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DIGITAL FINANCIAL SERVICES
(DFS) WORKING GROUP

POLICY FRAMEWORK FOR LEVERAGING DIGITAL FINANCIAL SERVICES TO RESPOND TO GLOBAL EMERGENCIES
– CASE OF COVID-19

FRAMEWORK

CONTENTS

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This policy framework on “Leveraging Digital Financial Services to Respond to Global Emergencies - Case of COVID-19” is developed by a sub-group under AFI’s Digital Financial Services Working Group (DFSWG).

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INTRODUCTION

The global pandemic COVID-19 and the ensuing emergencies have reinforced the urgency of using Digital Financial Services (DFS) to preserve the functioning of financial systems and the security of people during the period of declining demand, reduced supplies, and tightening credit terms. Digital payments, particularly when accompanied by digital financial infrastructure (interoperable payments, unique digital IDs, etc.) and enabling regulations (e-KYC, fees, etc.), help governments quickly and securely make cash transfers and other socio-economic benefits in the form of financial support. They enable businesses with urgent flow of funds and allow individuals to send money cross borders and to pay for purchases at a market or a store from the safety of their homes.

But its potential is much greater than what we know today. This global emergency has highlighted the benefits of DFS in building resilience to withstand economic and financial shocks. In the short term, DFS have helped accelerate the response to health emergency and support economic recovery. In the longer term, they have the potential to play a considerable role in economic development and the eradication of poverty.

During the DFSWG virtual meeting held in April 2020, members noted the need to initiate work on DFS and respond to the global pandemic. This was also reflected in the joint working group global webinar on “Regulatory & Supervisory Responses to COVID-19: Experience from the AFI Network & Beyond” held on 6th April 2020. Subsequently, a sub-group was formed under the DFSWG to carefully review the existing information on DFS related policy responses (through AFI dashboard, member inputs and other relevant literature) and craft a policy framework.

This policy framework aims to provide policy guidance to regulators within the AFI network and beyond, in developing relevant policy/regulatory responses to mitigate the effects of global pandemics by leveraging on DFS. Although this guidance is immediately relevant to the current COVID-19 outbreak, it is also applicable for other emergencies, including natural and manmade disasters such as cyclone, earthquake, conflicts, forced displacements, etc.

The framework is grouped into seven key pillars; AFI members are encouraged to use the policy framework as relevant to their respective jurisdictions in response to the global emergency. Regulatory authorities should view the policy framework as an evolving document they can build on as they share experiences and best practices.

THE POLICY FRAMEWORK IS GROUPED INTO SEVEN KEY PILLARS

I. PROMOTING AND INCENTIVIZING DIGITAL PAYMENTS

Promotion of DFS during this emergency is critical for reducing and preventing the spread of the pandemic by minimizing person-to-person contact and adhering to social distancing norms.

Digital payments facilitate remote, contactless transactions, hence, limiting the presence of customers in bank branches and agent outlets. They encourage and incentivize customers to their pay digitally through available channels, such as internet and mobile banking. They facilitate mobility of funds between banks accounts and e-Money account, and vice-versa. Finally, they promote acceptance of contactless means of payment by both consumers and merchants.

The following are guidance related to the promotion of digital payments:

> Consider a reduction or waiver of fees and transaction taxes for DFS transactions, such as cash-ins, payments, and transfers. Due consideration is to be given towards viability and sustainability of such services. In this regard, waivers and reduction of fees can be done in a tiered manner to benefit the most vulnerable segments of the society. Authorities to engage with private sectors and broader stakeholders to receive their inputs on the intended measures. Further, authorities need to indicate that such measures are interim in nature and set a timeline to revisit/review the measures undertaken.

> Increase the daily and monthly transactions and balance limits to enable increased usage of DFS.

> Where possible, leverage on transaction data and other relevant data sources to arrive at decisions related to fee waiver and transaction limits.

> Encourage faster onboarding of merchants for digital payments, in collaboration with private sectors and broader stakeholders. Innovative payments, such as NFC, QR code and other contactless payment mechanisms are safe and consistent with social distancing norms.

> Where possible, consider a reduction or waiver of merchant payment fees to encourage digital/remote payments at small businesses.

> Collaborate with relevant local authorities for tax discounts for small merchants, FinTech service providers and start-ups.

> Where needed, advocate for interoperability across e-Wallet providers and among e-Wallets and bank accounts.

> Explore the possibility of linking e-Money and branchless banking accounts to enable the routing of inward international remittances to these accounts directly. For example, branchless banking accounts may also be issued IBAN numbers to enable international remittance transactions. This needs to be done in compliance with AML-CFT standards.

> Maintain awareness and sensitization initiatives across the value chain of customers, service providers and regulatory stakeholders, to promote usage of digital payments.

> In the medium to long term, look beyond digital payments and come up with regulatory frameworks to promote remote/virtual banking, such as digital banking, Open APS, etc. This is in the interest of deepening financial services usage, albeit remotely, by minimizing social contact and crowding of physical transaction channels.

> In the medium to long term, work towards building an infrastructure required for the development of DFS, such as establishing mobile broadband infrastructures, digital identity systems and networks of local agents (including, where possible, third party agent networks) that meet the collection and payment needs of customers.

II. SECURE AND RESILIENT DIGITAL PAYMENTS & TECHNOLOGY INFRASTRUCTURE

Given the rapid response of National governments to address the socio-economic impact of consumers by enforcing some level of flexibility on the usage of DFS to be used by all segments of the population, authorities are concerned about the robustness of platforms and systems, and the resilience of internet traffic to facilitate financial transactions in most cash-based economies and other developed countries, during the COVID-19 global pandemic.

