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P R O C E E D I N G S

MR. WEST: Good morning. I'm Darrell West, vice president of Governance Studies and Director of the Center for Technology Innovation at the Brookings Institution. And I would like to welcome you to our forum on financial inclusion.

And we are webcasting this event, live, so we would like to welcome our viewers, and also those of you who have tuned in via C-SPAN. For those of you who are wishing to post comments during the forum, we have set up a Twitter feed at #FinancialInclusion, that's #FinancialInclusion. So you are welcome to make any comments that you would like.

So, there are nearly two billion adults globally who do not have bank accounts. This makes it very difficult to access financial services, pay bills or transfer money to relatives. In addition, it is hard in those circumstances to be an entrepreneur when you are outside the formal financial system. It's difficult to gain access to capital or form a business when you lack basic financial services.

But the good news is that many nations have made commitments to expanding financial services for the poor, they understand that financial inclusion is vital to economic development and social inclusion. And so as a result, they are developing financial inclusion policies and implementing new frameworks that encourage inclusion.

So, today Robin Lewis, John Villasenor, and myself are launching our third annual Brookings Scorecard: Measuring Progress on Financial Access and Usage, with the support of the Bill & Melinda Gates Foundation. And we've embarked on a three-year study of inclusion in 26 developing countries.

The short summary is that we've seen progress on financial services in many places, there are efforts to help marginalized populations, and this is happening through mobile money and digital financial services.

As part of our research, we got detailed suggestions from every country, we've also talked with many leaders in the NGO community who are active on financial inclusion, and we are grateful for their support and their help along the way.

Now, to give you a more detailed sense of the highlights of our study my colleague, Robin Lewis, will summarize the key findings. Robin is a research analyst and associate fellow at

Brookings with our Center for Technology Innovation. So with that, I will turn it over to Robin.

MS. LEWIS: Good morning. Thank you to Darrell for those remarks. And our sincere thanks to all of you for joining us this morning, either here at Brookings or via live stream. We are very grateful for your interest in the project, and I'm looking forward to providing a brief overview of our approach and key findings before we turn it over to the panel discussion.

So, first I'd like to start with a brief overview of our project. As Darrell mentioned, the Financial and Digital Inclusion Project, or FDIP, was launched in the summer of 2014. The purpose of the project is to provide policymakers, private sector representatives, nongovernmental organizations and the general public with information that can help improve financial inclusion in the FDIP-focused countries and around the world.

But why does financial inclusion matter? So, at the individual level financial inclusion matters because it provides pathways for people to improve their financial health which contributes to their overall well-being. Beyond that it is a key ingredient in advancing sustainable development goals such as poverty reduction and gender equality.

So, to support our overall objective, over the past three years we have selected a series of politically, economically and geographically diverse countries, and we have evaluated their progress toward financial inclusion through a series of annual reports as well as conversations with diverse groups of experts.

So, let's talk briefly about the report that we are launching today. This is the third annual FDIP report, and as with the first two reports, we examined access to and usage of formal financial services across diverse country contexts. So when I say formal financial services, we primarily focused on basic services since these are often the entry point to the formal financial system, including savings accounts and government-to-person transfers.

For the 2017 report we have distilled and updated the country profiles that we featured in 2015 and 2016, and in addition to these selected financial inclusion highlights and recent updates, we have included some recommendations regarding key next steps for advancing financial inclusion. Given the scope of our sample and the rapidly-evolving nature of the financial inclusion environment around the world these lists are not exhaustive but we do believe that they capture an important snapshot of key developments and opportunities for future growth.

So, moving to a quick scorecard interview; as Darrell mentioned, one of the components of our report informed by our research on each country's landscape is a scorecard tool. To develop the scorecard we identified four dimensions of financial inclusion including country commitments, mobile capacity, regulatory environments and the adoption of formal financial services.

So, in terms of our country sample we maintain the same list as in the previous year in which we added five new countries to diversify our sample. These countries included the Dominican Republic, Egypt, El Salvador, Haiti, and Vietnam.

So, we will dive into the dimension level findings very shortly, but for the moment here is our preview of the 2017 FDIP Scorecard. As you can see the top scoring countries are generally distributed across Latin America and sub-Saharan Africa, although countries in other regions, including the Philippines, also demonstrated strong performances as well.

So for the third year in a row Kenya received the top place on our scorecard, in part due to its robust commitment to advancing financial inclusion, as well as widespread adoption of mobile money services. With that said, a number of other top-scoring countries, including several in Latin America have experienced lower levels of mobile money adoption to date, but often have robust take-up of innovative card-based services as well as non-traditional access points such as banking correspondence.

We think that this finding should be very encouraging to the financial inclusion community, because it demonstrates that countries with different political, economic and geographic environments can effectively pursue different pathways for advancing financial inclusion.

