

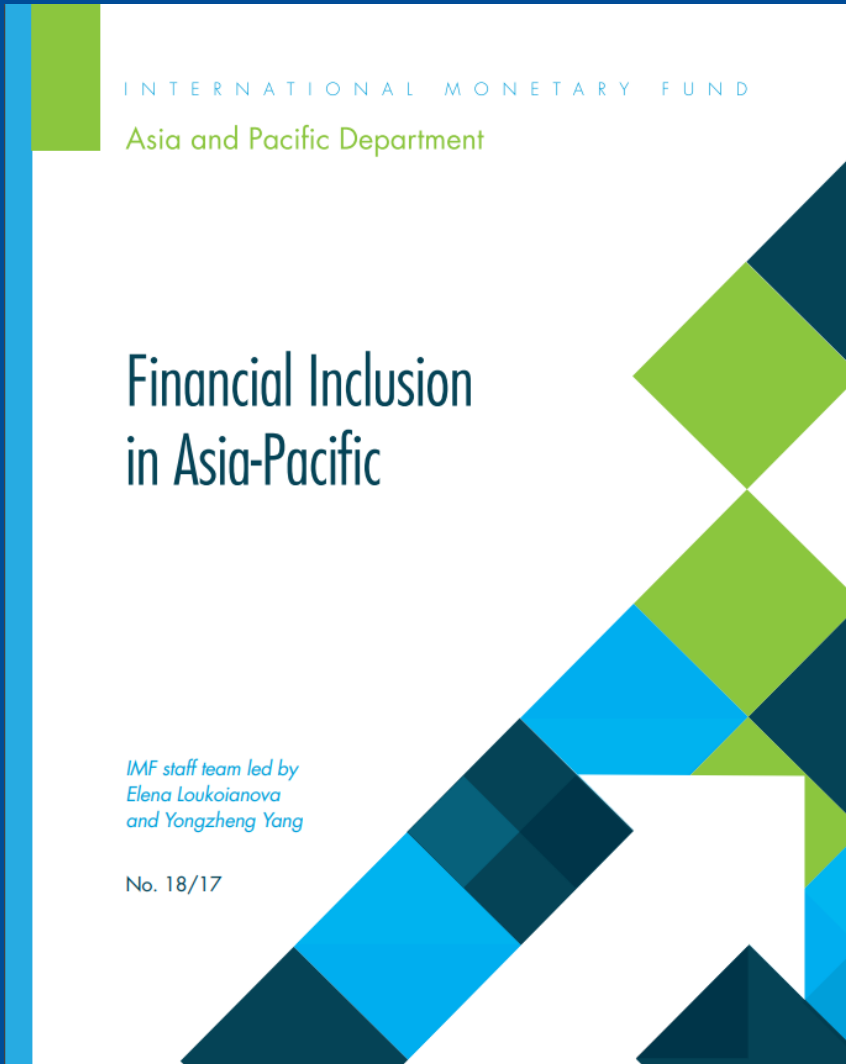


Fintech and Financial Inclusion Apia, Samoa

NOVEMBER 13, 2018

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International Monetary Fund

Financial Inclusion in Asia - Pacific



- Asia is a leader... But there are big gaps: rich/poor, men/women and rural/urban

Lessons

- Pursue a “holistic” approach across macroeconomic, financial, structural reforms and regulatory policies to close inclusion gaps.
- Allocate resources for infrastructure to encourage social experimentation and partnership between public/private sectors
- Fintech should be a part of the financial inclusion strategy. Public/private partnerships and experiments foster innovation
- Tilt policies to disadvantaged groups to close the digital divide. Improving financial and technology literacy is a priority.

