

SPTF Social Investor Working Group

February 17, 2022

Digital Financial Services Working Group Update (Amelia Greenberg from SPTF)

- SPTF launched the Digital Financial Services Working Group on February 15, 2022 after hearing from a number of stakeholders who wanted to better understand what responsible digital financial provision of services looks like. We did significant literature review, including reading other standards, guidelines, and principles. Although a lot of information is available, a complete set of standards for financial service providers that offer a range of digital financial services did not exist. Some of the closest things are the GSMA certification for mobile money and the preliminary work done by the Smart Campaign before they closed.
- The initial idea was to incorporate practices about responsible digital financial services into the Universal Standards manual, but there is much more robust information about risk and bad behavior than there is about solutions. In the end, it did not seem like we could credibly come up with a set of standards and management practices that are field tested and vetted in time to include those in the manual.
- Last September, we started having expert interviews where we asked people to give us examples of good practices from the field that they have seen used to mitigate the risks. We did our interviews in two phases starting with stakeholders that were not financial service providers (i.e., investors from this group, USAID, CGAP, IPA, Women's World Banking) before interviewing financial service providers. The majority of people we spoke to agreed with the idea of putting together responsible DFS standards.
- We have a 25-page document that lists the topics that should be included in the DFS standards that will complement the Universal Standards. Besides developing the DFS standards, the DFS Working Group will also look to help promote these standards and implement them. Eventually, we would like to integrate the DFS document into the Universal Standards, so that we have one single manual where you assess your practices.
- We will be posting the draft standards in three languages along with the recordings and presentations on the DFS Working Group page found here: <https://sptf.info/working-groups/dfs-standards>

CP Pathway Updates and Traction

- We launched the CP Pathway last year, and many of you are signatories on the joint statement that was published in January 2022.
- Anne-Laure Behaghel (SPTF) gives a guided tour of the updated CP Pathway website. Please check out the recording (15:15-26:00) to learn more.
- On the SPTF website, the financial service providers who sign up to the CP Pathway are listed. You are not automatically included. To sign up, a financial service provider must sign a commitment letter to implement client protection and provide proof that they have evaluated their practices. The ones listed on the website have already taken step 1 of the CP Pathway.

Learnings from the Survey (6 Responses)

- 4 have less than 20% of investees who signed up
- 2 don't know
- 2 require CP Commitment
- 2 have used SPTF website for prospection
- *Suggestions:* improve web information and have more training material

More Statistics:

- 39 signatories for the joint statement
- 69 FSPs committed to implement, spread across regions
 - 26 Certified FSPs that are active, not expired yet
 - 2 silver and 5 gold
- Only 4 have joined without having submitted an assessment

Quotes from investors:

- "Provides us with reassurance that institutions will be adopting best practice in terms of client protection Also useful for communications with external parties when discussing client protection."
- "The standardization is great, and it's good that it encourages continuous improvement."
- "Providing a definition of industry best practice with regard to Client Protection."
- "The Pathway helps us ensure that client protection remains an important concern of our investees so that our indirect beneficiaries are protected enough."

Testimonies

- **Martin Heimes (ResponsAbility):** After we signed the joint statement, we used the kit and encouraged all our microfinance investees to join the CP Pathway. 2 institutions asked to be put in touch with SPTF to better understand what this is, so we were able to make that link. The feedback we got was very positive. We don't require certification in order for microfinance institutions to be eligible for investment. The only exemption is Cambodia where we do make certification a requirement. I think if this comes from several lenders, then it will be more effective.
- **Edouard Sers (Grameen Crédit Agricole):** We found that 12% of the investees in our portfolio committed to the pathway, which is not enough but this number will grow over the next few months. Another 12% have not committed yet, but they signed contracts that they would in the near future. The ones that already committed did so without our request and on their own.
- **Lone Soendergaard (Nordic Microfinance Initiative):** In the past, we required all investees to endorse the old client protection principles developed by the Smart Campaign, so it has been very important for us to transition into this new pathway. Around 25% of our investees have already committed, but we are not very satisfied with that number after sending an email from the investment leads and following up with board members many times. We also have it as a contractual requirement to commit to the CP Pathway. It is not clear whether the investees have done what they said they would do or if there is a glitch in the system.
- **Anne-Laure Behaghel (SPTF):** We monitor very closely the dropouts from Form 1 to the pathway. If you could provide the names of the institutions, we could investigate it closer.
- **Gaëlle Guignard (Incofin):** We have not started tracking how many of clients have committed to the CP Pathway, but we are in the process of updating our loan documentation to include three options: 1) the borrower has already signed the commitment statement 2) the borrower has not yet signed the statement, so we put it as a consumer precedent to sign the statement 3) the borrower has not signed the statement and refuses to accept the condition precedent. We often give me them 90 days to commit to CP Pathway after the signing of the loan agreement. In terms of next steps, we first want to train our investment teams on these new requirements before we officially launch these new loan agreements. We want our team to be able to explain to investees the new process to implement the CP Pathway, so we would use the video tutorials and the webinars done by SPTF. We are also working on putting together a specific technical assistance package to assist our investees or prospective investees.

- **Question for Lone:** Because you represent the EDFIs, do you know if others in your group have also gone this direction?
- **Lone Soendergaard (Nordic Microfinance Initiative):** I do not think that other European development finance institutions have been as proactive in getting their investees to commit.

SPTF CERISE Corporate presentation

- Based on feedback from you all, we have put together a presentation explaining what SPTF and CERISE do and the methodologies we are using. This presentation can be shared with your boards, asset owners, investment funds, and other people who may be outside our industry.
- Jurgen Hammer (SPTF) goes through the 15-slide presentation (54:00-58:00), and you should have received a copy.

Closing Remarks

- Join our newsletter to stay informed about upcoming events, tools and resources.
- If any investors have additional feedback after today's discussion, please email Jurgen Hammer: jurgenhammer@sptfnetwork.org