So, to provide a better sense of what factors inform these scores we'll briefly walk through some of the indicators across the four dimensions before we explore our findings. For example, country commitment indicators include the existence of comprehensive national financial inclusion strategies as well as specific financial inclusion protection frameworks, excuse me, consumer protection frameworks.

So these indicators help give us a sense of whether countries are willing to work collaboratively across sectors to make engagement with formal financial services a priority.

Moving to mobile capacity; we measured this because it includes indicators related to mobile infrastructure, as well as the number and type of mobile money services that are offered. Now, while digital financial inclusion services extend far beyond mobile money these offerings can provide a very convenient, affordable platform for those who are typically underserved to access financial services.

Moving briefly to regulatory environments; we looked at weather regulations, policies or other guidance concerning electronic money and other forms of digital financial services have been issued, we also look at issues such as mobile money platform interoperability, which basically means whether customers of one service can easily send payments to customers of another mobile money service.

Finally, moving to the adoption indicators; we focused on account adoption with both more traditional financial service providers as well as mobile money providers across underserved groups in particular. These groups may include lower income adults as well as women. All the data in this set is from the World Bank's Global Findex database, and we look forward to updating the data as the new data set is released.

Moving to the key findings; so first let's begin with the country commitment dimension and touch on a few examples of countries' progress. For example, Mexico increased its overall score by 5 percentage points this year to join the top-five scoring countries. A couple of the changes that prompted this increase include that in June of 2017 the National Council on Financial Inclusion released the National Financial Inclusion plan. The government of Mexico also joined the United Nations-based, Better Than Cash Alliance.

Moving to mobile capacity; El Salvador is an example of a country that boosted its score by 5 percentage points over the last year partly by increasing adoption of smartphones which can provide a more convenient and accessible way for individuals to access mobile financial services.

Moving to a regulatory environment; countries from across all of our major regions had strong performances on this component of the scorecard including Peru, the Philippines, Rwanda, and India, which all received the highest scores possible under the regulatory environment dimension.

For example, in addition to promoting mobile money interoperability, India has licensed several entities as payments banks which effectively is hoped to increase financial access points for underserved individuals.

Next, let's move to our adoption findings. The data and metrics on the adoption of traditional and digital financial services are consistent from last year, and so among the new FDIP countries that were added in 2016, one example is the Dominican Republic which received the highest adoption score among those new countries.

Now, let's turn to some of the key findings and calls to action in this year's report. So, across our FDIP countries, one encouraging finding is that there has been considerable growth and recognition that financial inclusion is not only important for individual's welfare, but it can also contribute to macroeconomic growth and sustainable development goals, including the ones I mentioned previously.

So, one interesting data point on this front is that as of this year all of the countries in our sample are members of financial inclusion-oriented groups or networks. Now, while membership in these groups is important and valuable we also need concrete steps to emerge from their engagement. So this is where infrastructure investments and the regulatory components of the scorecard come into play.

In addition, we also need consistent detailed data to track progress toward these goals, one example of the portal that enables countries to do that is the Alliance for Financial Inclusion's new data portal which is a helpful platform, and we hope that more countries will take the opportunity to include timely detailed data that is available for public consumption in order to help with knowledge sharing and accountability.

Moving to our next key finding; FinTech, which is essentially the intersection of finance and technology, provides tremendous opportunities to accelerate progress toward financial inclusion. So basically, FinTech involves the innovative use of technology to both design and deliver financial services and products, and if that sounds like a really broad catch-all term, that's because it is. But this can help enhance the accessibility and the utility of financial services for consumers, and render the deployment of these services more cost-effective for providers.

For example, in a July 2017 Report by the Institute of International Finance and the Center for Financial Inclusion, Spanish bank, BBVA Bancomer, is working with a Chilean FinTech to extend credit access to individuals who may not have a typical credit history that they have established. We are excited about these kinds of developments because they not only enable customers to access financial services, but they can also help it become more accessible for individuals to use these services, and intuitive.

So, how are some countries taking FinTech into account? One example is in Indonesia, where, as of August 2016, the Financial Services Authority provided an outline of guidelines for the local FinTech industry. Additionally, in South Africa FinTech is increasingly prevalent, and a FinTech regulatory framework is expected to form part of the Conduct of Financial Institutions Bill in 2017.

Finally, we encourage countries to amplify investments in cyber security efforts and knowledge sharing in order to fully reap the benefits of financial services' innovation. So with the proliferation of digital technologies boundaries are blurring across traditional financial service providers, as well as tech startups and other groups.

So while many of these FinTech companies are very nimble and cost-effective they may also not have the resources, the infrastructure or the experience to ensure that the services that they help provide are safe and secure.

With that said, of course banks are also not exempt from this, particularly when they have outdated or centralized systems. So, in a conversation with many stakeholders that we had, in February of this year, one suggestion that emerged was from policymakers as well as financial service providers, to work with technical experts to essentially provide a set of menu options to enhance cyber security and provide technical assistance for implementing those solutions.

