INVESTING IN RESPONSIBLE DIGITAL FINANCIAL SERVICES
Part I – Overview of Guidelines

Revised May 30, 2018
I. Objectives

The Guidelines for “Investing in Responsible Digital Financial Services” (Investor Guidelines) strive to proactively implement evolving standards of the G20 High Level Principles for Digital Financial Inclusion (G20 HLPs) which was launched in 2016 with China as holder of the G20 Presidency. The G20 HLPs were developed by a team of leading policy experts and industry practitioners, given increased opportunities and evolving risks emerging in digital financial services – for customers, sectors and markets across the globe. The G20 HLPs represents the most comprehensive standards that are being implemented at the national policy levels to advance the growth of digital financial inclusion. Hence, the objective of the Investor Guidelines is to promote responsible DFS investments and to contribute to broader financial inclusion and sustainable development.

Signatories of the Investor Guidelines commit to:

- Catalyzing value-added investments and enhanced sustainability
- Managing digital risks and opportunities with evolving evidence
- Fostering customer trust and resiliency through digital inclusion

II. Statement of Commitment

“As Signatories, our goal is to accelerate investments that create value-added benefits for digital finance customers and broader digital ecosystems. We strive to catalyze investments in responsible digital innovation. We collaborate with industry and technology leaders as partners to fine-tune evolving solutions, emerging evidence and business models for inclusive growth.”

A. Overview of Guidelines

Guideline 1: Promote Responsible Investment in Digital Finance
Guideline 2: Manage Risks Comprehensively with Growth of Digital Inclusion
Guideline 3: Foster a Proportionate Legal and Regulatory Framework
Guideline 4: Facilitate Interoperability and Infrastructures for DFS Ecosystems
Guideline 5: Establish Customer Identity, Data Privacy and Security Standards
Guideline 6: Promote Fair and Transparent Pricing
Guideline 7: Improve Disclosure of Terms and Conditions for Customers
Guideline 8: Enhance Customer Services for Problem Resolution and Product Innovation
Guideline 9: Prevent Over-indebtedness, Strengthen Digital Literacy and Financial Awareness
Guideline 10: Track Progress to Mitigate Risks and Expand DFS Opportunities
B. Investor Due Diligence Tools (Annexes 1 and 2)

Investors may use and/or contribute to refining these tools based on actual experience from the investor group of Signatories and latest evidence from industry (see Part II - Supplemental Note – Selected References):

- **Annex 1 is an example of an investor due diligence** assessment tool;

- **Annex 2 provides a list of potential risks, actions and solutions proposed** to mitigate such risks. The list is a reference for Annex 1 to conduct a comprehensive investment analysis structured across (1) customers; (2) providers; and (3) financial sector/DFS ecosystems.

The due diligence tools may be adapted in accordance to investors’ investment objectives and mandates in assessing their internal risk-return considerations.

The tools may be used as relevant to the DFS business models and with evolving opportunities and risks in DFS in their local market context.

The tools aim to enable investors to share practical lessons of experience and provide a more dynamic peer-learning process aligned with evolving business models and practices for responsible digital inclusion.
## Part I: Guidelines for Investing in Responsible Digital Financial Services

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<th>GUIDELINE AND DESCRIPTION</th>
<th>G20 HLP</th>
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| **Guideline 1: Promote Responsible Investment in Digital Finance**  
We embrace digital financial services (DFS) as a priority to drive development of inclusive financial systems. We will actively support responsible DFS providers to innovate and expand the range of financial services available to underserved groups to help them reduce their vulnerability, build assets, and mitigate their risks for an inclusive digital economy. We as investors commit to make responsible investment choices. We commit to supporting improved board governance and management commitment such that access to finance generates resilient, sustainable and value added growth towards creating markets and opportunities for broader sustainable development. | G20 HLP 1: Promote a Digital Approach to Financial Inclusion |
| **Guideline 2: Manage Risks Comprehensively with Growth of Digital Inclusion**  
We acknowledge that investors play a role in ensuring that the risks that emerge from innovation are borne by those that are equipped to absorb them, i.e., not by end customers. Investors will identify and assess risks during their due diligence process and manage these during the course of investment. We encourage our investees to incorporate risks for customers or consumers into their business models and operations for a more comprehensive risk management framework. | G20 HLP 2: Balance Innovation and Risk to Achieve Digital Financial Inclusion |
| **Guideline 3: Foster a Proportionate Legal and Regulatory Framework**  
We support a prudent and proportionate legal and regulatory framework. As responsible investors, we commit to ensure compliance to existing regulations (including, by our investee companies) and to engage productively with policymakers so that the regulatory framework reflects both customer protection concerns and commercial concerns, and financial crime risk. | G20 HLP 3: Provide an Enabling and Proportionate Legal & Regulatory Framework for Digital Financial Inclusion |
| **Guideline 4: Facilitate Interoperability and Infrastructures for DFS Ecosystems**  
We recognize the need for an ecosystem of enabling infrastructure for DFS and encourage interoperability, where appropriate, within that ecosystem. We encourage investee companies to take responsibility for the actions of agents, employees, and third-party service providers across the value chain. We will support investees to implement appropriate mechanisms for responsible provision of services along the value chain, and encourage investees that provide infrastructure services to providers of DFS to apply these Guidelines along the chain. | G20 HLP 4: Expand the Digital Financial Services Infrastructure Ecosystem |
Guideline 5: Establish Customer Identity, Data Privacy and Security Standards
We encourage the development, use and implementation, as relevant to market standards and in accordance with applicable laws and regulations, of customer identity and authentication systems by DFS providers. We promote the responsible use of data and practice of data management, including back-end technology infrastructure and/or other mechanisms to protect the privacy and security of customer data and help strengthen approaches for informed customer consent. We encourage the assessment of risk to both customers and providers in adopting various approaches and technologies.

Guideline 6: Promote Fair and Transparent Pricing
We encourage and support investees to apply fair, risk-based and transparent pricing for all financial products and services that is affordable to consumers while allowing for investees to be sustainable and provide balanced returns to investors. We strive to reassess and balance fair prices paid by customers and the return generated for investors/investees, based on a broader assessment of the risks impacting the DFS ecosystem, which includes: customers, providers and financial markets sector. For savings products, investors encourage and support investees to provide real returns on the deposits of customers.

Guideline 7: Improve Disclosure of Terms and Conditions for Customers
We will promote and support investees to improve disclosure of terms, conditions and pertinent information to customers through transparent, timely and clear communication that is easily accessible. This includes appropriate product design and delivery as well as transparent disclosure of pricing by product or transaction (annualized/monthly terms), customer rights and obligations, and key supporting facts that enables customers to make informed decisions.

Guideline 8: Enhance Customer Services for Problem Resolution and Product Innovation
We will encourage and support investees to enhance customer services for feedback, effective problem or complaints resolution in a timely and responsive manner (including redress mechanisms) to build and sustain customer trust and improve the design and delivery of products and services.

Guideline 9: Prevent Over-indebtedness, Strengthen Digital Literacy and Financial Awareness
We promote and support proactive, ongoing approaches that deliver innovative digital literacy & financial literacy and awareness initiatives for consumer protection, to help prevent over-indebtedness and support financial capability, and informed decision-making throughout the customer relationship.

Guideline 10: Track Progress to Mitigate Risks and Expand DFS Opportunities
We encourage use of impact measurement industry standards for measuring and reporting lessons on responsible and sustainable performance by DFS providers.