It is anticipated that with the global traffic flow of consumers' transactions and the usage of the various digital payment infrastructures during a lockdown period, financial institutions could face operational challenges, such as failure of resources (people, processes, technology, facilitates and information) to deliver financial services.

Some examples of what is also expected to go wrong during these periods may include: unavailability of mobile network, delays in receiving SMS receipts that may prompt a consumer to resubmit transaction, run out of processing capacity, failure in communication with third party providers causing failed transactions and Third Party application failures (software, hardware, power), etc.

The following is are the guidance related to security and the resilience of DFS and technology infrastructure.

BUSINESS CONTINUITY PLANS

In terms of specific guidance on business continuity:

> From the product and service delivery perspective, authorities should advise providers to enable alternate channels to access payments and financial services, such as through the Internet, telephone, ATM or other special kiosks (The Federal Deposit Insurance Corporation (FDIC (2020)) and FFIEC (2020)).

> From the preparedness of providers' perspective, authorities should ensure that DFS providers have a well-documented business continuity plan, specifically addressing the impact of the emergency and the appropriate mitigation measures undertaken. Some of the issues to consider include: increased risk of fraud and cyber-attacks; capacity of existing infrastructure to handle any changes in transaction volumes; safety and security of the employees, in accordance with national/international health guidance; internal and external communication plan; etc.

> From the preparedness of regulatory authorities' perspective, the development of a contingency and business continuity plan should be ensured. This should at minimum include: the implementation of health and hygiene measures, in accordance with national/international guidance; identification of critical functions; and governance and oversight plans and measures to protect critical technology/ digital infrastructure, such as retail payment systems, information systems for supervision, data storage systems, etc. (Bank of Italy 2020).

> In the medium term, both regulatory authorities and DFS providers should develop and calibrate contingency plans to address pandemic risks and identify practical actions with swift execution, in proportionate to the severity of the potential pandemic scenarios, whilst considering the operational risks and the ability to serve customers with limited functions, split teams and/or remote teams.

> Further, authorities should provide in-depth guidance on disaster recovery and national switches' disaster recovery plans and server mirroring techniques.

> Business continuity management should include identifying core business processes and fetching alternatives to sustain operations during emergencies (e.g. offline solutions/ integrations).

RESILIENCE OF DIGITAL PAYMENTS INFRASTRUCTURE

The following are specific guidance on Digital Payments Infrastructure:

> Authorities and DFS providers to test, assess, and improve the capabilities of digital payments infrastructure to accommodate changes in transaction volumes and values.

> Authorities to ensure that DFS providers assess and identify potential additional use cases in the event of emergency so that provision of appropriate digital infrastructures, technologies and necessary systems configurations are done accordingly. Modalities of payment use cases should be developed: (a) based on whether the last mile of payment mode is via cash or e-Value - mobile money; (b) to simplify logistics of providing payments and; (c) to enhance the current health measures that are put in place.

> As the emergency demands working remotely from home, authorities need to ensure additional security mechanisms to protect servers and end-user devices (their own as well as that of the DFS providers), such as computers, laptops, mobile phones and other digital devices that connect to a corporate network. .

> Authorities to ensure the establishment of a focal point in order to effectively communicate critical issues during emergencies.

> Among other things, authorities to implement data security measures, such as appropriate technical and organizational safeguards to protect data from unauthorized access and processing which may amount to abuse, accidental damage, and loss.

III. ENABLING REGULATIONS

Regulation is not a one-size-fits-all approach and can be reviewed under critical periods to suit the prevailing circumstances by regulatory and supervisory authorities.

Though most countries have existing regulatory frameworks on agent banking, mobile money, payment systems, etc., there may be a need to modify existing provisions or come up with new guidance specifically to deal with the emergency. These measures could either be temporary or long term in nature. Further, these measures could be issued either as a simple directive, letter of no objective, or as part of a regulatory sandbox/innovation hub initiative.

The following are the guiding principles around enabling regulations:

ANTI-MONEY LAUNDERING/COMBATING THE FINANCING OF TERRORISM

With so much turbulence and disruption caused by COVID-19, its health risks and the resulting mortalities, population behaviors in general have been affected; those avoiding infection - whether individuals, striving businesses or governments - highly prefer remote, digitized interactions. At the same time, the situation also offers opportunities for scammers and money launderers to exploit. As such, special focus and perspective are required from AML/CFT Policymakers.

Some of the increased risks concerning AML/CFT are listed below:

a. **Donation scammers:** Scams of donation that target kind-hearted people who donate to support others facing hard times due to unemployment.

b. **Money laundering**: Money launderers that exploit vulnerable companies facing financial difficulties and further abuse mules (people who agree to receive the laundered cash before transferring out to the launderers).

The following are specific guidance:

- Authorities to enforce robust communication and ongoing reporting for a proactive detection of scamming and behaviors. DFS providers should keep records and maintain ongoing risk checks on customers, apply enhanced due diligence or expediting the reporting of suspicious behaviors to authorities, and authorities to educate providers on suspicious behavior for proactive future detection.
- Authorities to work with DFS providers to enhance customer awareness/education through relevant communication channels to be broadcast on how to avoid scammers and instead, send cash to trusted/verified donation collection entities.
- Leverage on the benefits of machine learning algorithms for ML/FT smart detection.
  - For smarter and faster detection of suspicious behavior, with less labour and higher coping mechanisms with the robust nature of digital payments.
- Amplify application use of risk-based approach, utilizing simplified due diligence/tiered Know Your Customer (KYC), where applicable, to provide safe services to the population, with payments made the easiest way possible, and encourage DFS adoption at a time where it is much more safe than dealing with cash and its related human interactions.
- Enable e-KYC and digital identification and verification solutions to enable more remote digitized on-boarding.
- Ongoing contact and collaboration to include AML/CFT authorities and service providers for continuous alignments on recent potential risks, along with ensuring logical risk-based AML/CFT approach that does not impede the adoption of DFS.

