

KL Resolution on Proportionality in Practice

May 2015



“TOWARDS PROPORTIONALITY IN PRACTICE: FINANCIAL INCLUSION AND IMPLEMENTATION OF GLOBAL STANDARDS”

KL RESOLUTION ON PROPORTIONALITY IN PRACTICE

The Global Symposium “Towards Proportionality in Practice: Financial Inclusion and Implementation of Global Standards” was held in Kuala Lumpur, Malaysia, on 28-29 May 2015, co-hosted by Bank Negara Malaysia, the Toronto Centre, and the Alliance for Financial Inclusion (AFI), and supported by AFI’s technical working groups.

A Global Symposium

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Participants to the Symposium:

Reinforced the importance of the principle of proportionality in advancing a balanced approach to financial inclusion, stability and integrity;

Welcomed the progress that has been made by the global standard setting bodies (SSBs) in incorporating the principle of proportionality into their work;

Commended the efforts to implement proportionality in practice that have been initiated by some countries, which have improved wellbeing of the poorest by widening access to basic financial services, strengthening financial stability and integrity;

Recognized that challenges in the achievement of proportionality in practice remain, and therefore that the number of countries which have effectively implemented proportionate approaches is relatively low;

Noted that a common challenge is lack of capacity by regulators, supervisors, and financial institutions to implement proportionate approaches; and

Expressed concern that the acceleration of de-risking by international banks could have potentially harmful consequences for financial inclusion, and practical solutions should be sought through dialogue between the public and private sectors and between regulators.



THE SYMPOSIUM ACCORDINGLY CALLS FOR:

1. **Gathering** of data and evidence on the impact of implementing global financial stability standards in developing countries, highlighting the costs of unintended consequences and the benefits from proportionate approaches;
2. **Documentation** of successful regulatory and supervisory approaches to implementing proportionality (e.g. tiered KYC requirements, internal rating based approach to accurately define risk weights for SMEs);
3. **Communication** of such practices to stakeholders, including regulators, supervisors, SSBs, international organizations and financial institutions;
4. **Support** from international organizations and donors to build the capacity of regulators, supervisors, assessors and financial institutions to implement proportionate approaches;
5. **Public-private cooperation** at a national as well as global level to advance the implementation of proportionate approaches;
6. **Leveraging on technology** as a driver for achieving financial inclusion in a safe and sound manner, complementing proportionate regulation;
7. **Continuation** of peer learning for successful approaches to implementing proportionality globally; and
8. **Encouragement** to SSBs to continue integrating proportionality in practice into their work.

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