Benefits of Financial Inclusion

Economic Growth

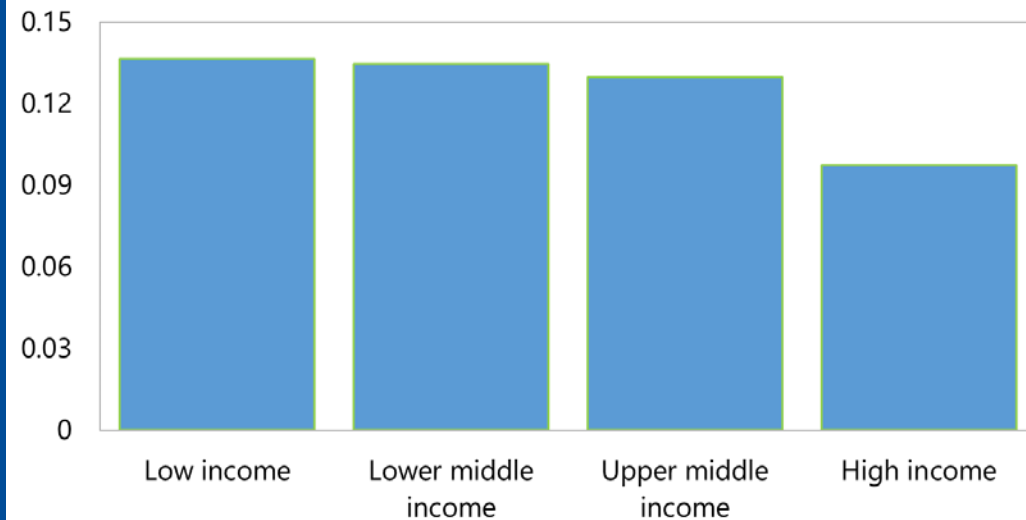


Inequality



Financial Inclusion and Growth by Country Income Levels 1/

(In percent)

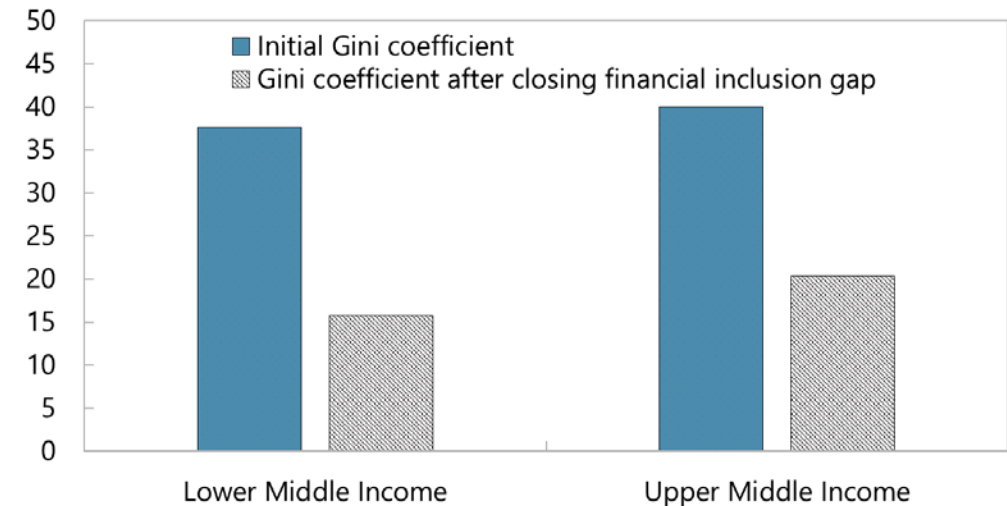


Source: IMF staff estimates.

1/ Marginal effect of financial inclusion on growth at different country-income level, following the World Bank's classification. The estimates apply the median incomes in each income group to calculate the estimated marginal effects of each group.

Financial Inclusion and Inequality

(A decline in Gini coefficient if a country reaches Singapore's level of financial inclusion)