KYC AND CUSTOMER DUE DILIGENCE

KYC is a critical step for providing financial services that sometimes might cause an impediment and obstacle to reach the underserved. In this time of COVID-19, where social distancing is key, eKYC and digital identities play a critical role in enabling digital services, along with simplified due diligence, to offset the risk of the offered services and the current situation.

The following are specific guidance:

- Apply simplified KYCs where there is assessed lower ML/TF risk, in keeping with FATF standards.

- Adopt digital identities and e-KYC solutions and regulate it as part of the financial services ecosystem.
- Reduce the requirements on non-face-to-face account opening to include either two or more documents digitally for authentication.
- Use video calls/ID with interview for proper facial screening and voice authentication.
- Apply proportionate KYC requirements for merchants and smaller merchant on-boarding.
- Request providers to enhance security for eKYC customers with advanced verification authentication.

CONSUMER PROTECTION AND MARKET CONDUCT

Consumer Protection plays a more obvious role in ensuring sustainability than jump-starting DFS markets. One important aspect is trust building to be widely recognized. Given the complexity in the use of digital payments, it is essential to have an effective and robust financial consumer protection framework that will address risks associated with consumers, especially the vulnerable segment.

This global emergency will nudge, rather force, users from vulnerable segments, such as informal workers, women, elderly and small businesses, to jump on to the digital bandwagon. This will certainly pose consumer protection risks and will entail appropriate regulatory interventions, including enhancing digital financial capability.

The following are guidance to consider:

- DFS providers should ensure consumers receive timely and easy access to information through multiple channels.
- Evolve the disclosure of terms and conditions; prevent misleading information regarding terms and conditions, and fees by applying sanction and rules against provisions in the regulatory framework.
- Implement measures and education initiatives to protect consumers from loss due to fraud.
- Ensure that providers create an ethical corporate culture with fair treatment for customers and recognize that all customers are not the same; provide processes and flexibility of treatment for vulnerable customers.
- Establish interactive voice response, text-based content and potential chat-box mechanisms to deliver key information on terms and conditions.
- Establish or segregate call centre staff from consumer protection hotline.
- Regulators should ensure that products are not bundled but clearly labelled and visible for consumers to make their choices.
- DFS providers should ensure consumer data is protected and not shared with third parties. Under extraordinary circumstances if customer data must be extracted (for contact tracing and containment of transmission), it must be done in a voluntary manner. Further, such measures should be temporary in nature.

REMOTE SUPERVISION

Technology is evolving and the use of the Internet connectivity and platforms can enable regulators to easily access and receive data from various providers. Regulators can leverage on SupTech and RegTech as a technology compliance solution to effectively conduct remote supervision and analyze the risks posed on the various innovative models under a lockdown situation or during an emergency.

To ensure that the knowledge, skills and tools of the staff are effective in conducting remote supervision, Standard Operating Procedures (SOPs) should be established with the following guidance:

- Collaborate with Internal Management Information System of regulatory authority and providers to access transactional data with a remote supervisor.
- Secure and encrypt system using a virtual private network; remote supervision will not be done on the staff's personal laptop and/or personal email.
- Regulator to use innovative technologies, such as AI/ML/advanced data analytics, DLT, cloud computing and APIs to enhance existing and remote supervisory functions.
- Provide staff with a laptop that has dual authentication and log in controls that can be restricted by the regulatory authority.
- Provide staff with Wi-Fi and ensure firewalls are blocked from accessing emails.
- Analyze data only on off-site supervision during this period; but to be used to provide judgments by regulatory authority.
- Online complaints mechanisms can be monitored by supervisory authority to understand agent's behavior and utilize the website and Internet to carry out financial literacy and awareness.
- Conduct surveys on cell phones to obtain customers' feedback on services offered.
- Conduct remote meetings using Skype, Zoom and other relevant apps with providers and ensure meetings are recorded.

IV. AGENT AND MERCHANT OPERATIONS

The ability to transfer funds are deemed crucial for financial inclusion, as most of the developing economies are highly dependent on money transfers.

However, the flow of remittances and transfers is hindered in the absence of effective Cash-in/Cash-out (CICO) reach and agent networks to underserved populations, along with liquidity management issues. This challenge has been further heightened by the COVID-19 pandemic that is causing major disruption to remittance flows. Whilst emphasis should be placed on transacting fully digital, it is also crucial that policymakers consider appropriate mechanisms that will allow for the maximization of CICO services, including pronouncing financial services agent networks, such as essential services.

> Identify/notify mobile money/agency banking as an essential service. CICO agents to remain open and operational as an essential service, even during lockdowns.

> Authorities to coordinate with DFS providers to develop SOPs for agent and merchant operations. The SOPs should adhere to national and international guidance on health and safety standards. Some of the indicative measures to consider are:

a. Designate physical distancing at the agent outlets;

b. Provide basic training/awareness on hygiene and cleanliness to agents and customers;

c. Mandate protective masks for agents;

d. Mandate protective masks for customers;

e. Display information brochures on social distancing and personal hygiene prominently within the agent outlet;

f. Sanitize mobile phone, POS machine, other digital devices and surfaces within the agent outlet regularly.

> Providers to send regular updates to agents and customers reminding them to maintain social distancing and personal hygiene.

