A. Investors and Endorsers as Signatories

The Guidelines are aimed to be inclusive, and Signatories include Investors and Endorsers that have expressed their commitment to accelerate progress towards responsible digital inclusion, with Potential Actions undertaken as may be appropriate to Signatories' investment objectives, digital finance operations and digital market infrastructures.

Investors who are Signatories are funds and fund managers focused on financial technology or fintech, digital financial services (DFS) or broader financial inclusion; private equity and venture capital funds; public equity and debt funds; development finance institutions and international finance institutions; family offices and foundations. They may also include indirect investors and asset owners such as pension funds, fund-of-fund managers, sovereign wealth funds and endowments.

Endorsers who are Signatories are investees such as: providers of DFS including multi-channel providers (i.e. banks, MFIs, insurance companies, etc.); operators providing DFS as their primary product or as part of a larger offering (e.g. mobile wallets offered by telecom operators, payment products offered by e-commerce platforms, money transfer services and remittances offered by retailers, social media companies and technology companies, etc.); pay-as-you-go solar products and other products-as-a-service delivery models with an embedded financial service within such as savings or rent-to-own finance; and those providing infrastructure services that support a broader digital ecosystem (e.g. payment systems or transaction platforms, data analytics companies).

B. Overview of Guidelines and Potential Actions

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
## GUIDELINE AND POTENTIAL ACTIONS FOR INVESTORS AND ENDORSERS

### Guideline 1: Promote Responsible Investment in Digital Finance

*Examples of potential actions*:  
- Integrate the assessment of consumer protection policies into our investment policies, due diligence process, investment selection process as well as financing and shareholder agreements and use relevant covenants.  
- Develop an action plan and support investees (technical assistance, advisory or related support) integrating consumer protection practices in institutional operations, systems, policies, procedures and reporting. Progress towards the action plan can be linked to certain investment milestones, such as subscription, conditions precedent to disbursement, reporting, etc.  
- Promote strengthened commitment to an institutional code of ethics, approved by the board, signed (at least annually) by all employees and reviewed regularly as a “living” document.  
- Promote as may be relevant, selected industry standards, for example: Smart Campaign Client Protection Principles for Microfinance, Social Performance Management for Microfinance, GSMA Mobile Money Certification, BTCA Responsible Digital Payments Guidelines, G20/OECD Policy, EU Privacy Directives/GDPR, PSD2, ISO Certification, etc.

### Guideline 2: Manage Risks Comprehensively with Growth of Digital Inclusion

*Examples of potential actions*:  
- Assess and manage risks more comprehensively, defined as all risks impacting (1) customers or consumers, (2) providers and (3) financial markets sector/DFS ecosystem as relevant to the business model/market context.  
- Integrate consumer risk into institutional risk management systems, policies and procedures; include KPIs in audit and control procedures, with regular and timely reporting to Board and Management for action.  
- As a group of investors, regularly exchange among ourselves on the new risks identified arising from the use of new digital technologies; share lessons learned to promote and scale responsible digital inclusion.

### Guideline 3: Foster a Proportionate Legal and Regulatory Framework

*Examples of potential actions*:  
- Regularly exchange insights within the investor community on regulatory challenges or lessons from operating in markets with widely varying stages of market development (examples may include regulation to address aggressive marketing techniques, terms & conditions displays on mobile screens, cooling off periods, transparency in pricing/interest rates, standardized product features; ethical collection practices, etc).  
- Meet with (a) financial sector policymakers, regulators, and supervisors; and (b) IFI/DFIs during due diligence to offer know-how, advice, and guidance as mediators in the private sector development and promotors of digital financial inclusion. This potential action serves to avoid unintended dysfuctionalities of regulation or overreaction in politically heated contexts.
- Support local legal and regulatory requirements, particularly those that are intended to strengthen consumer protection. Where such local regulatory requirements do not exist, or are inadequate, align with relevant international or industry standards (e.g., codes of conduct).
- Engage proactively with policymakers and regulators so that rule-making is informed by a firm understanding of the technological and business model components of digital financial services that deepen financial inclusion; consider ways to share data regarding how services are being used by under-served populations.
- Participate in industry-wide initiatives or associations that develop tools or resources for financial services providers intended to improve the quality of digital financial services (e.g., local bank or FinTech associations that offer training to members).