So, moving forward, we look forward to hearing from all of you regarding this year's report and scorecard, as well as the 2015 and 2016 reports, and we will continue our efforts to facilitate dialogue regarding important financial inclusion developments and the outcomes of the scorecard. We have an address set up here, FDIPcmments@Brookings.edu, where we welcome your feedback.

And now, thank you for listening to the presentation. And I would like to invite our moderator, John Villasenor, as well as our distinguished panelists to the stage to share their perspectives on Financial Inclusion. (Applause)

MR. VILLASENOR: Okay. Thank you very much to Darrell West and Robin Lewis for setting the stage here. And thanks to all of you for taking time out of what I'm sure is a very busy schedule, to help us with the dialogue on this really important topic.

So, the organization for the remaining portion of the program is, I'll introduce our two panelists, and I will ask a series of questions, and we'll hear their perspectives until approximately 11:00 o'clock, and then we'll open it up to questions that you may have, and aim to close things up, no longer than 11:30.

So, with that as a sort of agenda setting, let me briefly introduce our panelists. Immediately to my left is Camille Busette, she is director of the Brookings Race, Prosperity and Inclusion Initiative, and a senior fellow in Governance Studies, and she also has appointments here at Brookings in the Economic Studies and Metropolitan Policy Programs. Camille has dedicated her career to expanding financial opportunities for low-income populations.

She came to Brookings from CGAP, the Consultative Group to Assist the Poor, where she served as the organization's lead financial sector specialist. Previously she worked for the Consumer Financial Protection bureau, a U.S. Government financial services regulator, where she served as the agency's inaugural head of the Office of Financial Education.

And then to her left we have a Diego Molano. Diego is an international consultant in the area of digital transformation of companies and governments. He was minister of Information and Communication Technologies, through the acronym ICT, of Colombia, from 2010 to 2015, and during his tenure Colombia expanded all the elements of the digital ecosystem, not only infrastructure, but also services applications and users.

Internet coverage extended to low-income homes in rural areas, for GLTE, fiber optics and high-speed networks expanded to all municipalities, even those in the middle of the Amazon. Every rural community with more than 100 inhabitants has an Internet community center, education, health, banking and government services were transformed with ICT, increasing their availability, reach and efficiency.

So, we are very privileged to have these two panelists with us, and so I'm going to start off with an initial question that I'll direct to Camille, and then I'll have a question for you, Diego, and follow with some more.

So, for Camille: as mentioned a moment ago, you are the director of the Race, Prosperity, and Inclusion Initiative here at Brookings. Could you briefly explain why Financial Inclusion matters for traditionally marginalized communities, including low-income individuals and communities of color?

MS. BUSETTE: Sure. Thanks for the question. I am really, really happy to be here discussing financial inclusion, not only globally but certainly domestically. I think a lot of people are unaware of the fact that here in the U.S. we have, you know, 10 million people who are unbanked, and another 25 million who are underbanked, meaning that they really don't have access to the full suite of financial services and products.

And what that means here is a couple of things, so just generally, not having access to financial services makes it very difficult to save money, obviously, and to be prepared for emergencies, but also makes it very difficult to start investing and creating a foundation for wealth creation. And so when we don't have that, particularly in the United States, where leverage is really important to building wealth, and particularly important to transferring intergenerational wealth, then not having these services, and not being included in the formal financial services system, makes it very difficult to make strides.

And you see that here in the U.S. because a lot of the people who are not formally banked tend to be people of color and communities of color, and in the U.S. we have a very large racial income gap as well as wealth gap, and some of that is attributed to the fact that we just simply do not include a lot of African-Americans, Latinos and others in the formal financial system.

So, to give you a sense of that, in the U.S., for the median wealth accumulated by White households is 111,000; and for African-American households it's 7,000 -- $7,000. So, that gives you an idea of just the disparity, and why it's so important to have folks included in the formal financial system.

MR. VILLASENOR: Thank you very much. Diego, given your expertise and experience in ICT, can you share some examples of ways that you have seen or expect to see digital technology transforming the financial services sector in Colombia?

MR. VEGA: Thank you. Thank you so much for the invite today here at Brookings. You know, as Camille was saying, then we have many, many, many challenges in terms of financial inclusion everywhere in the world, one of the main ones is infrastructure. How do you get banks to everybody? And through technology, that's the solution. That that's what is happening, and I'm sure that most of you guys know the M-Pesa example in Africa, and you know many telecom operators around the world moving into that direction.

But having access to technology is not enough. And we are proving that in most countries. For example, in Latin America just around 50 percent of people are Internet users, although more than 85 percent of people are already covered by networks, by broadband networks. Why? Because there is no applications for them; I mean, when you ask them, why you don't use Internet? They answered, it is useless for me, it doesn't change my life.

