.[30]

## FDPs AND IDENTIFICATION

For most customer relationships, standard identification requirements (for documentation or digital records) are likely sufficient. However, for FDPs, these forms of identification may not be readily available.

The FATF Recommendations offer some flexibility to ensure certain groups (i.e. low income and those assessed as lower risk) are not unreasonably excluded from accessing financial services.[31] This may include accepting other types of evidence of identity, such as a letter or statement from an appropriate 'person of standing'. Several AFI members accept refugee cards as proof of identity, and supporting letters from community leaders in refugee camps were identified as something to be explored further.


The need for identification requirements stands, and those providing financial services will need to determine whether a lack of available identity documents should a) necessitate greater scrutiny of customer transactions and activity (enhanced due diligence), and b) determine whether any restrictions should be placed on the types of financial products and service the customer is able to access.

"As governments with stable populations struggle to standardize national identification schemes, governments with populations in flux struggle with additional burdens. The result is a set of rules around identity that baffle the cleverest refugee. Lack of permanent address impedes their ability to apply for licit documentation, and lack of legal identification impedes their ability to work, transact and survive."[32]

Refugees residing in official refugee camps are issued UNHCR registration cards, which may be their only form of identification. Overall, financial institutions reported they are unlikely to rely solely on UNHCR identification except for the most basic financial products, i.e. low-value money storage facilities.

29 FATF President Juan Manuel Vega-Serrano has identified one of his objectives for the Spanish Plenary year (July 2016–June 2017) to include outreach to the FinTech community.

30 It is worth noting that, in an effort to combat identity fraud and counterfeiting, in 2016 UNHCR rolled out its new ID card for refugees, along with a new mobile app for card verification. The new card includes several enhanced security features, including 3D holograms, bar codes and a large SQR code. The card is supported by enhanced biometric data collection at the UNHCR office, including retina, 10 fingerprints and face scan.

31 See, for example, FATF guidance on financial inclusion, 2011, http://www.fatf-gafi.org/media/fatf/content/images/AML CFT measures and financial inclusion.pdf

32 K. Wilson and R. Krystalli, 2017, "Financial Inclusion in Refugee Economies: An Essay", The Fletcher School, Tufts University, p. 5. Available at: http://fletcher.tufts.edu/CEME/~/media/CC882A166CB2476CA6C5DB62739FF5CC.ashx

Meanwhile, FDPs residing outside refugee camps may not seek official registration if there is a risk of detention or deportation. This is especially likely in countries that have implemented immigration controls prohibiting the opening of bank accounts for persons not entitled to enter or remain in that jurisdiction.

Where FDPs cannot produce standard evidence of identification, financial institutions, together with regulators, will need to determine appropriate systems to deal with these situations.

Change this to “State Bank of Pakistan, March 2017

“The majority of the population have basic identification (without a photo) held on a centralized ID database called NADRA. This was created by the military to counter terrorism. Those with a basic ID are eligible for a basic bank account, but an ATM machine is required nearby for use. Photo identification is required for all other banking products. There are 70,000 biometric machines in Pakistan which could be used.”

Bank of Uganda representative, March 2017

“The Prime Minister’s Office requires FDPs to register and attain a ‘refugee ID’, which is different to the national ID.”

Central Bank of Jordan representative, March 2017

“Refugees are provided with an identification card. This card has a unique ID for Refugees in Jordan. This is then used, together with biometrics (including iris scanning), as a primary key for mobile financial services. This sits alongside controlled SIM card allocation with trained telecoms agents.”

ank of Tanzania representative, March 2017

“Identification of FDPs is currently through a letter from the camp director, and a letter from UNHCR. The National Authority is looking to introduce biometrics.”

Central Bank of Kenya representative, March 2017

“There is a need for countries to develop mechanisms for administratively identifying forcibly displaced persons, including refugees.”

Da Afghanistan Bank representative, March 2017

“Bank accounts can be opened for FDPs by asking for at least one document, including their driving license, UN migration card, card by international migration organization, card provided by WFP, card provided by ministry of migration and returnees. No inward and outward remittance transactions are permitted and monthly turnover on the account should not exceed USD 100.”