### Guideline 4: Facilitate Interoperability and Infrastructures for DFS Ecosystems

**Examples of potential actions:**

- Support for financial/investment ecosystem, for donors/TA providers, innovation grants, incubators, accelerators.
- Support data exchange and research partnerships.
- Support the interoperability of platforms and/or agents and clients so that customers of different schemes can make payments to each other.
- Promote responsibility across the supply chain (e.g. through a covenant in the legal agreements)

### Guideline 5: Establish Customer Identity, Data Privacy and Security Standards

**Examples of potential actions:**

- Encourage and support the development and use of customer identity and authentication systems for KYC/AML as relevant.
- Promote and support customers’ personal data privacy rights, as well as informing customers about those rights, including which data will be collected or shared, when, with whom, for what purpose, for how long and with which associated risks.
- Strengthen approaches for informed consent. For example, to use customer data only for the purpose specified at the time the information is collected, unless explicitly agreed with and understood by the consumer.
- Mitigate consumer risks such as data/analytics which could be used for explicit discriminatory purposes.
- Encourage and support investees to collect consumer data on an opt-in basis. If applicable, to strive for a balance between consumer-controlled vs. provider-proprietary data. Increasing customers’ control and use of their digital data record could reduce the need for different lenders to collect extensive personal data.
- Collaborate with investees, other investors and other stakeholders to develop new data use standards for digital credit which are consumer-friendly and enhance competition, for example (CGAP 2017): (i) consent and use restrictions (e.g. restricting use of data to a per-transaction basis, having clear user consent, and
prohibiting sharing or sale of consumer transactional data by those who collect it without express and restricted consumer consent; (ii) easy, secure processes for customers to share their own data (e.g. encourage a neutral channel through which customers could export data from their transactional accounts in a standardized format); (iii) standards on what types of data should be shared vs. what should be kept private.

**Guideline 6: Promote Fair and Responsible Pricing**

*Examples of potential actions*: 
- Review financial indicators, analyze the correlation of high effective interest rates (APR/EIR) with high return on equity (ROE) and assets (ROA), high NPLs/write-offs, low loan loss reserves, low administrative/distribution cost of digital lending, etc.
- Apply a combination of a market-based approach and a balanced return approach.
- A market-based approach compares, from the customer’s point of view, the full price (i.e. the Annual Percentage Rate (APR) or the Effective Interest Rate (EIR)), product features and opportunity costs of the DFS provider’s credit product to alternative offers in the market, such as credit products offered by banks, microfinance institutions (MFIs) and informal moneylenders.
- Balanced returns is an approach that considers operating expenses and profits when determining pricing. Considering that pricing decisions are based on cost of funds + operating costs + provisions + management’s choice of profit, the objective is to balance the benefits for investors (return) with the benefits for customers (price). Balanced returns are particularly important for end-customers that are generally vulnerable, low-income people. The more vulnerable the customer segment, the stronger the focus should be on balanced returns.
- Review and consider the option of contractual agreements of interest rate reductions (gradually reducing the price paid by customers) based on the investee’s financial projections.
- Consider the following pricing rationale for pricing decisions: in the early stage of development and growth of the investee, the initial cost of investment and operations may require relatively higher prices/costs. As economies of scale are reached, operating cost decrease and profitability increases, these benefits can be passed on to customers.
- For savings products, encourage and support investees to provide real returns on the deposits of customers.