So, basically we have to work not only in deploying more infrastructure but also in developing more solutions that really change people lives, and that's part of what the financial sector is doing. So, the financial sector is starting to use this technology, of course initially for mobile payments and then, you know, some financial services. But not only that, the future of that is huge, in ID, digital identification of people, the impact in reducing poverty of digital ID is huge.

There is a huge initiative led by The World Bank on that, and now the IDB is working on that as well. It's how you make sure that people have an ID? If you see today the financial sector is the one that has the power to create ID platforms for everybody.

Secondly, land registries, you know, most of the credit given in the whole world is based on land registries, so now the financial sector has the power to move that to digital and has -- and help people in the ways that permit to get credit easier. Instead of going to all traditional paper and state-owned registries, the banking service can also move to digital registries, and transform completely the way credit is given today.

MR. VILLASENOR: Thank you very much, for both of your interesting perspectives there. So the next question relates to the United States and in our -- as Robin mentioned, this is the third year in which we've been doing this, and we've been -- our project has been structured specifically looking at a set of countries that Robin alluded to a few moments ago.

But as Camille reminded us, there's a very significant challenge here in the United States, depending on how you measure it, some number of tens of millions of people are either excluded from or at the margins of the financial system. And so it's a reasonable question to ask: what can we learn? So I guess my question is: what can we learn now that we have this incredibly rich tapestry of solutions that are being explored around the world, this global effort to improve the ecosystem, how can we perhaps bring some of those lessons learned and apply them to improve inclusion here in the United States? And I'll start with Camille, but perhaps Diego you have some thoughts on that as well?

MS. BUSETTE: Yeah, I'd really be interested in hearing your answer to that question Diego. But at least, you know, from my perspective there are probably three areas where we can learn from the rest of the world. The first is in the regulatory arena. You know, I think what's really interesting about the U.S. financial services regulation is it tends to be very sectoral.

So, you know, you have communications regulation, the FCC, you have different types of financial regulators at the federal level as well as at the state level. And so you have a lot of sectoral regulation, and it's really quite soiled. And I think what's interesting, and what has evolved in some of the jurisdictions that we've been looking at in this report, is that you see a melding of that, and you see some of the -- a little bit more of a flexible regulatory approach.

And I think that's actually really important. So particularly as, you know, technology is evolving it's important to have coordination, at least coordination with a range of regulatory authorities, so in telecommunications as well as banking, et cetera. And here I think we could learn -- that's one of the lessons I think we could learn.

The second is, as Diego mentioned, you know this interesting area of overlap between generating digital identification, and account opening, which India of course has done really well, here, particularly for people who are underbanked and have significant documentation problems, digital IDs would be really useful, and I think that combination of the digital identification, as well as providing more opportunities for simple, basic accounts that is also something that we could learn from other places.

And then finally, I think what a lot of the experiences have shown, both in Sub-Saharan Africa and India, as well South Asia, is that there is a market for people who are doing very small, frequent transactions. And I think we need, here in the U.S., we need to revisit how it is we encourage innovation around that, and how it is we regulate around that, you know, small but frequent transactions.

MR. VILLASENOR: Thank you. Any thoughts for how the United States can improve our inclusion landscape?

MR. VEGA: Look, John, I'm not an expert on the United States, but that doesn't prevent me from answering (Laughter). But, you know, this is very easy let's -- I mean you guys in the U.S. have to go see what is happening and in the base of the pyramid of the world, and go copy and paste, copy and paste. Let, for example, FinTech grow in the base of a pyramid of the United States, and it is growing in many, many, many countries in Asia, in Latin America.

Go and copy the FinTech bill that it is presented in the Congress next week, or in two weeks in Mexico. Let's try to see how that regulatory framework can be implemented as well in the U.S. to tackle people in the base of a pyramid. The financial sector in the U.S. and everywhere in the world, the traditional financial sector is focused on rich people.

They are happy with high margins, just very few banks in the world are really concerned about people in the base of a pyramid. Very, very few banks in the world are really developing new business with lower margins, so if they don't go, let new people go to that market. So adjust your regulatory framework as we are doing in the developing world.

MR. VILLASENOR: Thank you very much for both of your comments. This is a question primarily for Diego, as it relates very specifically to Colombia. As everyone in the room knows, there's been recent accord in Colombia, ending you know a decades-long conflict involving FARC, and so there's certainly a lot of optimism in terms of the future of Colombia now that that accord has been concluded.

And I guess my question is: what do you think the impacts of that will be in the inclusion landscape given this very recent -- in the historical context, this very recent development?

MR. VEGA: Look, I think it is going to be a different country. We are going to move to a different level completely, after 60 years of war where we spent most of the budget in defense, most of the Colombian budget was in defense until this year. For the first time in history education is the largest budget. Why? Because we have -- we don't have to spend in defense because we have a Peace Agreement.

