Democratising Finance

19 June 2019
The 5th annual meeting of the ID4Africa movement
Contents

• Insights gained from others’ experience
• The South Africa approach
• Considerations for a roadmap to democratise digital finance
Insights gained from others
The India Stack

**Consent Layer**
- Provides a modern privacy enhanced framework for data sharing
- National Policy on Data Sharing

**Cashless Layer**
- Game changing electronic payment systems and transition to cashless economy
- IMPS, AEPS, APB, and UPI
- Aadhaar e-KYC, E-sign, Digital Locker

**Paperless Layer**
- Rapidly growing base of paperless systems with billions of artifacts
- Aadhaar Authentication

**Presence-less Layer**
- Unique digital biometric identity with open access of nearly a Billion users

**Sources:**
- Sanjay Jain

**Abbreviations:**
- JAM: Jan Dhan, Aadhaar, Mobile
Monetary Authority of Singapore ð Digital enablers

# 1 Trusted Digital Identity
# 2 Trusted Digital Architecture
# 3 Customer Consent Architecture
# 4 Public Infrastructure for Digital Economy
# 5 Data Residency Policies (open, privacy, ethical)
# 6 Scaled Computing (cloud, quantum & edge)
# 7 Open Architecture (API driven)
# 8 Digital Literacy, Talent & Entrepreneur Growth
# 9 Policy Making via Experimentation & Sandbox
# 10 Cybersecurity

Source: MAS, Sopnendu Mohanty – Chief Fintech Officer
Upcoming Scheduled Maintenance
The SingPass system will be undergoing scheduled maintenance to serve you better and will not be available on 2 June 2019, from 12am to 8am. Please plan your transactions in advance. Thank you for your understanding.

Source: https://www.singpass.gov.sg
e-Estonia

‘The most advanced digital society in the world’

we have built a digital society and so can you

Source: https://e-estonia.com/
The South African approach
Financial inclusion in South Africa

- Financial inclusion is the provision and use of **regulated, affordable and appropriate** financial services by those segments of society where financial services are needed but not provided, or are inadequately provided.
- For inclusion to be deemed as effective it is important financial products and services be not only available (accessible), but must also be **convenient, affordable, fair and trusted**, and in turn be used by most South Africans.
- The benefits of financial inclusion in South Africa speak directly to **positively addressing** some of the effects of past historical imbalances that have prevented previously economically marginalised South Africans from participating in the economic mainstream, and the resultant societal inequalities and high unemployment.

![Banking chart]

Source: NT, FinMark Trust & FinScope
National FI policy objectives

- Appropriate and affordable financial services;
- Measurable socio-economic benefits - improving the quality of lives;
- Co-ordination of and support for FI policies and initiatives;
- Responsible delivery of financial services to low-income earners and SMMEs;
- Cooperation and coordination to promote FI; &
- Measurement and monitoring of financial inclusion (FI).

Source: NT, FinMark Trust & FinScope
3 Policy pillars

- Deepen FI for individuals.
- Improve access to financial services for SMMEs.
- Leverage a more diversified provider and distribution base.

Source: NT, FinMark Trust & FinScope
FI policy and regulatory developments/ interventions

- The National Development Plan acknowledges the importance of FI.
- Financial Sector Charter and the subsequent Codes boosting access to transactional accounts.
- The Financial Sector Regulation Act (FSRA) – more later.
- NT is working to finalise an FI policy, which will include an intra-government Financial Inclusion Taskforce (FIT) and a Financial Inclusion Forum (FI Forum).

Cost of living is higher – More spend on consumption, less on savings, insurance, debt

Source: NT, FinMark Trust & FinScope
The Intergovernmental Fintech Working Group (IFWG) was started between SARB, Financial Intelligence Centre, Financial Sector Conduct Authority and National Treasury.

National Credit Regulator joined recently and SARS part of Crypto Asset Regulatory Working Group.

Established to allow regulators to understand, regulate and foster fintech with the objective to ensure the continued efficient functioning of financial markets, financial stability and that the interest of customers are safeguarded.

Held inaugural workshop during April 2018 focused on:

- Private cryptocurrencies;
- Financial inclusion;
- Innovation facilitation; and
- Regulatory and policy responses.

A workshop report was also released.
FINTech Workshop 2019

2019 workshops ð planning in progress

Tuesday 03 September 2019

- Digital identity
- Innovation for economic growth
- Artificial intelligence

Wednesday 04 September 2019

- Central bank issued digital currency
- Open banking
- Cybersecurity

Source: IFWG
Financial Sector Conduct Authority

- Objectives (include):
  - Enhance and support the efficiency and integrity of markets
  - Protect customers: Promoting fair treatment, providing financial education, promoting financial literacy and ability of customers to make sound financial decisions

- Functions (include):
  - Promote sustainable competition
  - Promote financial inclusion
  - Review perimeter and scope of regulation
  - Conduct & publish research
  - Monitor fair consumer outcomes
  - Formulate and implement strategies and programs for financial education

Source: The Financial Sector Regulation Act 9 of 2017

Prudential Authority (PA)

- Objectives (include):
  - Promote and enhance safety and soundness of financial institutions & market infrastructures
  - Protect customers against risk that financial institutions fail to meet their obligations

- Functions (include):
  - Support sustainable competition
  - Support financial inclusion
  - Review perimeter and scope of regulation
  - Conduct and publish research

Source: The Financial Sector Regulation Act 9 of 2017
Payments: Vision 2025

- The National Payment System Department (NPSD)’s Vision 2025 for the South Africa’s national payment system (NPS) highlighting 9 goals
NPS Act review

- The National Payment System Department (NPSD) during December 2018 released its policy paper on the NPS Act review for public comment which considers the existing payments regulatory framework as a result, amongst other things, developments such as innovation and fintech. Some of the fintech related recommendations include:
  - Recommendation 11 – which considers settlement in virtual currencies and central bank digital currency
  - Recommendation 13 – which consider opening up the settlement system to non-bank participants, potentially by establishing a framework for payment banks
The SARB's Fintech Unit is looking at

- The Fintech Unit has 3 focus areas:
  - Policy and regulatory implications
    - Currently busy with crypto ‘assets’ – updating existing position (for the SARB its 2014 position paper) > working in collaboration with the Intergovernmental Fintech Working Group (IFWG) based on analysis of different use cases
  - Fintech data collection
    - To information policy analysis
  - Innovation facilitation and collaboration
    - Project Khokha
    - IFWG workshop
    - Innovation hub, regulatory sandbox and innovation accelerator

Source: SARB’s Fintech Unit
Considerations for a roadmap
What do we need to look at to democratise finance?

- Policy frameworks supportive of innovation (Big P)
- National innovation framework (public and private sector, support for innovators, easy to do business, etc.)
- Agile adaptive regulatory framework and approachable regulators
- Coherent approach to data
- A cyber secure financial system
- Supporting technologies and infrastructure (cloud, APIs, cheaper data, bandwidth, etc.)
- Identity (trust framework)
- Education – including consumer (digital)
- eGovernment

Source: GvD
Thank You