



SOCHI ACCORD ON INCLUSIVE FINTECH

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Financial technology (FinTech) is driving rapid innovations in the financial services industry. These innovations can improve financial inclusion by broadening financial access “at scale” and improving the affordability and quality of financial services through “efficiency”.

At the same time, leveraging FinTech for financial inclusion creates new regulatory challenges and poses consumer protection, cyber-security, data protection/privacy, money laundering, and other risks.

Following the considerable developments in inclusive FinTech and the contributions from the Digital Financial Services Working Group (DFS WG) to the workstream with guidance and capacity building on topics such as consumer protection for digital financial services, cybersecurity, digital banking, central bank digital currencies, open finance, FinTech strategy, and more, an update to the Sochi Accord on FinTech for Financial Inclusion is proposed.

Therefore, at the 2022 AFI Global Policy Forum (GPF) in Amman, Jordan, we, the Members of the Alliance for Financial Inclusion (AFI), strengthen our determination and affirm our commitment to leverage digital financial services and inclusive FinTech for financial inclusion.

Inclusive FinTech centers should focus on the deliberate adoption of technological innovations to create, promote, and operate inclusive financial services, products, processes, applications, use cases, and business models that accelerate purposeful access and responsible usage of financial services.

Inclusive FinTech, therefore, aims at closing the gender gap, mitigating the negative effects of climate change, addressing de-risking challenges, facilitating the inclusion of Forcibly Displaced Persons (FDPs), reducing the financing gap for MSMEs, centering the needs of the underserved and vulnerable segments in its design, while ultimately promoting financial stability and integrity.

In this context, we have identified opportunities to strengthen peer learning and knowledge sharing within our network, to develop regulatory or policy interventions to balance innovations and oversight.

Since the adoption of the Sochi Accord in 2018, AFI has mainstreamed inclusive FinTech at global and regional levels to meet the members’ demand, through various AFI services such as the AFI’s DFS Working Group, capacity building, peer learning and exchange, developing-developed country dialogue, public-private dialogue, and in-country implementation programs.

In addition to the DFS working group deliberations, the Annual Global FinTech Dialogue – through the Developing-Developed Country Dialogue (3D) – serves as a key platform to identify inclusive FinTech topics of importance and relevance to the members.

Specifically, we:

- > **ACKNOWLEDGE** the positive impact of innovative, technology-based financial services (or FinTech) towards advancing financial inclusion, especially among vulnerable sections of the society, including MSMEs.
- > **PROMOTE** technological advancements that serve the distinct needs of the underserved, including cultural differences, gender, income patterns, and the level of digital literacy.
- > **RECOGNIZE** that innovative, technology-based financial services demand a review and relook at the existing regulatory approaches and structures.
- > **IMPLEMENT** strategies and regulatory approaches to reduce the gender gap in financial inclusion using technology.
- > **COMMEND** AFI's members that have taken concrete steps in leveraging FinTech to advance financial inclusion.
- > **WELCOME** innovative solutions, new business models, and successful cross-sector collaborations in delivering financial services to women, youth, older persons, FDPs, and other vulnerable segments of the population.
- > **HARNESS** and nurture the potential elements for FinTech, including innovations related to leveraging data and alternate credit assessment models, to alleviate information asymmetries and administration costs for financial institutions in dealing with the MSMEs to enhance their "Business Case" for financing.
- > **EXPLORE** inclusive FinTech opportunities that serve as pathways to identify and discover solutions to new and emerging priorities, including climate change, inclusive green finance, health, agriculture, and the new segments of the Fourth Industrial Revolution (4IR).
- > **LEVERAGE** FinTech innovations to build systemic resilience and lead effective response, management, and mitigation of the negative effects of local and global emergencies (natural or man-made).

The statement calls for members to:

- 1 **LEAD** in the development of knowledge and guidance, sharing of experiences, and advocacy for responsible inclusive FinTech through AFI's Digital Financial Services Working Group (DFSWG).
- 2 **DEMONSTRATE** through examples and case studies that FinTech advances financial inclusion and includes vulnerable sections of society, including MSMEs.
- 3 **BUILD** and reinforce institutional capacity and talent to clearly understand technological complexities and business model innovations to design regulatory interventions.

- 4 **CREATE** and participate in platforms to foster systematic dialogue and partnership among regulators, policymakers in developed and emerging market economies, FinTech companies, technology providers, Standard-Setting Bodies (SSBs), and academic researchers on the issue of inclusive FinTech for financial inclusion.
- 5 **COMMIT** to situate financial inclusion principles at the center of assessment, design, experimentation, and implementation of members' Central Bank Digital Currency (CBDC) initiatives.
- 6 **PROMOTE** a culture of innovation within the regulatory bodies as well as within the broader ecosystem.
- 7 **COMMIT** to identify, understand, improve, or develop new approaches to regulation and policymaking, along with the use of technology, to balance the benefits of financial services innovation, financial stability, and consumer protection mandates.
- 8 **CONCUR** to work towards developing Maya Declaration commitments with quantified targets on inclusive FinTech and call upon AFI to support members in formulating these commitments and delivering on them.
- 9 **SUSTAIN** mutual learning and knowledge exchange not only from peers in developing and emerging countries but also from advanced economies, reflecting their international experience in FinTech development and implementation of innovative/proportionate regulatory approaches through the AFI's joint learning platform.
- 10 **LEVERAGE** FinTech solutions to mitigate the impact of de-risking in developing and emerging countries.
- 11 **CALL** on financial institutions and private sector stakeholders to use FinTech solutions to break gender-specific barriers to financial inclusion and reduce the gender gap.
- 12 **ENHANCE** FinTech regulatory and supervisory approaches by developing and adapting frameworks, mechanisms, and tools to address emerging policy needs for innovations.
- 13 **DEPLOY** Regulatory and Supervisory Technologies tools to advance financial inclusion and mitigate consumer protection, anti-money laundering and counter-terrorist financing (AML/CFT), and other risks.
- 14 **STRENGTHEN** data protection and privacy for digital financial services to enable open data ecosystems to advance financial inclusion.