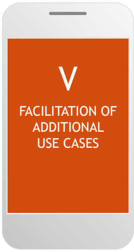
> Authorities to work with DFS providers to facilitate effective liquidity management and rebalancing facilities to agents. This can be done by partnering with additional stakeholders, such as post offices, microfinance institutions, commercial banks and other locally relevant agencies. Further, where possible, agents can be provided with credit/working capital facilities to manage their liquidity needs. These initiatives can be undertaken as public-private partnerships or through private sector driven initiatives, with active support from regulatory authorities.

> Agents and merchant outlets are frontline workers providing essential services to the customers, often vulnerable segments. This is despite the dip in revenues and increased health risk. In this regard, authorities could work with DFS providers and other relevant stakeholders to come up with social protection measures, such as health insurance, income support programs for agent and merchant outlets.

> Provide dedicated services for the vulnerable customers, especially disabled, women and the elderly. Consideration should be given for dedicated resources to be allocated to the vulnerable. This could be in the form of dedicated timings and staff, so that their financial needs are addressed efficiently and promptly in an effort to minimize long queues and further delays.

> In the medium to long term, authorities to collaborate with diverse stakeholders to create a cash-lite economy by creating additional use cases and multiple access channels through interoperable arrangements.

> In the medium to long term, consider promotion of gender diversity in agent networks, which is a significant barrier for women's access in a number of markets.



V. FACILITATION OF ADDITIONAL USE CASES

Digitization is imminent to deepen the usage of payments and financial services, especially in the event of a global emergency.

This emergency is a good opportunity to offer additional products/use cases through DFS to facilitate remote access and to enable seamless movement of funds to sustain economic activity at the level of individual and small businesses. Further, policymakers should look at this from a medium to long term perspective to ensure that current initiatives nudge the users to sustain digital adoption beyond this emergency.

DIGITIZATION OF G2P PAYMENTS

Most of the countries across the world affected by the COVID-19 crisis are providing emergency relief to its citizens and affected sectors in the form of cash transfers, subsidies, and other special packages. Past experiences of handling pandemics, natural disasters and other emergencies indicate the effectiveness of electronic cash transfers in providing quick, cost-effective, safe, and targeted relief to the affected segments of the society. Policymakers should utilize the country's existing digital payments infrastructure (both public and private) to facilitate electronic cash transfers to identified beneficiaries. Electronic cash transfers can happen through mobile money, branchless banking or through post offices. In the medium to long term, policy makers can develop appropriate digital infrastructure, such as interoperable retail payment systems, digital identity, and digital data storage hubs towards digitization of government and other bulk payments.

INSURANCE

Insurance service procedures traditionally require a lot of manual intervention and paperwork. Digitization provides benefits to customer in terms of convenience, as well as to insurance providers in terms of managing internal processes more efficiently.

Insurtech has been on the rise in some countries for some time, yet the current situation might be of an advantage to entities adopting it, given its digital and agility edge. Insurtech is also innovative in providing broader products, such as micro insurance, usage-based insurance and peer-to-peer insurance, with the ability to offer competitive risk and smart targeted discounts, based on machine learning, according to the behavior acquired from smart phones or even connected devices (IoT).

The following are recommendations for empowering Insurtech:

- Cooperation among different local and external regulatory entities that are involved for oversight (central banks, insurance oversights and telecom regulatory bodies, etc.) to ensure optimum understanding of products and effective regulation.
- Enabling and regulating digital signatures and digital identities for a fully digitized customer experience, in terms of claims and/or application.
- Ensuring the availability and stability of digital infrastructure that allows stable payments collections from accounts and wallets in an interoperable manner.
- Understanding the technologies and basics of algorithms used, to regulate the rules for data collection and storage purposes, and the validity of machine learning and algorithms used for claims and requests validation.
- Ensuring sandboxes and further reach to innovators, setting laws and regulation to allow non-insurance digital companies to participate, and also to encourage innovation in this field.
- Raising consumer awareness in collaboration with providers on Insurtech and its related products to aid reaching the underserved and financial illiterate.

SME LENDING PLATFORMS

SME lending platforms enable providers to give out loans in a more efficient credit profiling and lending, helping provide faster approvals and better convenient offerings, with minimal or no human interaction, capitalizing on the digitized ease of access to channels, speed and efficient labour through using machine learning and automation technologies.

SMEs represent majority of running companies globally, yet to-date there is a gap on their lending for some reason. For instance, loans to small companies generate small profits for banks and are not as attractive as big firms. Further, some SMEs are start-ups that might not have enough collateral or credit score to suit traditional banking lending. Pandemic exposure leaves the SMEs more fragile and in more need for cash; the inability to access loans might make them vulnerable to closure.

New alternative digital lending platforms include different models such as:

> P2P lending online Marketplace platforms: in which individual investors and borrowers agree to meet to exchange benefits.
> **Non-bank direct lending:** where non-banks and companies such as Spotcap and IWOCA have raised debt capital and lend to other companies, barring the credit and financial risks associated.
> **e-Commerce lenders:** Like Amazon, PayPal and Alibaba who score their customers through the transactions processed and are able to directly deduct instalments for loans from their customers' accounts or revenues.
> **Bank-led SME lending:** FinTech services providers offer the technical infrastructure and solutions to banks, including analytics and advanced credit scoring, credit automation, etc., where the bank provides the loan and bears the risks, whilst utilizing the provided digital tools.