Secondly, many areas, most of the country was in the middle of the conflict so developing business in those areas was very, very, very hard. So, now we have the opportunity to develop business in those areas. Thirdly, the government has had a very clear policy on how to encourage the growth of financial services everywhere.

And in 2010 when we drafted the policies on how to reduce poverty in Colombia, we joined forces between the ICT Ministry and the Finance Ministry. And we said, let's first of all deploy infrastructure everywhere in the country. So today Colombia is the best connected country in the region. We have fiber optics in almost 100 percent of municipalities; we have broadband everywhere, even in the middle of the jungle.

So, that's key because that too has to be, you know, part of the day-by-day life of people in those areas, in those areas that were affected in the conflict. But also the government said we have to encourage demand, this is not only about the supply side of it, we have to encourage demand. So, all these subsidies the government is giving today to people, to poor people, that includes the subsidies for the former guerrilla members and for the victims of the conflict are given -- distributed through these new technologies, and through these new financial services.

And also, in order to encourage the growth of that demand, the government also changed their regulation, so new companies are now part of this game. And the whole country, with these tools, the whole country is going to change dramatically in the coming years.

MR. VILLASENOR: Thank you very much. So here's a question for both, I'd love to hear both of your thoughts. What do you think the greatest challenges are that the financial inclusion community faces in seeking to contribute to the Sustainable Development Goals; such as poverty reduction and gender parity? You know, that's a huge question, we can write a PhD thesis on either one of those. But to the extent that we can talk about in a few minutes, your thoughts on poverty reduction and gender equality in terms of the greatest challenges?

With all this effort, you know, over the last five or ten years, but obviously we are a long way from having, you know, enough poverty reduction and we are certainly nowhere near gender parity.

MS. BUSETTE: Yes. So, I'll take a crack at it, and I mean I'm sure there are about 15 things that we could probably think of. but let me just mention three. The first is, I do think gender parity is continuing to be a very intransigent problem, and there are many reasons for that, but when we look at financial inclusion in general, women tend not to do very well, even in countries where there are large advances. I mean, there are going to be some exceptions to that, Kenya being one of them obviously, but if you look at South Asia for instance very, very difficult financial inclusion for women there.

The second thing is you know I actually think that one of the challenges of financial inclusion is to figure out, both at the country level, but certainly the community of philanthropists as well, how is it that we link financial inclusion to economic participation and to social inclusion? And what are all the steps from getting, you know, included in the formal financial system to getting into the formal, you know, employment system, to then moving, and getting some kind of social movement and social mobility? So I think those kinds of steps aren't well mapped out, and you can stall at several different nodes. So I think that's a real problem.

And then the last thing is, for the ultra poor, I still don't think financial inclusion is as relevant as getting people stabilized to the point where they can then take advantage of financial services. And I think we still haven't really cracked how to do that kind of economic stabilization on a really kind of mass level. And I know there are a lot of experiments, when I was at CGAP we worked a lot on graduation, which is a kind of approach to economic stabilization, but that needs to be a much larger scale to really crack that nut I think.

MR. VEGA: I think the main challenge is creating trust, especially with financial services. How do you make these people that haven't had access to any financial service to trust a mobile phone? We all do it here. Well, how you break that barrier and create trust? Create trust, or of saving money or -- you know, or committed to pay interest on the loan, or whatever, you know. That's the main challenge for me to expand financial service to reduce poverty.

So, how we create trust between consumers and the financial providers, and these new financial providers? And secondly, how we could create trust between those new players and the regulator's? And that's the three key balances, you know. We have to adjust the regulation, but we have to have the right balance. In countries like Colombia again, you know, having a huge narco-traffic problem, laundering money is a key issue.

So regulators are not really keen to open the door because they may have you know more laundering mechanisms. So we have to create trust as well between the new players or the new services, and governments. And traditional banks, you know, what but what we have found in many countries, is that the traditional regulation, it is too heavy for banks to go to the base of a pyramid. So also, you know, not only having a new regulation for the new players, but a softer regulation for the current ones, that's key.

MR. VILLASENOR: And I'll take the liberty of briefly stepping outside of my moderator role, and I can't help but mention when we talk about trust, that that's another reason why cyber security is such a really foundational part of the equation, and one which, at least in my view, has not gotten nearly the attention that it needs in this context that a lot of people would talk about it.

But I think at ground level there isn't nearly enough cyber security, and of course, you know, if you are new to the financial system and your first -- or one of your first experiences with it is losing your money because the new solution you tried got hacked, then obviously that is exactly the opposite of what we want to have happen, to build trust in these new services; new in the sense of, from the perspective of the people who are adopting them, so, trust is a really, really important issue.

