

Keynote Address H.R.H. Princess Máxima of the Netherlands, UNSG's Special Advocate for Inclusive Finance for Development

The 2011 AFI Global Policy Forum 'Taking stock, Setting goals, Moving forward' Riviera Maya, Mexico, 30 September 2011

Good morning Governors, Excellencies, ladies and gentlemen,

I am thrilled to be with you in person at AFI's third Global Policy Forum.

I say in person given that last year I spoke with you by video as part of the Leadership Roundtable. A whole year has gone by and I am inspired by the actions you are all taking to help advance financial inclusion—allowing innovation to happen, helping political commitment and when possible, making the necessary investments in the financial system infrastructure.

Why are you here? Historically your role as central bankers has been to assure stability in your financial systems, protect depositors, maybe guide monetary policy and maybe examine and approve new financial products. But the topic here highlights a growing interest that you all share. That is, how to combine your traditional roles with a pressing one, one of allowing more people to have more access to financial services—whatever these might be and whoever might provide them. This is a big challenge.

Increasing access means fostering new financial products and encouraging the spread of services available to both poor individuals and small and medium sized enterprises.

In practice, this has meant that many of ***you are at the forefront of policy innovation***. Especially considering that you are leap-frogging many traditional developments that occurred in the banking sectors in the developed world.

Take mobile phone banking, for example in the Philippines and in Kenya. This new product involved a technology and service that did not fall within the realm of the

central bank's central's role. There were so many unknowns and no policy precedent. And look where we are today.

Similar examples lie in Brazil with agent banking. Also here in Mexico with the creation of a tiered system that lets people open a basic financial account with fewer identification requirements. And BCEAO's review of its early e-money regulation and consumer protection shows that regulation is not a one-off event, but a continuous process of innovation.

In financial regulation there is no one size fits all solution.

The most successful approaches are those that are tailored to local contexts and needs. So, even if it has been done elsewhere, it may be brand new within your own national context. In this way, those of you who are building on experiences of peers elsewhere will have to further innovate.

Another demand that falls on regulators is ***maintaining a sound and safe system***. This is your core role and responsibility as Governor Carstens already stated on Wednesday.

So to your discussions yesterday about financial integrity and inclusion, I would like to add stability. There are no trade-offs between them, they are actually mutually reinforcing. Financial Inclusion helps reach financial stability by having broader savings base and a diversified loan portfolio. And financial stability will help financial inclusion as it will be delivered by diverse, strong and stable institutions. This complementarity is what I have conveyed most recently to the Basel Committee hoping to help the review of its Core Principles.

In my conversations and travels, I have sometimes observed a big emphasis on expansion of financial services. I have also observed what can happen when internal governance or external supervision of rapidly growing institutions does not keep pace. Until now, these new systems have been a small part of the financial system. So a crisis can be contained. This was the case in Andhra Pradesh, India. Problems were kept local on the stability front. The problem of course was the over-indebtedness of individual clients and the question of why did they actually get so many loans in the first place. So, this raises the issue of responsibility. Now, as

these new systems grow, we can start talking about systematic risk. And they will grow, I can assure you.

I just hope they do so visibly on your radar screens and in a way that every product is provided responsibly and it actually improves people's lives.

What we want is more of good. Not more of bad.

We want financial systems that are accessible while also promoting responsibility. Malaysia, Peru and more recently Uganda are but several examples where regulators are building consumer protection and increasing transparency in a comprehensive approach.

Good Supervision and monitoring are therefore very important to ensure soundness. But as financial inclusion increases, it may put more demands on supervisors. Supervisors may find they need to add capacity to handle larger volumes. Or acquire new skills and structures. A good example of that happened in Senegal, where the Government created the *Observatoire de la Qualité des Services Financiers* to address the need to monitor the quality of financial services in a different way.

Financial inclusion and stability both demand good data.

So, I am thrilled to see so many national data efforts accelerating. For example, Fiji and Samoa are preparing long-term plans to obtain solid financial inclusion data. I am also thrilled to mention that also global data efforts are accelerating, such as the IMF's Financial Access Survey. I cannot stress enough how important it is to respond properly to all indicators. Only in this way can we all count on reliable and comparable data. And of course, the work of the G20 on data, measurement and target setting. I know many of you are contributing to that already.

All this can be a challenge in the short-term. In the longer-term however, I believe that the kinds of innovations we are discussing today will make supervision and monitoring more effective. Mobile phones, electronic transactions, national payment systems or MFI common information systems. All these can provide real-time, consolidated, electronic data. This will give you a greater sense of patterns

and risks, and help you do a better job. Thus, it will be better for stability, integrity and inclusion.

We have so much to learn from each other. Three days once a year is probably not enough. I encourage you to document your experiences. Then ***be outspoken in sharing these lessons and best practices***. This is so useful for overall future policy development and also for building support. For example, last winter, I lead a meeting with six global financial standard setting bodies. In response to this conversation, the AFI network has shared national examples on how implementation affects inclusion, as well as the challenges in innovative regulatory solutions. The resulting case studies will be discussed at the follow-up meeting.

I am very happy that the President of Mexico as well as his Finance Minister and his Deputy will be here this afternoon. Political leaders of countries are the ones that will crystallize your good efforts by creating nation-wide support, partnership and scale for real impact.

By engaging the private sector in a broad manner. Providing incentives for business development services to grow. Enactment of laws. Investment in needed infrastructure. Public-private partnerships that create high volumes and therefore low costs for the clients. Partnerships that can advance health and agriculture policies, possibly through health insurance and schematic rural finance approaches ... social security, gender, sanitation, water, energy, pensions.... The list is endless. But all these are the issues that will change people's lives and the reason why we believe in financial inclusion. So, while central bankers maintain a focus on their core business of financial system regulation and supervision, we also need the leadership of Governments to make financial inclusion a reality.

When AFI started three years ago, financial inclusion was perceived as something in addition to your job. Now, dedicated central bankers like yourselves are beginning to include it within your core mandate. This is an enormous shift.

Now, we would like everyone to consider financial inclusion AS essential to financial stability, as financial stability is essential to financial inclusion.

I believe that in doing so, you will be attaining your institutional goals of building inclusive, responsible and stable financial systems in your country and around the world. In turn, this will contribute to sustainable and equitable economic growth for us all.

I look forward to the Mayan Declaration today and to hearing of your progress in the coming year. I would like to thank AFI for this successful forum.