## FDPs AND ASSESSMENT OF RISK – LOW INCOME/ HIGH RISK

Global Standard-Setting Bodies (SSBs) anticipate that financial institutions will perform a risk assessment at the beginning of a customer relationship, when they start providing financial services. This normally results in a categorization of risk, such as higher/medium/lower, with criteria attached to each category to assess the risk of both customers and products. This, in turn, will determine the appropriate level of identification, verification, monitoring and additional customer information needs.

In situations where non-residents are making cross-border transactions and there is little underlying customer information, they are often grouped into a higher risk category. Moreover, in many countries, FDPs’ right to work is extremely limited. As a result, FDPs may be drawn into the grey economy, unable to document their income and elevating their risk.

A comprehensive risk profile may only emerge once a customer transacts through an account. Therefore, monitoring transactions and a clear view of what is ‘normal’ customer activity will be an important part of ongoing risk management. Equally, having a lower risk of money laundering and/or terrorist financing risk for identification and verification purposes does not automatically mean the same customer will be a lower risk for all types of products and CDD measures, particularly for ongoing monitoring of transactions.

Ongoing monitoring and review will be designed in relation to a country’s unique national risk assessment (NRA). The FATF recommends that countries identify, assess and understand the risks of money laundering and terrorist financing within their jurisdiction and then use a risk-based approach to take action and invest resources to mitigate these risks.

AFI members envisage that NRAs, if applied appropriately, could play an important role in determining how to identify and mitigate the risks posed by FDPs.

African central bank representative, March 2017

“Our National Risk Assessment is currently underway and we are hoping it will offer some view on how to tier KYC for mobile wallets and other products to FDPs.”

Humanitarian representative, March 2017

“FDPs often have variable circumstances and characteristics across and within countries. This can make meeting regulatory standards particularly difficult.”

Central Bank of Kenya representative, March 2017
"While the KYC framework should be structured to address financial inclusion, it should also take cognizance of security concerns."

## UNCERTAINTY IN APPLYING SIMPLIFIED DUE DILIGENCE TO FDPs

Where the risks of money laundering or terrorist financing are determined to be lower, the FATF Recommendations give financial institutions the flexibility to conduct simplified CDD measures. However, most AFI members appeared uncertain about the extent to which they could apply simplified CDD measures for FDPs and what this would mean in practice.

FATF guidance on applying a risk-based approach indicates that simplified CDD could involve:

> Obtaining less information (e.g. not requiring information on the address or occupation of the potential client) and/or seeking less robust verification of the customer's identity and the purpose and intended nature of the business relationship.
> Postponing the verification of the customer's identity.[33]

Simplified CDD measures are not acceptable whenever there is suspicion of money laundering or terrorist financing, or where certain higher risk scenarios apply. AFI members highlighted the following obstacles in using a simplified due diligence framework:

> **Under what circumstances can FDPs be assessed as lower risk?** Many FDPs come from countries that have experienced political instability and conflict and related terrorism concerns. Where controls could be put in place to mitigate money laundering risks, AFI members felt less sure about the type and level of monitoring required to address higher risks of terrorist financing.
> **Can meaningful monitoring be conducted?** A number of AFI members questioned their ability to sufficiently regulate ongoing monitoring requirements when there is limited customer information. Their concern was that insufficient CDD could render monitoring meaningless and reduce their ability to fully apply simplified CDD.
> **Can simplified CDD be applied to cross-border money flows involving higher risk countries?** The financial needs of FDPs may include sending or receiving remittances to and from their home country. AFI members reported a tension between supporting remittances while also countering terrorist financing and meeting sanction screening requirements.
> **How to apply simplified CDD when many FDPs are compelled to work in the informal economy/grey market?** Several AFI members pointed to a challenging situation: a disconnect between different policy agendas. For instance, while a country may have signed international conventions giving refugees the right to work, these commitments may still need to be implemented at the national level. FDPs who find it difficult to obtain official work permits may turn to the informal economy, leaving them unable to document their earnings and increasing their risk of money laundering.[34]

European banking representatives, March 2017
"We looked at using simplified CDD but have really struggled with how to categorize the risk of FDPs. Our primary worry is we will unwittingly provide financing to terrorists. It is easier to assess the money laundering risk for refugees coming to Europe; where there are terrorism concerns, banks adopt a much stricter standpoint."

