

FINTECH, FINANCIAL INCLUSION AND SUSTAINABLE INVESTMENT

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ADA Chair in Financial Law (inclusive finance)

The presentation is based on two papers written by Douglas Arner, Ross Buckley and Dirk Zetsche:

- 1) *FinTech for Financial Inclusion – A Framework for Digital Financial Transformation*, <https://ssrn.com/abstract=3245287>, and
- 2) *Driving Digital Financial Transformation in Support of the SDGs - A Strategy to Leverage FinTech for Financial Inclusion, Development, Stability and Integrity*, <https://ssrn.com/abstract=3387359>

Topic

- *FinTech & Sustainable Investments as buzzwords*
- *Financial Inclusion and Sustainable Investment real-world needs*
- *Investment flows into digitalization of finance and SI↑*
- *Is there a link? Where is the link?*
- *How can we further sustainable investments?*

Agenda

A. Topic v

B. Definitions

C. FT4FI as necessary intermediate step for SI

D. Towards a Framework for Digital Financial Transformation

E. Conclusions & Take Aways

B. Definitions

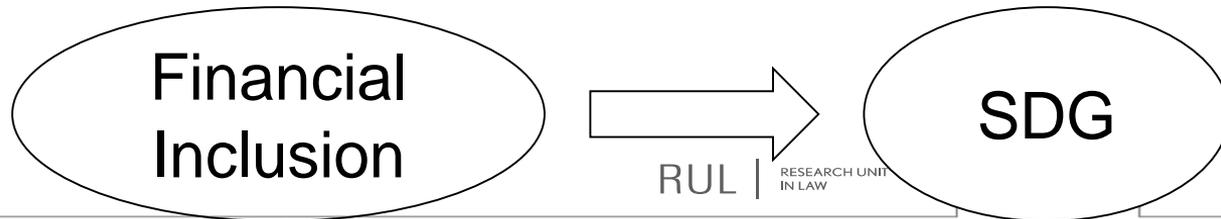
- *FinTech*
- *Financial Inclusion: ensuring access to financial services*
- *Sustainable Investments: investment that furthers the SDGs*

C. FT4FI as precondition for reaching the SDGs

- *Neither FinTech nor financial inclusion mentioned explicitly in the SDGs; but lots of initiatives (AFI, UN, Worldbank etc.)*
- *Theses:*
 - *(1) Financial Inclusion & SDGs two sides of same coin*
 - *(2) Financial Inclusions depends on FinTech*
 - *(3) FT a precondition of any successful SDG strategy*

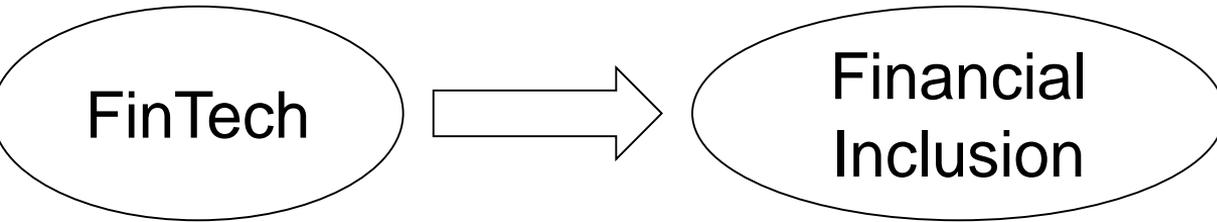
FT4FI as precondition for reaching the SDGs