Regulatory recommendation for empowering SME lending platforms:

> Enabling and encouraging the alternative business models for SME digital lending, to allow higher competition and more fair prices in a rapid manner, setting flexible yet governing regulations
> Enabling and regulating digital signatures and digital identities for a fully digitized customer experience.
> Understanding the technologies and basics of algorithms used, to regulate the rules for alternative and advanced scoring through machine learning and open banking.
> Understanding the technologies and basics of algorithms used, to regulate the rules for data collection and storage purposes.
> Raising consumer awareness in collaboration with providers on the services provided.
> Revisiting SMEs lending rules and setting some exceptions and flexible considerations regarding SME lending in general, for minimizing the risk of SMEs going out of business due to cash unavailability or the inability to acquire a loan, specifically in similar times of lockdown and economic disruption.

OTHER USE CASES

> Where possible, authorities need to enable remote, digital access to existing products, such as savings, investments, insurances, remittances, which hitherto were being accessed through conventional channels.
> BigTechs and digital platforms present a good case of promoting digital payments and digital financial services, providing support to vulnerable segments particularly MSMEs, women, forcibly displaced, gig workers and millions of informal sector employees on daily wage, including ensuring the supply and delivery of essential day-to-day products during mobility restrictions across different jurisdictions. Where possible, authorities can explore possibility of cooperating with BigTechs for electronic cash transfers, delivery of essentials products etc.

VI. COORDINATION AMONG STAKEHOLDERS

Cooperation between government entities and the private sector is paramount and advantageous during emergencies.

Various authorities have important roles to play through a broad range of activities including the development of goal-oriented public policies on digital payments, the identification of key partners depending on their roles, as well as collaborative work among different ministries, etc. The shared responsibility model, based on close cooperation between the government, service providers and other economic stakeholders, is an inevitable feature of the development and implementation of policies and practice.

> Central bank should be part of the national taskforce:

> Where applicable, central banks and financial services authorities to be part of a government-led, multi-stakeholder national taskforce. This is to propose a bottom-up, inclusive approach towards economic recovery and to leverage on DFS to build resilience against financial shocks, especially among vulnerable segments and small businesses;

> This multi-stakeholder national taskforce should not only look at immediate plans to address the emergency but chart a comprehensive plan for post-crisis economic recovery.

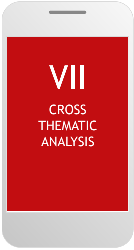
> At institutional level, authorities can set up a taskforce or a working group comprising stakeholders from DFS providers, FinTechs, researchers and other relevant stakeholders to facilitate DFS-related policy and product innovations, targeting vulnerable segments and small businesses.

> Identify and share best practices on COVID-19 risk management together with financial institutions.

> Authorities to set up internal taskforce or committee comprising representatives from various departments to assess and develop risk mitigation plans. Further, the committee should specifically look at IT security, resilience of digital payments infrastructure and related business continuity plans.

> Internally, authorities to set up a taskforce. The committee can also take up the role of communication to stakeholders, both internally and externally. This communication can range from generic statements of reassurance to specific communiques on frauds, fake news, promotion of digital payments, etc.

> Finally, the ongoing pandemic is global in nature with 213 countries having reported confirmed cases of COVID-19. Thus, the need of the hour is global solidarity, cooperation and collaboration among regulators and policymakers, to come up with a coordinated response to mitigate the impact of this crisis, especially among the poor and vulnerable segments/communities. This is in the interest of learning from each other and contextualizing policy responses in a swift and focused manner.



VII. CROSS THEMATIC ANALYSIS

To unpack DFS and Global Pandemics, it is critical to consider crosscutting issues. As countries grapple with managing pandemics policy issues related to gender, handling the needs of youth, the elderly, displaced populations, and even other disadvantaged and vulnerable groups, including the disabled and poor households, can create major challenges.

In addition, MSMEs also fall under some of the mostly affected group of businesses in the face of pandemics. MSMEs, as in the case of the Ebola epidemic are the most challenged to sustainably run their businesses, primarily due to the lack of access to credit and technical capacity of payment infrastructures in some poor countries and other developing countries.

Past pandemics and according to humanitarian agency studies have revealed that women and girls are among the most affected group exposed to the vagaries of pandemics. Given the foregoing, pandemics such as COVID-19 will mostly affect women as they are more likely to lack access even to basic financial services. With respect to COVID-19, in terms of impact, women and girls carry a disproportionate burden of the primary, concurrent, secondary and tertiary impacts of the disease. A stark reality from past pandemics is that women make the bulk of frontline staff and caregivers in the world. Women healthcare workers constitute over 70 percent of the workers in the health and social sector globally, according to the World Health Organization (WHO). As a result, women were mostly exposed during the outbreak of the Ebola virus; which were two thirds of those exposed. This in turn leads to even more economic vulnerabilities.

Further, women are more likely to be employed in the informal economy, which renders them more likely to lose employment and income during the pandemic, and less likely to be able to access government welfare schemes or bank loans.

Given the forgoing realities, the following are the guiding principles around cross thematic analysis:

POLICY RECOMMENDATIONS

GENDER

- Any DFS-led initiative should be mindful of the context and cultural aspects related to vulnerable groups. For example, women are less likely to own and use a mobile phone compared to men. Although solutions to these issues are medium to long term in nature, in the immediate term authorities and providers need to work together to provide context-specific interventions. It could be as simple as a behaviorally informed communication campaign, prominently featuring a woman owning and using a mobile phone for non-financial/financial services.
- Ensure the collection and existence of gender disaggregated data, which is critical to ensure targeted response to pandemic requirements in the immediate, short, medium and long term.
- Most of the frontline staff, such as in healthcare, retail, personal care, housekeeping, teaching, etc. are women. In the current scenario, women, especially in these sectors, are more vulnerable both in health and economic terms. They are at higher risk of contracting the virus and of unemployment because of the economic impact of the virus. Regulatory authorities, along with the government and private sector stakeholders need to work towards providing subsidies, cash-transfers and other income support programs through digital channels to women disproportionately affected by global emergencies.
- Allow tax breaks and special packages to women owned MSMEs.
- Onboarding women and youth agents under the simplified KYC norms onto mobile-based ecommerce and platforms.