33 FATF, October 2014, "Guidance for a Risk-Based Approach: The Banking Sector". Available at: http://www.fatf-gafi.org/media/fatf/documents/reports/Risk-Based-Approach-Banking-Sector.pdf

34 It should be noted that money laundering concerns refers not only to the primary offence or offences, but also to ancillary offences. Under the FATF Recommendations, countries should apply the crime of money laundering to all serious offences, with a view to including the widest range of predicate offences.

## A ROAD MAP TO FINANCIAL INCLUSION FOR FDPs

The global displacement crisis is unlikely to be resolved anytime soon, and current trends indicate that conditions will persist or even deteriorate. It is now an important moment to push the boundaries and tailor solutions to extend financial inclusion to FDPs. Some AFI members have already begun this process, but it is evident that much more needs to be done.

Undoubtedly, the financial inclusion challenges for FDPs in part mirrors those of other unbanked communities, and important elements of national financial inclusion strategies will be transferrable, particularly the adoption of new technologies, designing effective tools for borrowing and saving, improving financial literacy and supporting the development of payment infrastructure.

Da Afghanistan Bank representative, March 2017
"Lack of digital national IDs, underdeveloped financial sector infrastructure, and security issues are among the most important challenges in providing formal financial services, not only for FDPs but the whole population."

However, there are also marked differences. The legal status of FDPs and related political issues are significant. Lack of identity, uncertainty about how to apply simplified customer due diligence, perceptions of low income/higher risk, knowledge gaps in terms of what services are required and the collective diversity of FDPs, all require new thinking and actions. To help resolve these issues, the following road map is proposed:

### 1 Cross-government coordination and leadership

At the heart of greater financial inclusion for FDPs should be an explicit recognition of the need for clear leadership from decision-makers across government. Financial inclusion efforts for FDPs have primarily been driven by humanitarian actors, but there is now a need for central banks and regulators to become more actively engaged, specifically by strengthening coordination and a shared sense of purpose across the humanitarian sector, government authorities, central banks and regulators. The role of the central bank is therefore an enabler or facilitator, not a stand-alone developer.

State Bank of Pakistan representative, March 2017
"The Central Bank cannot improve access to banking across Pakistan alone. It needs to be in collaboration with government and all stakeholders. In addition, education on finance is required as the vast majority of Pakistan have always been unbanked."

### 2 Addressing the ID and CDD problem

To conduct financial transactions, FDPs need to be identified, verified and integrated in a national, refugee or equivalent ID system. To date, there has been little guidance from either standard-setting bodies or regulators on how to conduct customer identification and verification for FDPs who cannot reasonably meet either normal or simplified identification requirements. Better understanding of appropriate risk management procedures is also needed, and these issues must be addressed as a matter of priority. If they are not, wider efforts to address financial inclusion for FDPs will be undermined.

Palestinian Monetary Authority representative, March 2017
"All FDPs in Palestine have Palestinian citizenship, the issue is therefore not about citizenship but rather financial inclusion, and how to harmonize account opening with KYC/AML requirements."

### 3 National Risk Assessments (NRAs)

The introduction of NRAs represents an important opportunity for countries to determine the money laundering and terrorist financing risks associated with FDPs. AFI, FATF (including FATF-syle regional bodies), UNHCR and wider stakeholders should work together to advance a common understanding of how the NRA process can best support risk assessments for FDPs and related financial inclusion initiatives.

Central Bank of Kenya representative, March 2017
"The National Risk Assessment should help inform how KYC can be tailored across different groups, including refugees and those internally displaced."

### 4 Linking FDPs to formal financial services

Extending formal financial services to FDP communities, whether through new payment technologies, bank accounts, microlending, insurance or other programs, will likely involve innovative partnerships. Central to this will be engaging financial service providers. At the country level, central banks, regulators, financial service providers and humanitarian actors should examine how to best support FDPs in safely storing their finances and accessing wider financial services from banks and formal financial institutions. This may involve leveraging existing financial service channels to include FDPs or providing sufficient incentives for market operators to invest in new or expanded services.

