

Democratising Finance

19 June 2019

The 5th annual meeting of the ID4Africa movement



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- Insights gained from others' experience
- The South Africa approach
- Considerations for a roadmap to democratise digital finance

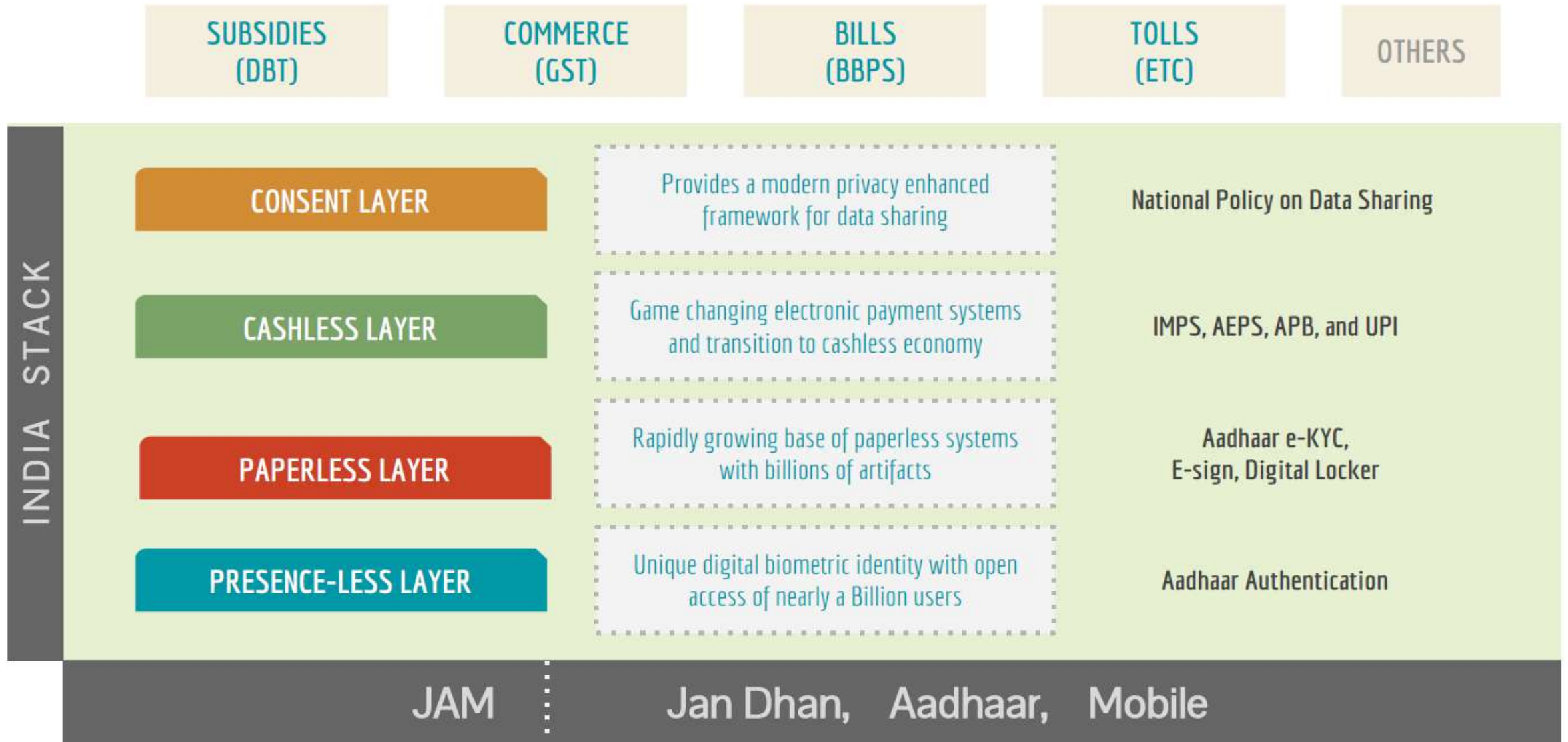


Insights gained from others



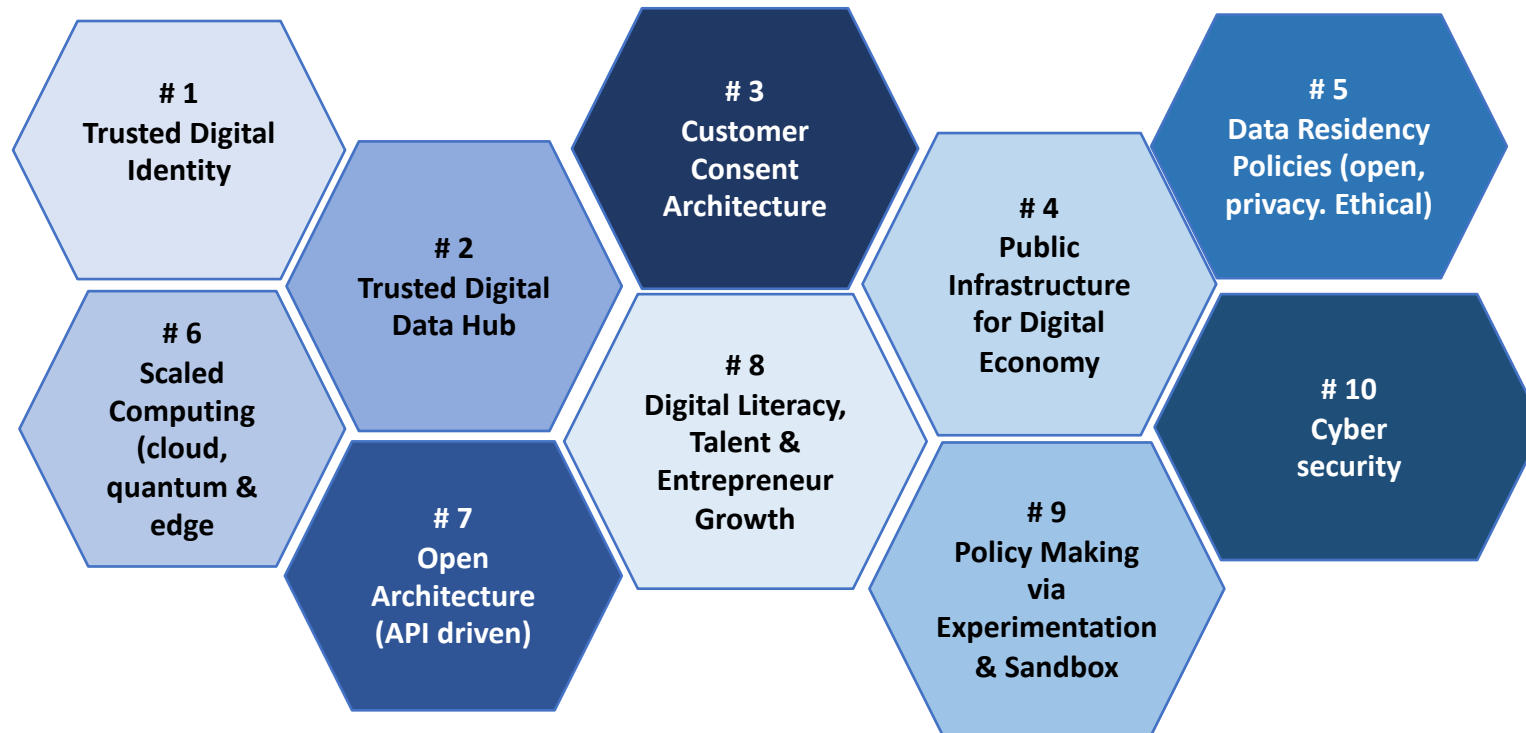
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The India Stack



Source: Sanjay Jain

Monetary Authority of Singapore ð Digital enablers



Source: MAS, Sopnendu Mohanty – Chief Fintech Officer



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
SingPass

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.

Singapore Personal Access
SingPass

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Source: <https://www.singpass.gov.sg>

e-Estonia

'The most advanced digital society in the world'