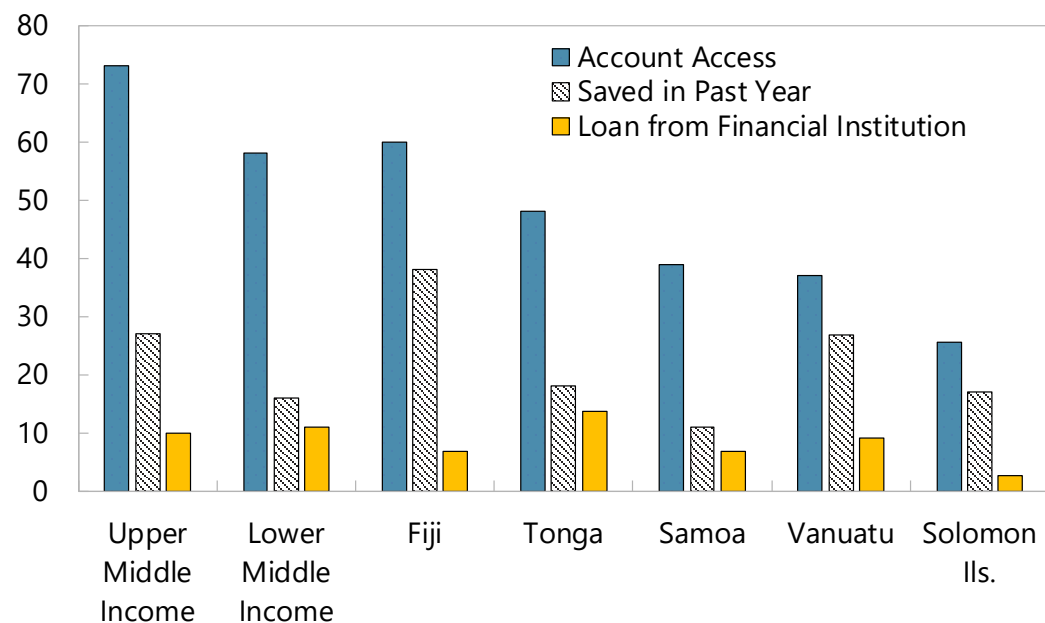
Note: Income Classification based on World Bank Definition.

Sources: World Development Indicators, and IMF Staff Estimates

Financial Inclusion in Asia Pacific

Financial Inclusion in the Pacific

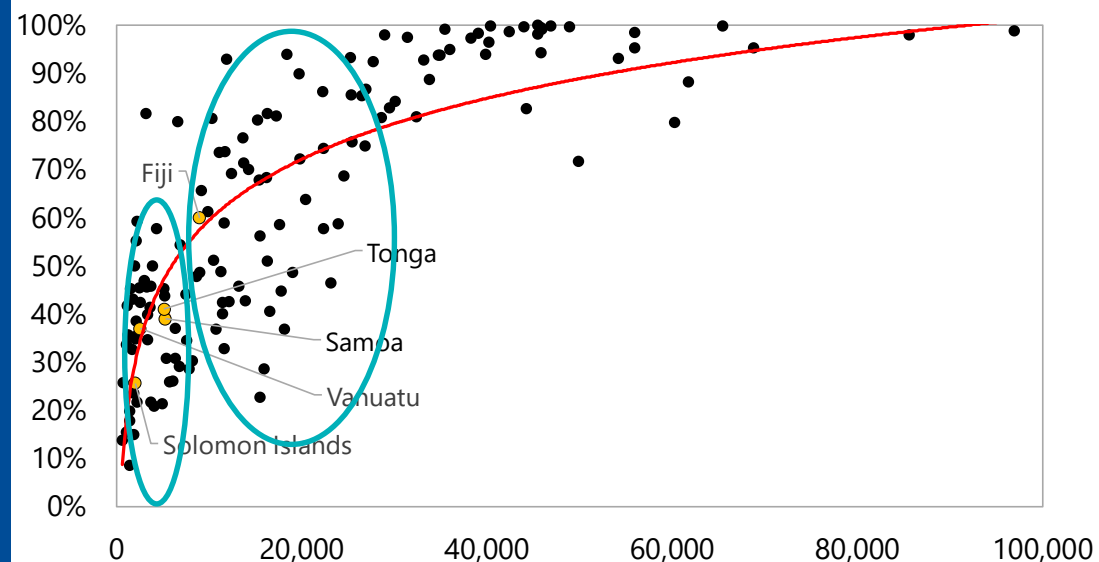
(In percent of Population)



Sources: PIRI Demand Side Surveys and Global Index

Access to Account by Income Level, 2017

(In percent and U.S. dollars)



Sources: World Bank's Global Findex, IMF's World Economic Outlook and IMF Staff Calculations