### 5 Ensuring products are 'fit for purpose' in terms of customer needs and security considerations

It is imperative that financial service products are tailored to the needs of FDPs in every host country. This can be achieved through better central bank/regulatory coordination with aid agencies, including

UNHCR, development bodies and other stakeholders, such as commercial banks, mobile providers and the FinTech community. Engagement with FDP communities should be a core part of ensuring products are 'fit for purpose' and meet their needs. Specifically, understanding that FDPs may be more vulnerable to financial exploitation (i.e. unscrupulous lenders), and personal security concerns associated with cash distribution, should inform how financial service products are designed and delivered.

Central Bank of Jordan representative, March 2017
"CBJ visited the camps to see the refugees' financial needs firsthand, as well as understanding the implications of providing them. This was assisted by UNHCR and GIZ, and was an eye-opening experience and paramount to providing a provision which more accurately met refugee camps' financial needs, requirements and individual security considerations."

## 6 Enhanced use of technology to support broader compliance obligations

Compliance frameworks can be enhanced with a range of technological solutions. For instance, monitoring 'big data' collected via mobile phone-linked financial data offers a cost-effective window into consumer behavior and can assist with meeting CDD/AML/CFT requirements. However, this technology would need to be accompanied by effective privacy and data protection measures to protect vulnerable FDPs, especially those fleeing political oppression.

Central Bank of Jordan representative, March 2017
"Transactions are monitored and risk management levels set with regard to withdraw amounts, velocity, types of transactions, etc., and the Central Bank can continually monitor, protect and enable based on data analysed."

AFI member from the Middle East, March 2017
"We need to push the boundaries. Technologies have begun to reform our financial markets, and we are now discussing how these developments can support our FDP financial inclusion efforts."

## 7 The Role of AFI in Supporting a Platform for Dialogue. Support for peer-to-peer learning

Financial inclusion initiatives can offer the same opportunities for FDPs as other country residents, but only when adapted and applied appropriately. Successful programs and best practices indicate it is necessary to tailor approaches while taking the FDP context into account and adding complementary services where needed. It is recommended that AFI proactively facilitate peer-to-peer learning in the following areas:

> Documenting where and how AFI members have successfully established enabling regulatory environments for banks and other financial institutions to offer innovative financial services to FDPs. This should include an examination of opportunities to apply simplified due diligence.
> Understanding the financial needs of FDPs within the context of national financial inclusion strategies, and the public and private sector agencies that need to be engaged in national coordination mechanisms to ensure the needs of FDPs are addressed when national strategies are implemented.
> Enhancing capacity building for policymakers and regulators on the conduct of NRAs, implementation of risk-based approaches to AML-CFT and appropriate application of simplified due diligence to improve access to financial services for FDPs.
> Convening regulator-innovator dialogues on promising technologies and how to establish enabling policy and regulatory environments for FinTech innovations, which have the potential to address the financial inclusion needs of FDPs, such as by encouraging the use of secure biometric IDs.
> Examining the use of regulatory safe spaces (also known as "regulatory sandboxes") to enable financial services providers to test innovative products, services, business models and delivery mechanisms for FDPs in a live environment and in close collaboration with domestic regulators.
> Shining a light on the promising experiences of AFI member countries in promoting the financial inclusion of FDPs and convening key actors from multiple sectors at events such as the AFI Global Policy Forum.
> Channeling developing country perspectives and experiences on the financial inclusion of FDPs into the G20 GPIF to leverage the political will and convening power of the G20 and GPFI Implementing Partners.

The G20 will also have a considerable role in elevating the issue of financial inclusion of FDPs and in supporting the implementation of practical solutions, both within G20 and non-G20 countries. The potential roles of the G20 and GPFI will be addressed in more detail in a forthcoming GPFI policy paper on the financial inclusion of FDPs.

35 Regulatory sandboxes have been advanced by a number of financial services regulators to promote innovation in how services are tailored and delivered. Proposals are developed in close collaboration with domestic regulators, thus creating a 'safe space' for testing new delivery models. See, for example: https://www.fca.org.uk/firms/innovate-innovation-hub/regulatory-sandbox

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