Okay. So let me ask a question. This is really for Camille, specifically your experience at the Consumer Financial Protection Bureau. Given that, do you have any thoughts about how to advance consumer protection and privacy in this increasingly digitized environment through the lens of, or in the context of financial inclusion? In other words, as we deliver these services but do so in a manner that, you know, provides the requisite levels of protection and, you know, globally even though obviously your personal work happened to be in the United States on this?

MS. BUSETTE: Sure. And before I answer that, let me just say the Consumer Financial Protection Bureau is the newest financial services regulator in the U.S., it was created in 2011 as a result of the financial crisis, and it had really governed market conduct in the financial services arena.

So, you know, when I think about consumer privacy and consumer protection more generally for people who are at the base of the pyramid, you know, I do of course think about trust, but I also think that the kinds of people who are now, are just getting into the financial system for the first time, are people who aren't used to, you know, the marketing tricks, let's put it that way, or the ways in which their data may be used, et cetera.

So they're just not really aware of the many ways in which a financial institution can make use of their data and can also put them in a fairly precarious financial position if something goes wrong, like a loan isn't repaid, et cetera. So from a -- just purely at the privacy level I think it's really important to explain to people what it is they are getting into, and there are many creative ways of doing that using visuals, et cetera, so I think that's really important, and it's important for regulators to be at the forefront of encouraging providers to provide that kind of education.

I think the second thing is that privacy standards can really vary country to country, they can vary depending on the sector of the financial services provider, so it might be different if you're in telecom, and it might be different if you're in banking, and then different again if you're in FinTech.

So there has to be some way of harmonizing that, and bringing those up to global standards, and I think there it's really important for regulators to conduct meetings where they are not only talking to providers, but they're talking to you know consumer advocacy groups. They are also talking to other regulators about how you do that kind of coordination.

And particularly in areas like Sub-Saharan Africa and South Asia, I think it's very, very important to have a regional approach to that because people, there's a lot of people movement for jobs, for economic opportunity, and so I think it's extremely important to have a harmonized approach, not only within the country, and within various sectors in a particular jurisdiction, but across regions as well.

MR. VILLASENOR: Thank you very much. I have a question for Diego here. So as a reminder for the audience, we measured financial inclusion with respect to four key dimensions which were: country commitment, mobile capacity, the regulatory environment, and then actual adoption of these services. Colombia received a perfect score on the country commitment axis of those four axes in relation financial inclusion, so I'd be interested to know what are one or two of the things that Colombia did to demonstrate this commitment to advancing financial inclusion.

MR. VEGA: The first one, a clear policy so we issued all the policies to include everybody. Secondly, deploying the tools, deploying technology, so people can have access to it. Colombia is also number one in technology affordability in the world. So this is not about only, you know, deploying infrastructure, but also making it really affordable for people.

Thirdly, the public-private partnerships, that's very, very important. So we went to the financial sector, the traditional one, and said, look, we have to go to the base of the pyramid. What do you need? You know, some regulatory adjustments, both in terms of finance and telecom that we need and, for example, just out of that used one bank, Davivienda, they deployed this product, the mobile team in (inaudible) for people in the base of a pyramid.

Now, it is one of the largest mobile payment platforms in the world. More than four million people that didn't have a bank account now do have it through the mobile phone. They don't have to go to any bank branch to open an account, they can do it on their phones, and they can already pay, you know, e-commerce transactions, they can do a lot of things. And there are, you know, thousands and thousands of cash-in and cash-out points. So the traditional banking also played a very important role.

But also other PPPs with the telecom sector or technology companies; for example, companies that had this business of charging the mobile phones with money; so like the prepaid cards and stuff like that, they moved also to the payment systems, thanks to the new regulation. So the penetration of payment services increased dramatically.

But to increase the demand of payment services we also needed a new way to increase e-commerce policies. So, Colombia is growing very fast in terms of e-commerce, and this is not the traditional Amazon e-commerce, there are new players in the market that really adjust to the reality of Colombia; companies, like there is a company called Rappi, because in Colombia people are very, very lazy.

I mean people don't go to the supermarket, and there is a lot of -- bunch of mom-and-pop shops, so how you reconnect those mom-and-pop shops with the consumer? Through this app; you know today Rappi is one of the largest e-commerce services in Colombia, and that really helps payment systems grow, and again the government in distributing the subsidies through those payments, that's the part of the success of Colombia.

MR. VILLASENOR: All right. Okay. This is a question for both or either. What factors, I mean of course we all know or have read the various factors that can impact and help promote financial inclusion, and so one way to look at it is the sort of, you know, organic view, which is that the technology alone, you know, coupled with people doing innovations is going to take care of it, and governments kind of you know aren't as important as some people might suggest, because so much of it will happen organically?