THE BALI FINTECH AGENDA

#BaliFintech



I. Embrace the Promise of Fintech

II. Enable New Technologies to Enhance Financial Service Provision

III. Reinforce Competition and Commitment to Open, Free, and Contestable Markets

IV. Foster Fintech to Promote Financial Inclusion and Develop Financial Markets

V. Monitor Developments Closely to Deepen Understanding of Evolving Financial Systems

VI. Adapt Regulatory Framework and Supervisory Practices for Orderly Development and Stability of the Financial System

VII. Safeguard the Integrity of Financial Systems

VIII. Modernize Legal Frameworks to Provide an Enabling Legal Landscape

IX. Ensure the Stability of Domestic Monetary and Financial System

X. Develop Robust Financial and Data Infrastructure to Sustain Fintech Benefits

XI. Encourage International Cooperation and Information-Sharing

XII. Enhance Collective Surveillance of the International Monetary and Financial System

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Cost and Benefits of Fintech in the Pacific

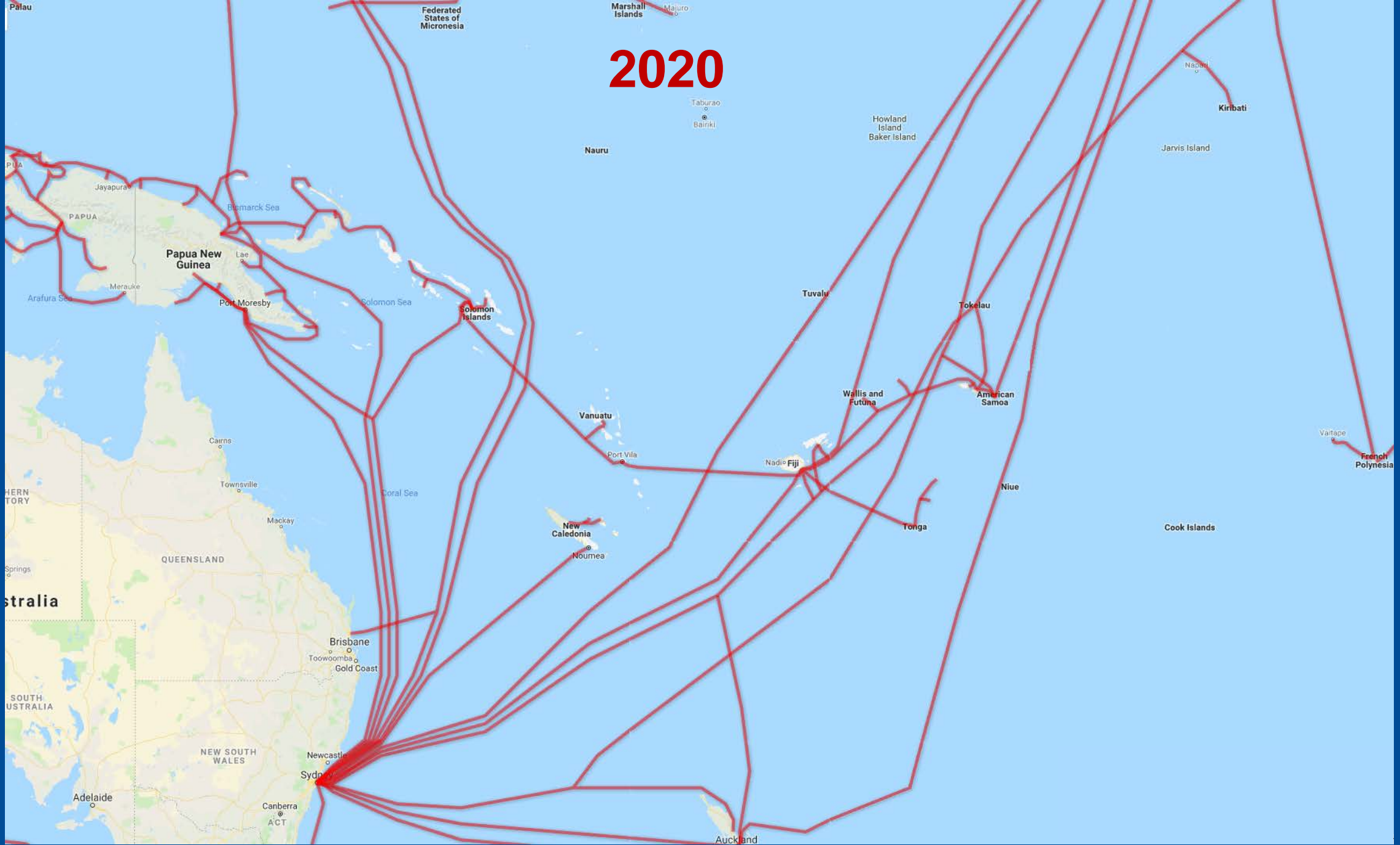
Costs/ Constraints

- Difficulty spreading technology (interoperability, affordability, lack of basic infrastructure e.g. electricity)
- Limited domestic capacity (knowledge, skills etc.) among regulators
- Access but not usage
- Low levels of financial and digital literacy/consumer protection among consumers