ELDERLY

- In the current scenario, data shows that the elderly are the most affected by the virus. Authorities to work with the government to come up with relief packages in the form of electronic cash transfers to the elderly, along with other support measures, such as healthcare and food assistance.
- Priority to be given to the elderly and disabled at banking halls and agent outlets. For example, Queue Management Systems (QMS) may have a specific option for the elderly, disabled and other vulnerable segments. Additionally, specific timing may be allocated for them to conduct their payments and

financial services transactions in a safe and hassle-free manner.

> Ensure interventions of a current pandemic do not take resources aimed at other ongoing interventions related to the disadvantaged groups.
> Ensure providers conduct fair treatment so that such groups are not taken advantage of during pandemics.

MIGRANTS AND FORCIBLE DISPLACED PERSONS (FDPS)

> Migrants (both domestic and international) are amongst the most impacted groups and their needs may need consideration. Migrant workers may be considered under social protection schemes, cash transfers and other such aids, which can be delivered through digital channels.
> Financial services help FDPs withstand financial shocks emerging out of global emergencies. Providing them with a basic bank account or mobile money account can facilitate the transfer of humanitarian aid and assistance through digital means.

YOUTH

Youth are much more likely to lose income and employment due to being in less stable jobs or already out of work. Social protection measures, such as cash transfer payments, unemployment support, and access to healthcare, can be extended to youth specifically working in informal sectors and gig-economy.

DIGITIZATION OF MSME PAYMENTS

MSME are heavily affected by global/national emergencies because of reduced demand, disruption of supply chains and cash flow imbalances. Governments across the world are providing MSME support packages, wage subsidies and other soft loan programmes. Policymakers to leverage on digital payment infrastructure to digitally transfer/implement government support packages to the MSMEs. Further, MSMEs themselves should look at increasing efficiency and sustain supply chain linkages through the automation of processes and electronification of payments. The broad objective should be to not only get the money to MSMEs, but to work on ways to support MSMEs utilize the fund appropriately.

DONATIONS TO GOVERNMENT & CHARITABLE INSTITUTIONS

Private donations by generous citizens can be a useful source for vulnerable segments affected by the emergency (such as migrant workers, rural poor, gig economy workers, etc.). Authorities can work with the government and private sector players to facilitate donations to government and non-government charitable funds through DFS.

GREEN FINANCE

There are similarities between a pandemic and climate risks, in that they both represent physical shocks, which then translate into socio-economic impacts.[1] Responses towards economic recovery post COVID-19 will provide an unprecedented opportunity for financial policymakers and regulators to adopt green approaches for a green and climate change resilient future. The responses can and should integrate clear green elements, such as direct green investment and projects, greening requirements for companies that receive support, or a certain percentage of state aid packages being directed to green purposes or green job creation. For those at the base of the economic pyramid, there are savings and benefits to be gained through a green transition. This relates to climate-smart agriculture, energy efficiency products and renewable energy sources, but also job creation and investments into resilience building, both socioeconomically and with relation to infrastructure. Thus, to cope with unexpected shocks require regulatory and supervisory authorities to build economic and environmental resilience.

> It is paramount that any economic stimulus packages will not accelerate climate change or environmental degradation. Throughout the recovery process, Environmental Impact Assessments should be performed for all projects, investments and stimuli, and these should not be sidestepped even if there will be a great urgency to take swift action. There could be considerations to put into place, guidelines on Environmental and Social Risk Management guidelines.
> There are opportunities related to renewable energy systems or energy efficiency systems for MSMEs, resilient housing, adaptation measures for agriculture sector and opportunities to create circular economy. DFS can play an accelerating role in all these opportunities. Further, there should be a specific emphasis on green FinTechs in the recovery phase through initiatives such as Innovation Investment Fund, focusing on green FinTech innovations or sandboxes for FinTechs.
> DFS can enable low carbon economy through initiatives, such as mobile money-enabled pay-as-you-go (PAYG) solar lighting and other utilities, which have prevented 28.6 million tons of greenhouse gas emissions and improved the health of off-grid solar system users.

MEASURING EFFECTIVENESS OF POLICY INTERVENTIONS

Authorities need to measure the effectiveness of policy interventions through periodic surveys, dipstick assessments, stakeholder interactions and global peer exchanges.

1 https://www.mckinsey.com/business-functions/sustainability/our-insights/addressing-climate-change-in-a-post-pandemic-world

ANNEXURE – COUNTRY EXAMPLES AND REFERENCES

I. PROMOTION OF DIGITAL PAYMENTS

> **Egypt:** Central Bank of Egypt - initiatives to promote digital payments - Link.

> **Liberia:** Central Bank of Liberia Response to COVID-19 - Link.

> **Rwanda:** The National Bank of Rwanda has introduced the following digital payment measures: - Link.

1. There will be no charges on all transfers between bank accounts and mobile wallets;
2. No charges on all mobile money transfers;
3. No merchant fees on payments for all contactless POS transactions;
4. Increasing the limit for individual transfers using mobile money wallets.

> **Sierra Leone:** The Bank of Sierra Leone urges customers to use the SEFT customer platform, internet banking, mobile banking, and other digital payment services. Customers, particularly those whose banks do not have internet banking or mobile banking applications, can approach their banks to register to use the SEFT customer platform - Link.