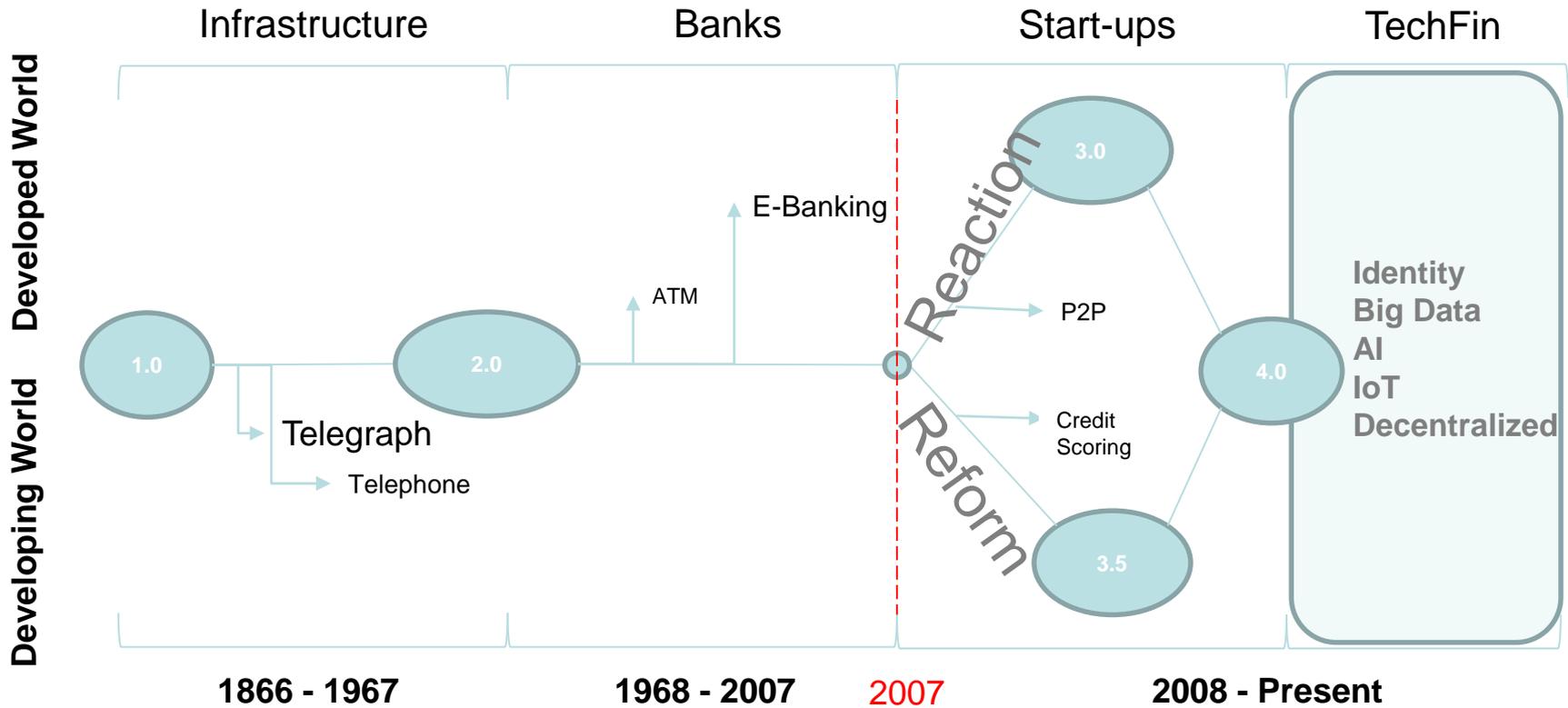
- *(1) SDGs preconditioned on Financial Inclusion*
 - *risk management: theft => higher consumption; solution: bank-like storage & transport*
 - *health risks - long education of little value; insurance secures long-term productivity, justifies education*
 - *Promoting prosperity while balancing risks (UNSDGs) = FI*



FT4FI as precondition for reaching the SDGs

- *(2) Financial Inclusion depends on FinTech*





Mobile vs Banking Penetration

Within developing parts of Asia, mobile phone ownership is more wide-spread than Bank account registration:

China

Population: 1.35bn
Formally Banked: 63%
Mobile Phone: 89%

India

Population: 1.25bn
Formally Banked: 35%
Mobile Phone: 71%

Malaysia

Population: 29.7m
Formally Banked: 66%
Mobile Phone: 131%

Australia

Population: 23.1m
Formally Banked: 99%
Mobile Phone: 107%



South Korea

Population: 50.2m
Formally Banked: 93%
Mobile Phone: 111%

Japan

Population: 127.3m
Formally Banked: 96%
Mobile Phone: 115%

Vietnam

Population: 89.7m
Formally Banked: 21%
Mobile Phone: 131%

New Zealand

Population: 4.47m
Formally Banked: 99%
Mobile Phone: 106%

FT4FI as precondition for reaching the SDGs

- *(3) FT is a precondition of any successful SDG strategy*



No.	Goals	Impact	How FT4FI can further goal
1	No poverty	I	Allow for online financing, including credit and crowdfunding; create new income opportunities through online markets and payments; reduce impact of disasters
2	Zero hunger	I	Enhance financial stability; stabilize cash-flows through saving and lending
3	Good health and well-being	I	Provide health insurance and financial stability Enhancing government income and reducing leakages to increase financing available for health
4	Quality education	I	Enable financial planning and saving for school fees; Enhancing government income and reducing leakages to increase financing available for education
5	Gender equality	D	Strengthening female entrepreneurship and financial control
6-7	Water, sanitation, energy	I	Financing development and maintenance of infrastructure; further education of local sustainability expertise
8	Decent work and economic growth	D	Enable online financing, credit and crowdfunding; new (online) income and business opportunities
9	Industry, Innovation and Infrastructure	D	Provide financing for development and maintenance of infrastructure Enhancing government income and reducing leakages to increase financing available for infrastructure and R&D
10	Reduced inequalities	D	Enable funding of education and savings which provide the best opportunity for greater participation
16	Peace, justice and strong institutions	I	Robust economic development strengthens peace and civil institutions Enhancing government income and reducing leakages to improve governance, institutions and public trust
17	Partnerships	D	FT allows for engagement of private actors, multiplying assistance of public or state-supported actors

FT4FI as precondition for reaching the SDGs

- *Theses:*
 - *(1) Financial Inclusion & SDGs two sides of same coin ✓*
 - *(2) Financial Inclusions depends on FinTech ✓*
 - *(3) FT a precondition of any successful SDG strategy ✓*
- *How to move forward?*

FinTech for Financial Inclusion

- A Report to the Alliance for Financial Inclusion -

Designing a Framework for Digital Financial Transformation

Douglas W. Arner
Ross P. Buckley
Dirk A. Zetsche

FT4FI (report to AFI)
www.ssrn.com/abstract=3245287



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D. Designing a framework for (inclusive) digital financial transformation

- Objectives: financial inclusion, growth, financial stability, market integrity
- **Pillar I: Empowering Access Digital ID / eKYC / simplified account opening**
- **Pillar II: Enabling use:** Digital payments infrastructure and open electronic payments systems
- **Pillar III: Scaling use** – digitisation of government payments and provision of services
- **Pillar IV: Expanding the quality and range of services:** Designing financial systems and structures

D. Designing a framework for (inclusive) digital financial transformation

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- **Pillar I: Empowering Access Digital ID / eKYC / simplified account opening**
 - Examples do exist for official ID systems (Adhaar etc.)
 - Business ID ≠ Official ID
 - Remanufacture Official ID from Business ID!

Digital ID/KYC Utilities

www.ssrn.com/abstract=3224115



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 - Reduce entry costs
 - Important: remittances

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 - Examples: state subsidies, health services

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- **Pillar III: Scaling use** – Digitisation of government payments and provision of services
- **Pillar IV: Expanding the quality and range of services:** Designing financial systems and structures
 - From payment to credit to insurance to wealth management

E. Take Aways

- (1) Financial Inclusion & SDGs two sides of same coin*
- (2) Financial Inclusion depends on FinTech*
- (3) FT a precondition of any successful SDG strategy*

Recommended Readings on FinTech and Financial Inclusion

TechFin / Data-driven Finance

www.ssrn.com/abstract=2959925



FT4FI (report to AFI)

www.ssrn.com/abstract=3245287



Distributed Ledgers / Blockchain

www.ssrn.com/abstract=3018214



Regulatory Sandboxes

www.ssrn.com/abstract=3018534



ICO Goldrush

www.ssrn.com/abstract=3072298



Digital ID/KYC Utilities

www.ssrn.com/abstract=3224115



Against Hard Interest Rate Caps and
Pro FinTech / RegTech

www.ssrn.com/abstract=3159202



Thanks!

FT4FI

www.ssrn.com/abstract=3245287



FT4FI vs SDGs

<https://ssrn.com/abstract=3245287>



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