Benefits

- Small scale allows networks to be setup quickly and can easily apply successful models in many markets.
- High volume, low value transactions business model better fit for mobile network operators and technology providers than financial institutions.
- Given this is a crucial moment for financial and technological development in the Pacific it could be a good time for change.
- Given the region's links to several fintech hubs (USA, GBR, JPN, AUS, NZL, SGP) skills may be relatively easy to access

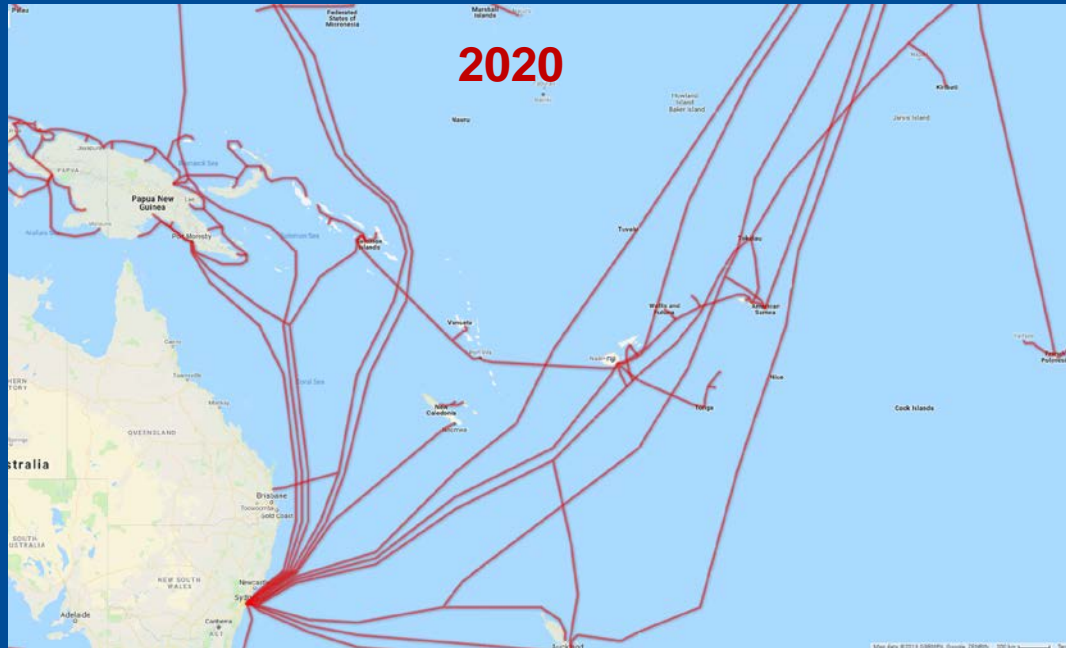
2020



EMBRACING THE PROMISE OF FINTECH

BUILD ADEQUATE AND RESILIENT INFRASTRUCTURE AND MARKET ENVIRONMENT

- Ensure reliable electricity, internet and cellular network coverage across the country.
- Promote competitive incentive structures for market participants.
- Foster digital and financial literacy.