Another viewpoint would be so more on the opposite end of the spectrum that, you know, governments are really the central players, and need to be the central players in promoting financial inclusion, and of course then the solutions will follow. I guess I'd be interested in perspectives on, you know, the relative importance of leadership, of just simply, you know, letting the technology do its thing, of public-private partnerships. What do you think, I guess, are the factors that are most fundamentally important in -- or other factors that are overplayed in their importance, or are underappreciated in promoting financial inclusion?

MR. VEGA: For me the main factor for the whole -- not only for this financial industry but for the whole digital economy, is talent. And we lack of four types of talent, the first one is the engineers, so that's a problem everywhere, including the U.S. You know, we don't produce enough engineers, so we don't produce enough engineers that really develop new applications using the -- for the new financial sector.

The second type of talent that we lack of, are women in the industry, and working women, and this is not about gender equality, this is about productivity. If women don't work we are not going to be able to grow the economy, period. That's very simple. And I think, you know, in most countries that are doing the government subsidies that are focused on women. I mean we've seen the positive results on that as well. I mean, you know, empowering women to control the finance of homes it's been very, very successful. But also we have to help them to really move to formal jobs everywhere,

The third type of talent we need is that we have to change the whole educational system, today an accountant that doesn't understand blockchain, it is worthless. You know I mean we have to develop --

MR. VILLASENOR: There are some accountants who might disagree.

MS. BUSETTE: But for all of you accountants out there who don't understand blockchain --

MR. VEGA: You have to go and get training on that, I mean that's key, that's key. And so, if a doctor doesn't understand what big data is, they are not going to be able to work in the new medicine. So we have to change completely the way we educate people. Every single profession, every single profession has to have a little bit of a computer engineer.

And the fourth type of talent that we need is digital leaders. We need leaders that understand this new economy, and how to transform the current business into the digital business, and that is also part of what we have to do in the financial sector.

MR. VILLASENOR: Thank you. Camille, any thoughts?

MS. BUSETTE: Yes. In addition to what Diego has mentioned, you know, I actually think, having spent a couple years at CGAP, and kind of worked on financial inclusion for a while, I actually think intentional government policy is a really big factor. I've come to kind of really embrace that, and I think that that's very, very important.

I do think also that coupled with that though you have to have an environment that encourages and stimulates innovation, and that means you have to have a regulatory environment that also is enabling. Enabling of innovation but, you know, also providing some guide posts and guide rails for how the financial system can evolve to meet the needs of base of the pyramid for poor people.

In addition, I think when we talk about financial inclusion we mostly talk about expanding access to, you know, financial services, but I want to just put a plug in for responsible financial services. And so I think in addition to the other areas that I listed I think you do need to have at least a basic consumer protection framework.

MR. VILLASENOR: Thank you very much, to both of you. And just, I may be telling people what they already know, but just a quick reminder. So blockchain is the technology that underpins things like Bitcoin, but Bitcoin is merely one of many applications.

Another term you may have heard as DLT, distributed ledger technology, so it's this idea that you can take a large number of computers, no single one of which is trusted, but yet sort of paradoxically create from that a network which, in the aggregate, behaves in a trusted manner. And it's a fascinating technology which has implications certainly in the financial sector, but also with many other applications as well. So I just want to make sure we are all on the same page with that.

Okay. So this is probably a good time to maybe, I'll do one wrap-up question, and then we'll open it to the audience's -- to the audience questions. I guess what I'd ask a sort of a future forward-looking question of: Are you optimistic about -- You know, looking at sort of what's happened in the last five or ten years there's certainly a proliferation of solutions, and we've seen good numerical kind of progress on the metrics. Are you optimistic that we will continue to see, you know, good progress? Or is there a risk that we'll sort of, you know, kind of plateau or fall back? What is your kind of candid view of the next five years on financial inclusion?

MR. VEGA: I'm very optimistic. I'm very optimistic because I think we have the tools, which is basically around technology. And we have also young people, millennials, they are fully connected, they create that trust easier. And they are innovative on how to use that technology. So I'm very, very optimistic that financial services are going to be growing to the base of the pyramid, and becoming a critical factor of reducing poverty. However, there are some risks, and as you mentioned, cyber security is one of them. That's very, very important.

The second risk is how to manage consumer protection, data protection, that's very, very important because that, you know, a breach of data protection or data privacy could really damage that trust.

MR. VILLASENOR: Camille?

MS. BUSETTE: So. I'm cautiously optimistic, maybe a little less optimistic than Diego. So, I'm optimistic that the services will grow, that the number of people who are covered will grow, will increase pretty dramatically. The caution is around a couple of things, the first is that I still think it's going to be very, very hard for extremely poor people to get into the financial services system, and I just don't think we've cracked that.

I think it's also going to be very hard for women, poor women in particular to be included, and still, you know, I'm not aware of really big gains in some of the countries where that has been a persistent problem. So I think that's a problem. And then I also am cautiously optimistic because I think as you grow these services there's also potential for scandal, right. And there's the -- and a lot of growth digitally offered credit services, and that offers, you know, opportunities for scams, and all kinds of consumer abuses.