> **Kenya:** Central Bank of Kenya (CBK) announced a set of Emergency Measures to Facilitate the increased use of Mobile Money Transactions instead of cash - Link.

> **West African States:** BCEAO in West African States has provided multiple incentives to encourage the usage of digital payments, such as: - Link.

1. Free nationwide transfers of electronic money between people for amounts less than or equal to 5,000 CFA Francs, including transfers from bank accounts to electronic wallets, and vice versa;
2. Free payment of water and electricity bills, via mobile telephony, for amounts less than or equal to 50,000 CFA Francs;
3. The abolition of commissions paid by merchants on merchant payments, by issuers of electronic money, backed by electronic money.

> **Pakistan:** State Bank of Pakistan announced various Measures to Limit the Spread of Coronavirus (COVID-19) by Promoting the Use of Digital Payment Services - Link.

> **Uganda:** Measures to Mitigate the Economic Impact of COVID-19 on 20th March 2020 - Link.

> **Alliance for Financial Inclusion:** AFI COVID-19 Policy Response – Link.

> **Alliance for Financial Inclusion:** DFS: An effective response tool to COVID-19 - Link.

> Alliance for Financial Inclusion: Members highlight crucial COVID-19 policy responses - Link.

> **Alliance for Financial Inclusion:** FinTech for Financial Inclusion: A Framework for Digital Financial Transformation – Link.

> **GSMA:** Mobile money recommendations to central banks in response to COVID-19 – Link.

II. SECURE AND RESILIENT DIGITAL PAYMENTS & TECHNOLOGY INFRASTRUCTURE

> **Pakistan:** State Bank of Pakistan (SBP) announced various measures to Enhance Cyber Resilience Amid COVID-19 Threat - Link.

> **Seychelles:** The Central Bank of Seychelles (CBS) measures on business continuity plans - Link.

> **Solomon Islands:** The Central Bank of Solomon Islands (CBSI) has imposed new measures for the public to limit the exposure and risk related to COVID-19 - Link.

> **United States of America:** The Federal Deposit Insurance Corporation, USA - Coronavirus (COVID-19) Information for Bankers and Consumers - Link.

> **Italy:** Bank of Italy extends deadlines and other temporary measures to mitigate the impact of COVID-19 on the Italian banking and financial system - Link.

> **Federal Financial Institutions Examination Council's (FFIEC) -** Financial Regulators Highlight Coordination and Collaboration of Efforts to Address COVID-19 - Link.

> **New York, USA:** New York State Department of Financial Services Guidance to New York State Regulated Institutions and Request for Assurance of Operational Preparedness Relating to the Outbreak of the Novel Coronavirus – Link.

> **Alliance for Financial Inclusion:** Cybersecurity for Financial Inclusion: Framework & Risk Guide - Link.

> **Bank of International Settlements (BIS):** COVID-19 and operational resilience: addressing financial institutions' operational challenges in a pandemic - Link.

> **McAfee Endpoint Security 10.5** - Link.

- Managing the Impact of COVID-19 on Cyber Security, PWC - Link.
- Example from The State Data Protection Inspectorate of the Republic of Lithuania - Link.

III. ENABLING REGULATIONS

- Angola: On April 27, the Banco Nacional de Angola issued a new Notice that establishes a regime of "simplified accounts," which are bank accounts for natural persons and residents who do not meet all the conditions for opening them under the terms of the regulations that are then in effect - Link.
- Egypt: Central Bank of Egypt, Directive on AML/CFT and Customer Due Diligence - Link.
- Honduras: National Banking and Insurance Commission of Honduras is promoting digital payments by orienting the market on simplified digital signature usage - Link.
- Pakistan: State Bank of Pakistan announced a balanced approach for AML/CFT Regulations during COVID-19 Pandemic - Link.
- Financial Action Task Force (FATF): FATF Guidance 'COVID-19 related ML/TF Risks and Policy Responses" - Link.
- World Economic Forum: West Africans are switching from cash to mobile money because of COVID-19 - Link.
- United Kingdom: Digital sandbox - Coronavirus (COVID-19) Pilot - Link.
- Alliance for Financial Inclusion: Creating Enabling FinTech Ecosystems: The Role of Regulators - Link.
- Women's World Banking: Building Resilience: How to Ensure Women Are Not Left Behind as a Result of COVID-19- Link.
- Consultative Group to Assist the Poor (CGAP): Basic Regulatory Enablers for DFS, 2018 - Link.
- Bank of International Settlements (BIS): COVID-19 and operational resilience: addressing financial institutions' operational challenges in a pandemic - Link.
- Business Law Today: Tips for Working Remotely during the Coronavirus Pandemic- Link.

IV. AGENT AND MERCHANT OPERATIONS

- Pakistan: State Bank of Pakistan announced a balanced approach to facilitate Digital On-boarding of Merchants during the COVID-19 Pandemic - Link.
- Alliance for Financial Inclusion: Policy Model for E-Money - Link.
- PesaKit: PesaKit Insights and Responses to COVID-19 - Link.
- MSC Consulting and Caribou Data: The Role of DFS Agents during the COVID-19 crisis - Link.