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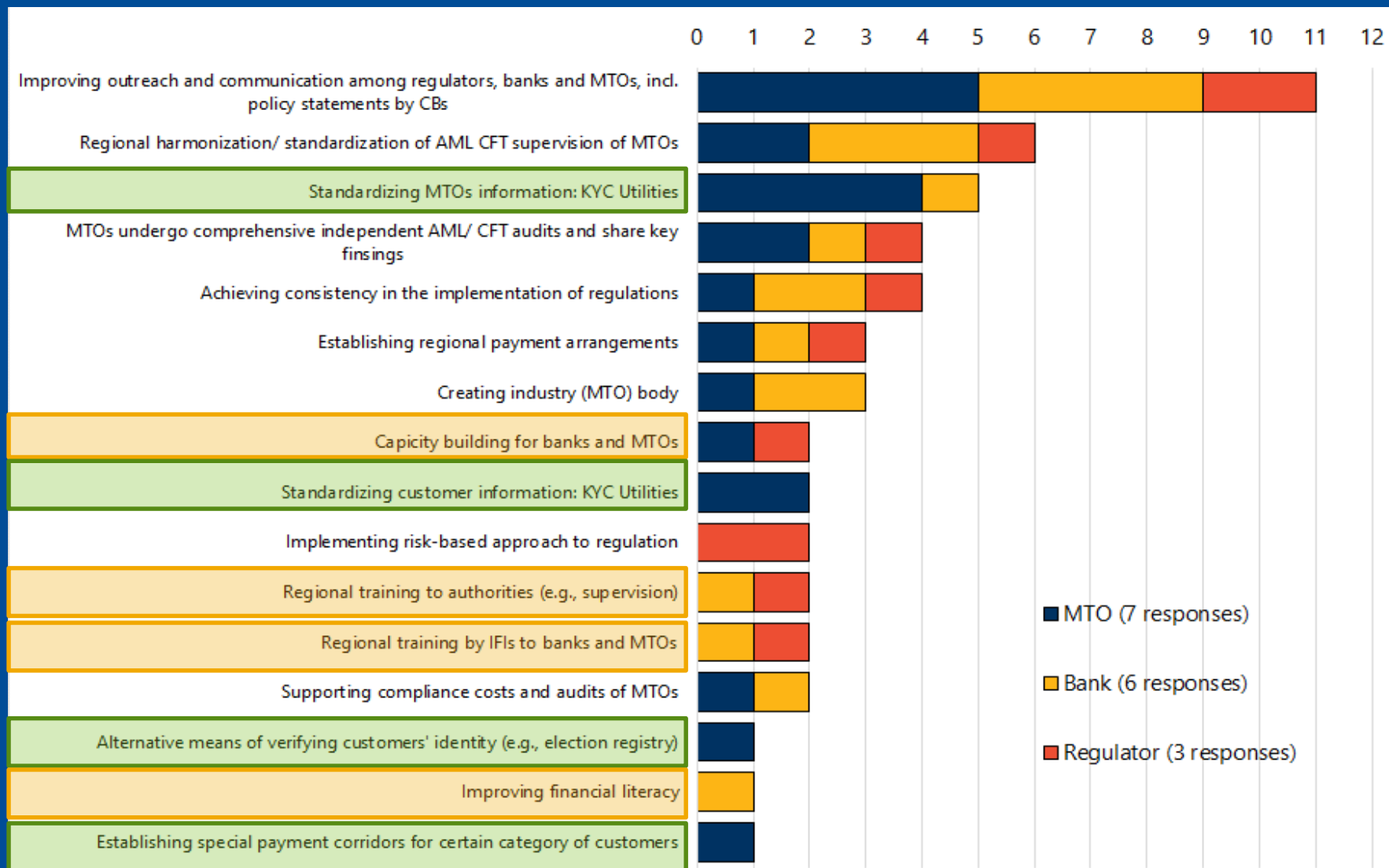
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SAFEGUARDING FINANCIAL STABILITY AND INTEGRITY

- Establish regulatory sandboxes, innovation hubs and appropriate legislative models
- Leverage technology for KYC requirements
- Ensure regulators can use technological solutions for financial supervision

Fintech for AML/CFT- Results from the Pacific Roundtables



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THE BALI FINTECH AGENDA

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**XI. Encourage International
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ENCOURAGING REGIONAL COOPERATION