Source: <https://e-estonia.com/>



The South African approach



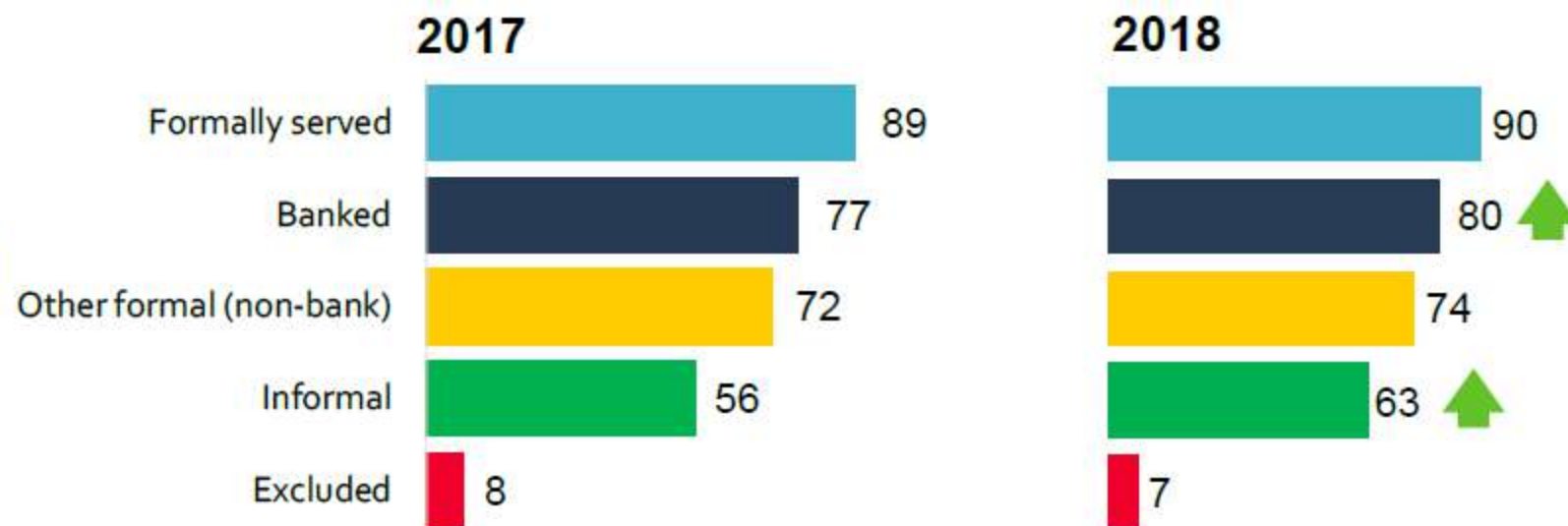
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Financial inclusion in South Africa

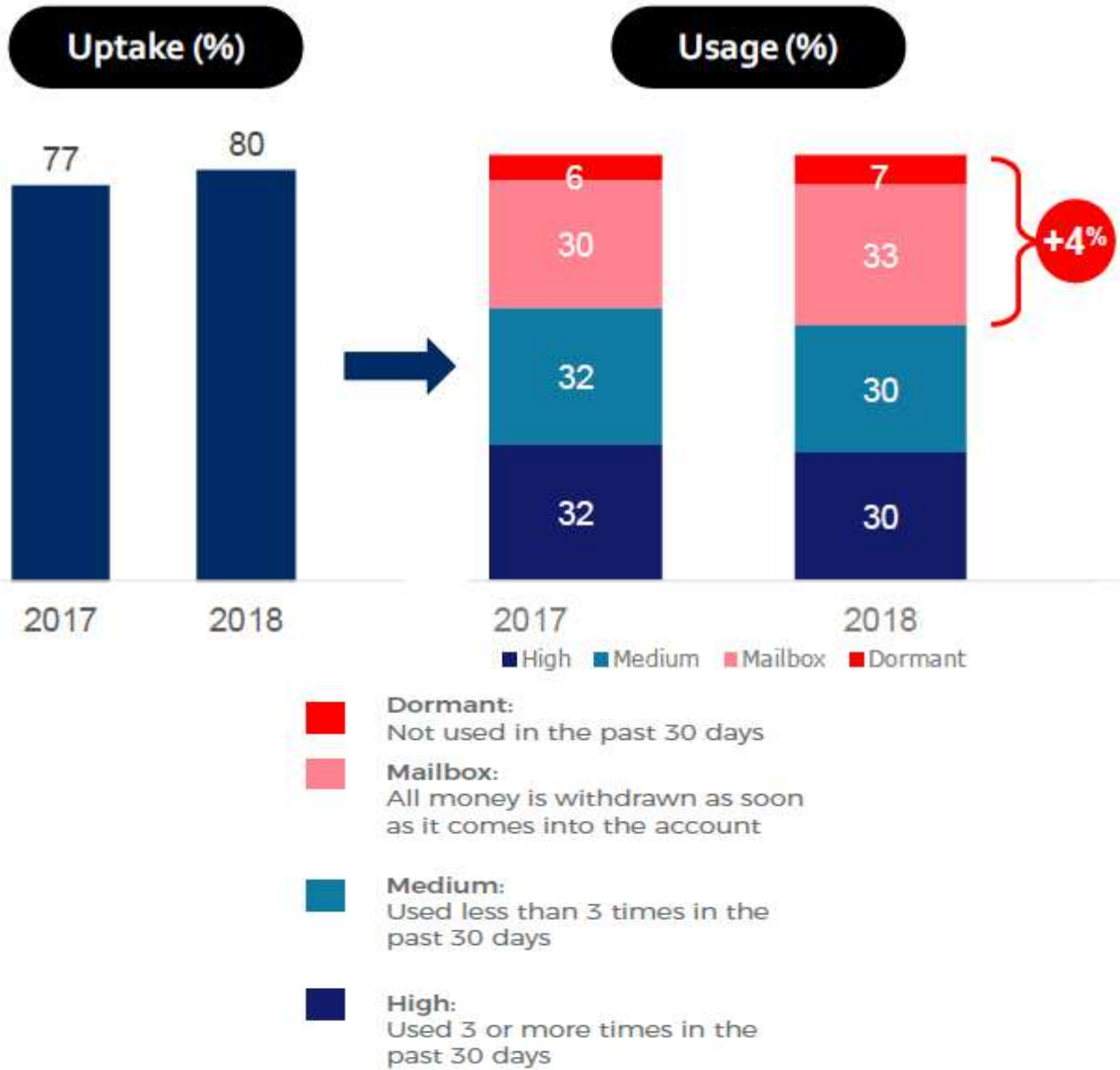
- Financial inclusion is the provision and use of **regulated, affordable and appropriate** financial services by those segments of society where financial services are needed but not provided, or are inadequately provided.
- For inclusion to be deemed as effective it is important financial products 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