**Guideline 7: Improve Transparency and Disclosure for Customers**

*Examples of potential actions*: 
- Encourage and support investees to disclose all relevant information transparently to customers in a clear, complete and timely manner. This includes pricing by product, in annualized terms (APR/ EIR), terms and conditions, customer rights as well as their responsibilities to the provider.
- Encourage and support investees to proactively educate customers about pricing with the objective of promoting financial literacy, capability and informed decision-making.
• Encourage and support investees to tailor product and pricing disclosure to improve accessibility, simplicity and comparability for the specific customer segment.
• Encourage and support investees to provide disclosures in local, simple language or txt messages; using multiple communication channels (verbal, visual and written form), such as through digital/mobile platforms.
• Encourage and support investees to provide key facts in legal consent forms, contracts, marketing materials, public disclosure on website, local media/news channels.
• Encourage and support investees to avoid aggressive or push marketing practices; encourage opt-in marketing for customers to mitigate risks from behavioral biases.
• Encourage and support investees to help strengthen consumer financial awareness, including understanding key terms & conditions before entering the contract.

**Guideline 8: Enhance Customer Services for Problem Resolution and Product Innovation**

*Examples of potential actions:*

• Support the establishment of customer care services (call center) with responsive mechanisms for complaints resolution both to resolve individual problems and to improve/tailor products based on ongoing customer feedback throughout relationship.

• Encourage informing customers’ of their rights and obligations, including how to complain, who to call, how to register a complaint and the time towards resolution. Promote tailoring, innovations in product design, and flexibility. Track, monitor and analyze customer complaints to improve products and services. Investors may support investees through technical assistance to pioneer innovations, such as digital tools that allow providers to have an insightful conversation with customers before, during and after borrowing cycles to improve product suitability and customer segmentation.

**Guideline 9: Prevent Over-indebtedness, Strengthen Digital Literacy and Financial Awareness**

*Examples of potential actions:*

• Encourage and support investees to proactively educate customers about pricing with the objective of promoting financial literacy, meaningful comparison and informed decision-making.

• Encourage and support investees to make lending decisions on the basis of the customers’ repayment capacity and to ensure that customers are only encouraged to borrow when they have a real need.

• Raise awareness among investees and their staff about the quantitative and qualitative aspects of a definition of over-indebtedness. A qualitative definition includes a state in which a consumer has to make significant sacrifices to his or her standard of living or business to repay debts.

• Encourage and support investees to innovate and test new ways of educating customers about “credit history”, enable customers to check their personal credit history and apply positive framing of credit history, i.e. highlighting that a good repayment track record is key to accessing future loans.
- Work together as a group of investors and with DFS providers to develop innovative credit bureau solutions, which encompass all possible sources of debt and include new valuable consumer data such as mobile money and payment data.
- Encourage investees to promote information sharing among providers to protect customers against overborrowing.
- Promote, request and support ethical collection practices and responsible credit reporting.

**Guideline 10: Track Progress for Digital Financial Inclusion**

*Examples of potential actions:*

- Work collaboratively as investors to update these existing standards for digital financial services.
- Encourage investors and investees to publicly share impact results for cross learning and support of research into client over indebtedness, pricing and efficiency benchmarks, improved consent and disclosure methods, consumer data protection and data privacy, business algorithms, etc.
- Investors may support as relevant, alignment of social indicators (such as gender, age etc.) and reporting metrics for investees to reduce the reporting burden.
- Encourage fund managers and investees to apply or sign up to established impact industry reporting standards, as may be relevant, for example: B Analytics/GIIRS/IRIS; MIX Market Financial Inclusion Data; SPTF, etc.
Selected References by Guideline

Guidelines 1 to 10:
The following global principles, codes or related industry best practice standards are reflected within the overall proposed Investor Guidelines and Actions may be adapted, as relevant, for investing in responsible digital finance:

- CGAP, Focus Note, Consumer Protection in Digital Credit, 2017
- _____, Focus Note, Doing Digital Finance Right, 2015
- G20 High-Level Principles for Digital Financial Inclusion (G20 HLPs), 2016
- _____, Financial Consumer Protection Principles and Implementation, Sep 2014
- Global Partnership for Financial Inclusion (GPFI), see GPFI Subgroup on Consumer Protection and Financial Literacy
- _____, see related consumer protection initiatives by GPFI Subgroup on Markets and Payments reports
- _____, see related consumer protection initiatives by GPFI Subgroup on Standard Setting Bodies
- Global System for Mobile Communications Association (GSMA), Safeguarding Mobile Money, 2016
- IFC, Corporate Governance for Financial Inclusion, 2018, see “The Board’s Role in Responsible Finance” and Annex III, “Consumer Risk Assessment for Responsible Digital Finance”
- ITU, Commonly Identified Consumer Protection Themes for Digital Financial Services, 2016,
- MCF-IFC Partnership for Financial Inclusion, Handbook on Data Analytics and Digital Financial Services, 2017
- Smart Campaign Certification, Client Protection Principles, 2013
- Social Performance Task Force, Universal Standards for Social Performance Management
- The Better Than Cash Alliance, Responsible Digital Payments Guidelines, 2011

Guidelines 2, 7, 8, 9: Comprehensive Risk Management, Customer Analytics, Product Development

- IFC, Corporate Governance for Financial Inclusion, 2017, see also “The Board’s Role in Responsible Finance” and Annex III, “Consumer Risk Assessment for Responsible Digital Finance”
- MCF-IFC Partnership for Financial Inclusion, Handbook on Data Analytics and Digital Financial Services, 2017
- Responsible Finance Forum (RFF), 2016 in Xi’an; and RFF 2017 in Berlin

Guideline 3, 4: Proportionate Legal and Regulatory Framework

- Global Partnership for Financial Inclusion (GPFI), see GPFI Subgroup on Consumer Protection and Financial Literacy
- _____, see related consumer protection initiatives by GPFI Subgroup on Markets and Payments reports
- _____, see related consumer protection initiatives by GPFI Subgroup on Standard Setting Bodies

Guideline 5: KYC, Data Privacy and Security

- European Banking Authority, Payment Systems Directive (PSD2)
- EU General Protection and Data Regulation (GDPR) May 2018
- Financial Action Task Force (FATF), Guidance on AML/CFT
- MCF-IFC Partnership for Financial Inclusion, Handbook on Data Analytics and Digital Financial Services, 2017
- PCI Council, Payment Card Industry (PCI) Data Security Standard (PCI DSS)
- Responsible Finance Forum (RFF), 2016 in Xi’an; and RFF 2017 in Berlin
Guideline 6: Fair and Responsible Pricing Tools:

- Microfinance Transparency (MFT) resources: [http://www.mftransparency.org/resources/](http://www.mftransparency.org/resources/)

Guideline 7, 8, 9: Transparency and Disclosure; Digital and Financial Literacy

- CGAP, Focus Note, Consumer Protection in Digital Credit, 2017
- ____ , Focus Note, Doing Digital Finance Right, 2015
- Global Partnership for Financial Inclusion (GPFI), see GPFI Subgroup on Consumer Protection and Financial Literacy initiatives and publications.
- Microfinance Transparency, Definition, calculation method and tools (pricing, transparent disclosure, etc.) available under: [http://www.mftransparency.org/resources/](http://www.mftransparency.org/resources/)
- Responsible Finance Forum (RFF), 2017 in Berlin

Guideline 10: Reporting Tools

- Global Impact Reporting: B Analytics (GIIRS/IRIS/GIIN), see [http://b-analytics.net/](http://b-analytics.net/)
- IFC, Corporate Governance for Financial Inclusion, 2017, see “The Board’s Role in Responsible Finance” and Annex III, “Consumer Risk Assessment for Responsible Digital Finance”
- Microfinance and Financial Inclusion: MIX Market Financial Inclusion Data, see [http://www.themix.org/mixmarket](http://www.themix.org/mixmarket)