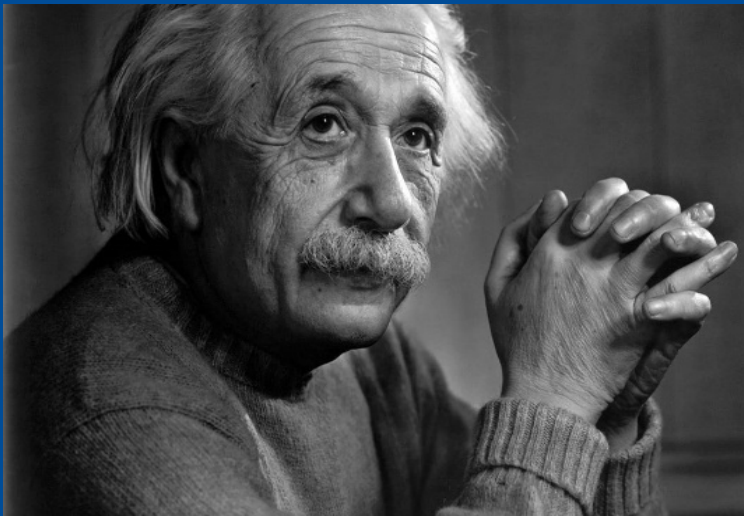


SHARE KNOWLEDGE AND COLLABORATE

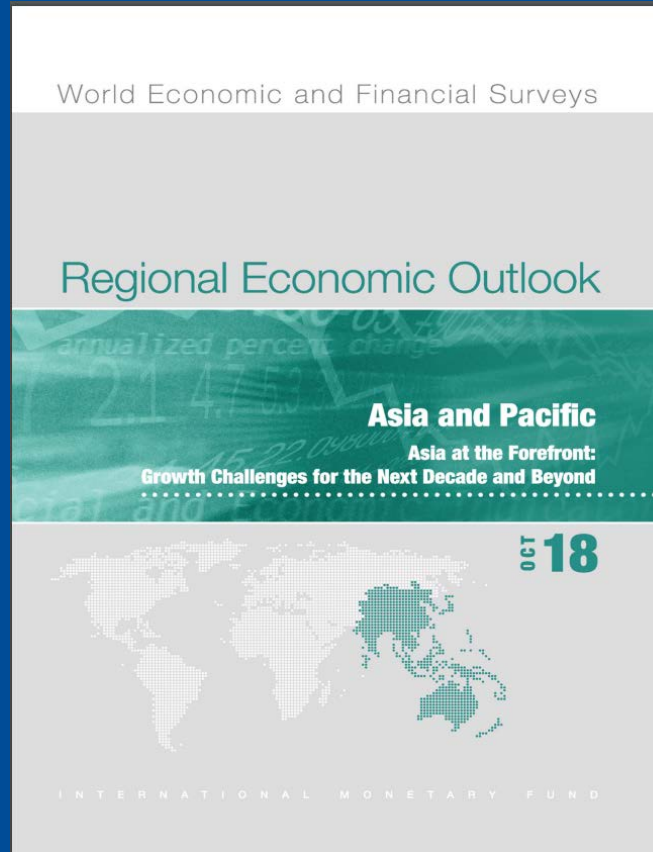
- Establish regional networks and collaboration.
- Promote education and build capacity through training.
- Foster collaboration among financial service providers and regulators.

Caveats and Risks

Not everything has or needs a technical fix!



Fintech is not an inclusion panacea.



Fintech introduces new risks.





The Way Forward

Backup slides

Territories without Fiber Optic Internet - 2012

Pacific

- Timor-Leste
- Solomon Islands
- Vanuatu
- Tonga
- Kiribati
- Palau
- Cook Islands
- Wallis and Futuna
- Nauru
- Tuvalu
- Norfolk Island
- Niue
- Tokelau
- Pitcairn Islands

Rest of World

- Eritrea
- Guinea-Bissau
- Western Sahara
- Saint Helena
- Falkland Islands
- Christmas Island
- Ascension Island
- Antarctica
- Cocos Islands
- South Georgia & South Sandwich Islands

Territories without Fiber Optic Internet -Today

Pacific

- Timor-Leste (under discussion)
- Solomon Islands (2019Q4)
- Vanuatu (2014)
- Tonga (2014)
- Kiribati (end-2019)
- Palau (2018)
- Cook Islands (2019)
- Wallis and Futuna (2018)
- Nauru (end-2019)
- Tuvalu (under discussion)
- Norfolk Island
- Niue (2019)
- Tokelau (2020)
- Pitcairn Islands

Rest of World

- Eritrea
- Guinea-Bissau
- Western Sahara
- Saint Helena (2020)
- Falkland Islands
- Christmas Island
- Ascension Island
- Antarctica
- Cocos Islands
- South Georgia & South Sandwich Islands

SAFEGUARDING FINANCIAL STABILITY AND INTEGRITY

Important to distinguish between

- Cryptocurrencies
- Central bank digital currencies
- Retail digital currency