Banked & informal increases



More people have bank accounts,
however, mailbox & inactive accounts increase



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).



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3 Policy pillars

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

Savings

Informal savings surges

Formal / Informal

Informal only

2018

5%

10%

2017

3%

5%

Uptake

35%

+7%

Formal

25%

+2%

Informal

18%

+8%

Grocery stamps

7%

+3%

Stokvels

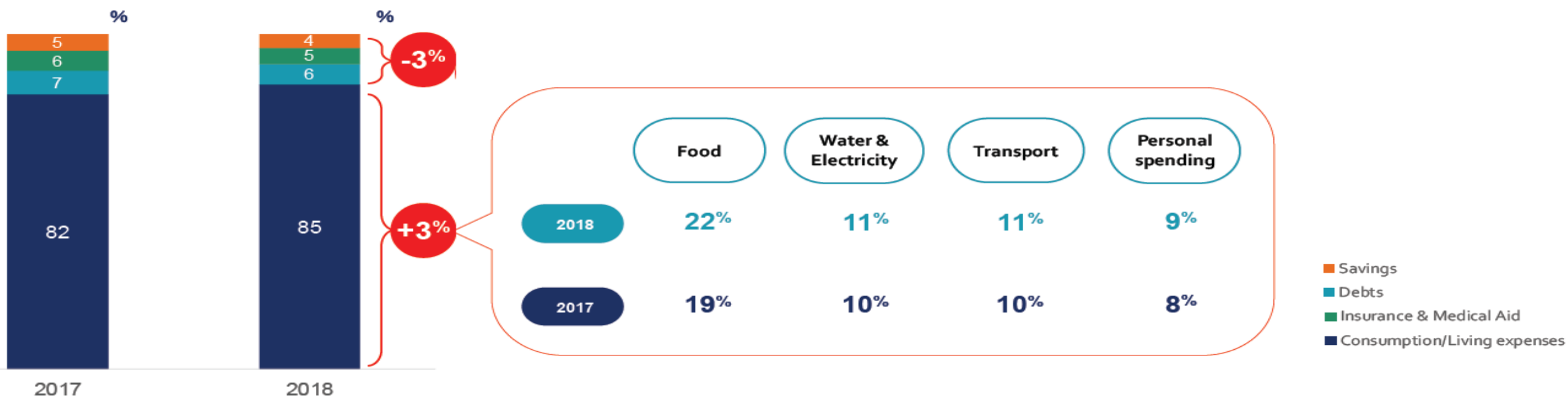
14%

+5%

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



- 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.

IFWG

- 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.