V. FACILITATION OF ADDITIONAL USE CASES

- Bangladesh: As part of Bangladesh's Coronavirus relief efforts, the government is providing USD 30 a month to about 5 million impoverished families using one of the country's four mobile financial services - Primary Source
- Kenya: More than 1.1 million beneficiaries, mainly the elderly and people living with disabilities, will receive USD 75 on monthly basis - Link.
- Paraguay - The National Government provided liquidity giving subsidies to independent workers and people with limited resources; these are paid through e-Money accounts. The measure would not have been possible without the regulation of electronic payments of the Central Bank that permits the existence and operation of e-Money providers since 2014. The four registered companies participated in this program and disbursed the subsidies at no cost. Paraguay's largest support program consists of two monthly payments of about USD 85 each time per person. This is expected to reach 1.5 million people in the next two months (the total amount of the subsidy for this program would be approximately USD 255 million). To understand the importance of the program, it should be noted that it is designed to reach 30 percent of Paraguay's adult population and has the potential to increase financial inclusion considerably - Link, Link.
- Pakistan - Pakistan is undergoing the country's biggest ever social security program called "Ehsaas Emergency Cash Programme" worth of Rs144 billion to disburse Rs12,000 each to 12 million beneficiaries, who were stricken hard by the lockdown enforced due to Coronavirus, which led to the worst economic impact to the country. This was conducted through the DFS channel. The World Bank also hailed Pakistan's cash transfer emergency programme, saying it would be instrumental in mitigating the impact on the economy due to novel Coronavirus - Link.
- Malaysia: Bank Negara Malaysia, Measures to Assist Businesses and Households Affected by the COVID-19 Outbreak - Link, Link.
- Seychelles: The Central Bank of Seychelles (CBS) measures to support small businesses - Link.

> West African States: BCEAO support to small businesses - Link.

> India: USD 4.84 billion transferred to 160 million beneficiaries using DBT during COVID-19 lockdown - Link.

> International Monetary Fund (IMF): Digital Solutions for Direct Cash Transfers in Emergencies - Link.

> CGD: COVID-19: How Countries Can Use Digital Payments for Better, Quicker Cash Transfers - Link.

> Access to Insurance Initiative: Insurance business via mobile phones: regulatory challenges and emerging approaches - Link.

> McKinsey: Insurtech—the threat that inspires - Link.

> Alliance for Financial Inclusion: PPD pivotal for building MSME COVID-19 resilience - Link.

> Alliance for Financial Inclusion: SME Finance Responses to COVID-19 in AFI Member Countries - Link.

> Alliance for Financial Inclusion: Policy Framework for Responsible Digital Credit - Link.

> Money Compass: Contactless innovations keep the world moving amid COVID-19 - Link.

VI. COORDINATION AMONG NATIONAL STAKEHOLDERS

> Palestine: Palestinian SMEs can access low-cost financing under the Palestinian Monetary Authority's USD 300 million sustainability program. 98 percent of the businesses in Palestine are small and medium enterprises. The Palestinian economy is new and depends entirely on the activity of these businesses and enterprises, and the sustainability of these projects' operations require the provision of immediate liquidity at nominal interest rates, not more than 3 percent decreasing and a repayment period of 36 months, in order to contribute to the continuation of the work of these businesses, and increase their operational capacity and maintain their sustainability under the current circumstances - Link.

> Tunisia: The Ministry of Development, Investment and International Cooperation (MDICI) set up a Support Unit for the Private Sector (UASP Covid-19) to support Tunisian and foreign investors during the deconfinement process and thus, contribute to the coordination of government action. Through its structures and in coordination with representatives of the private sector, the MDICI is offering support to all actors in the investment ecosystem by providing them with a platform to collect their requests and information, and assistance during this period of deconfinement. This platform will also measure the impact of COVID-19 on companies operating in Tunisia.

> Sri Lanka: Mega Task Force to revive COVID-19-hit economy - Link.

> Bahamas: PM appoints COVID-19 Economic Recovery Committee - Link.

> Maldives: Establishment of National Taskforce on Resilience and Recovery - Link.

> Lao PDR: Taskforce Committee for COVID-19 Epidemic Prevention, Control and Response - Link.

> Italy: Taskforce formed by the Ministry of Economy and Finance, the Bank of Italy, ABI and Mediocredito Centrale - Link.

> United Arab Emirates - Set up of internal committee - Link.

> Worldometers: Countries where COVID-19 has spread - Link.

VII. CROSS THEMATIC ANALYSIS

> Alliance for Financial Inclusion Policy Framework for Responsible Digital Credit - Link.

> Interamerican Development Bank: Women in Latin America and the Caribbean face greater risks from the Coronavirus - Link (Spanish).

> UN Women: Women Leaders' Virtual Roundtable on COVID-19 and the Future issues call to put women and girls at the centre of response efforts - Link.

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> Third World Quarterly: Harman, Sophie (2015). Ebola, Gender and Conspicuously Invisible Women in Global Health Governance - Link.

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> The Atlantic: The Coronavirus is a Disaster for Feminism - Link.

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> Business Insider: Women are the front-line soldiers in the battle against Coronavirus - Link.

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> India: COVID-19: Why social distancing is a big worry for senior citizens - Link.

> Malaysia: Prime Minister's Speech on PRIHATIN Rakyat Economic Stimulus Package worth MYR 250 billion (USD 57.54 billion) - Link.

> Canada: Eligibility for the Canadian government's new COVID-19 aid for seniors - Link.

> McKinsey: Addressing climate change in a post-pandemic world - Link.

> Thomson Reuters Foundation: As a 'green stimulus', Pakistan sets virus-idled to work planting trees - Link.

> Alliance for Financial Inclusion: Inclusive Green Finance - A Survey Of The Policy Landscape - Link.

> Alliance for Financial Inclusion: Mainstreaming Inclusive Green Finance Policies for MSMEs - Link.

> United Kingdom: UK Financial Conduct Authority (FCA) – launched the Green FinTech Challenge to support companies developing innovative products and services, including live market testing in a regulatory sandbox – Link.

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