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FINTECH WORKSHOP

2019

6 workshops over 2 days

Wednesday 04 September 2019

- Central bank issued digital currency
- Open banking
- Cybersecurity

Source:IFWG



2019 workshops ð planning in progress

Tuesday 03 September 2019

- Digital identity
- Innovation for economic growth
- Artificial intelligence



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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

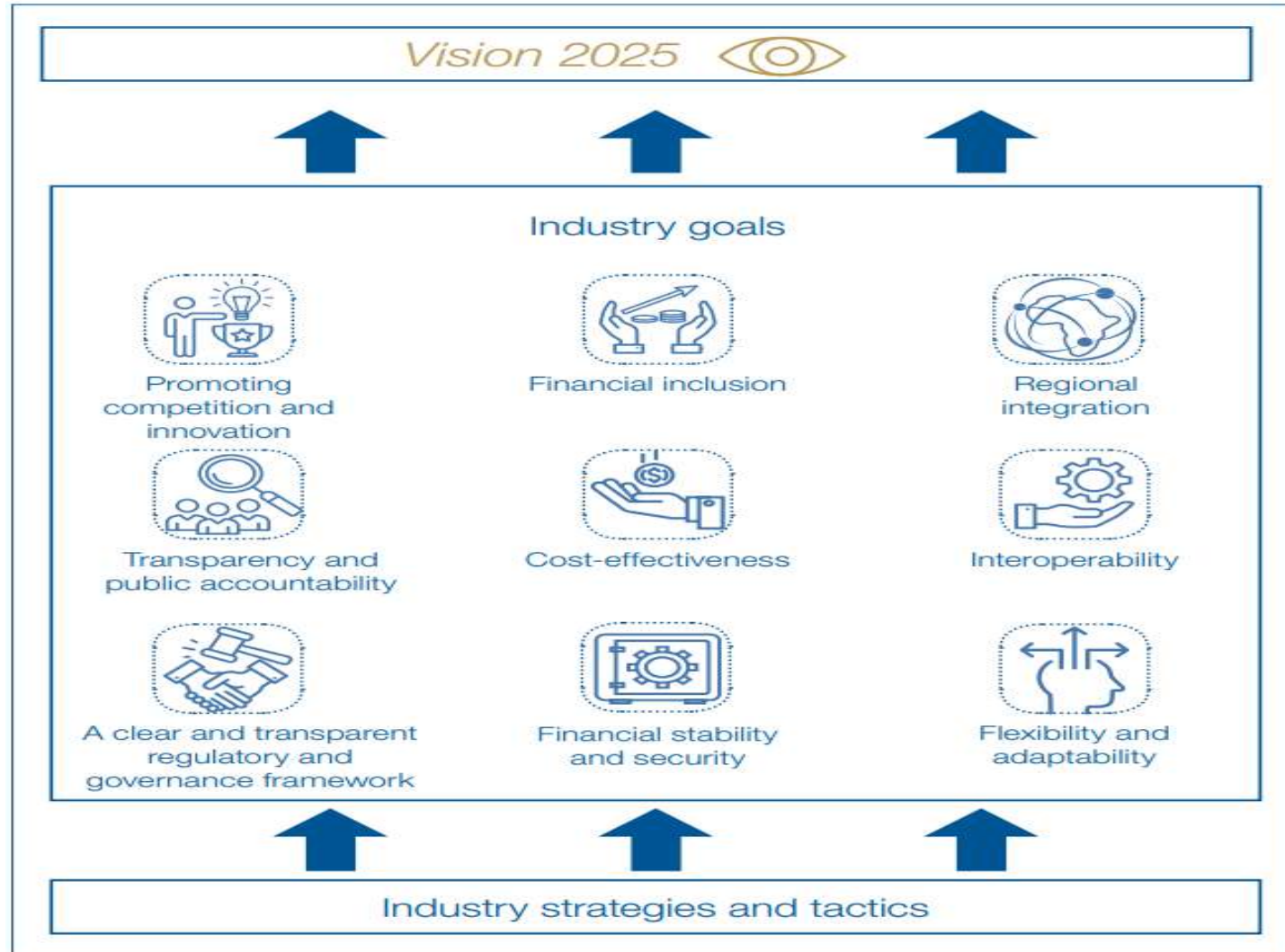
Prudential Authority (PA)

- 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



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) 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



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Source: SARB's Fintech Unit

Considerations for a roadmap



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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



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Thank You



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