I think also the fact that credit bureaus operate a little differently, and that that might be opaque to consumers also offers opportunities for things to go badly for them. And then finally, the advent of using social networking data to make credit "decisioning" is a little creepy, and I think it needs some guide rails if we are to use that as a way of including more people in the formal financial service system.

MR. VILLASENOR: Thank you very much. So, we'll open it up to any questions that you may have. So we have some microphones available, so in terms of, if you have a question you just raised your hand. My one request would be, if you could, you know, briefly state your name and which organization you are with. And my other request would be, to please ask a question. So that would be --

and to do it rapidly enough that we have time to answer the question.

So, anyone -- The gentleman in the front is -- and anyone else, you can raise your hand and we'll get to you. Okay. I see someone there.

MR. CHECCO: Thank you. Larry Checco, Checco Communications. Bitcoin: and the advantage or disadvantage to this whole concept of inclusion? And two, it seems that America, here in the States, we are acting at cross purposes, CFPB is under siege right now, and I think it's been a wonderful you know consumer protection agency that's been -- and it's not going away with -- going to be castrated. So how can you -- you know, how can we get more people? And plus, the fact that banks have not been honest brokers for a long time, and there's that trust issue that Diego talks about. So if you can just address those couple of things? Thanks.

MR. VILLASENOR: Do you want to talk about CFPB?

MS. BUSETTE: I actually might talk about Bitcoin too. So you know, I think Bitcoin is really distinct from blockchain technology, and distributed ledger technology. The latter two I think have some potential to be really interesting in the financial inclusion space, particularly as Diego has mentioned, when you are talking about using property as a way of validating who you are, et cetera. So I actually think that there's a lot of potential with blockchain and distributed ledger technology that could be very useful to, you know, property claims and all kinds of claims.

And then also just validating who has done what with money, right. And also just maybe making it a lot easier and a lot less complicated to move money from point A to point B; so I think there's opportunity there.

You know, on the CFPB, the CFPB has been a political football for a really long time. I think, you know, the folks who work there are used to that, and it does seem like the political, you know, terrain right now is pretty complicated, so that it's not entirely clear to me that given the list of priorities that the current administration wants to work on that the CFPB would be at the top of that list.

MR. VILLASENOR: Any thoughts?

MR. VEGA: You know, I think in terms of digital currencies, very, very positive. I think they are a must, especially to increase the efficiency of central banks. But Bitcoin I'm not sure. So, I think central banks have to, you know, learn how to operate and regulate digital currencies, it dramatically is going to improve the efficiency of the whole operation of money in the countries, but they have to work on a clear governance of those digital currencies. And that's the problem of Bitcoin, you know.

So, if you go to a central bank in Mexico or Brazil and, you know, you talk to them about digital currencies automatically -- and you talk to them about Bitcoin, they say automatically, no, because they don't have any control of that. So creating that, creating the right governance, it is going to be complicated, but then to create a governance you need talent to do that, and not only just the leaders of the central banks you need the whole financial community to understand that.

So you have to, again, go back to my point of talent; if people do not understand what blockchain is nobody is going to support any initiative of moving to digital currencies with a central bank, or very, very few people. So, in order to create that trust we need people to understand the power of these new technologies, and the security, and all the implications.

And also, the regulation, we are moving from static regulation to dynamic regulation, and that dynamic regulation is going to be based on algorithms, because today is just, you know, a very, very simple regulation in every part of industry. The new economy is based on algorithms, the regulation is going to be based on algorithms as well, but how come you as a regulator are going to issue an algorithmic regulation if you don't know what an algorithm is? You know, that's -- so we have to still work very hard on training people in this new economy and these new tools.

MR. VILLASENOR: And just, if I can add. I've got a question there and here. But let me just add a quick, kind of, clarification, because sometimes when we are talking about these terms, there are sometimes some opportunity for confusion. A digital currency is of course you could contrast that with paper, but a digital currency is a class that could include a crypto currency like Bitcoin, but it is certainly possible to have, to conceive of a digital currency that is not distributed in the way that Bitcoin is.

So, digital doesn't automatically mean it has to be Bitcoin. Now, it is certainly true that Bitcoin is an example of a particular class of digital currency often called a crypto currency, where the management is in this distributed manner. At least when I think of these things, I think of them differently, in the sense that I think that the governance issues relating to centralized digital currencies, right, in other words, an entity like a government could issue its own currency, and do it in a centralized way, but yet still digital. That is very different from a governance standpoint than a truly distributed currency like Bitcoin.

The other thing I'll say about Bitcoin is, I'm a big believer in the potential of the blockchain, but I also sometimes see its potential overplayed. I don't think that, you know, blockchain is the solution to all problems, and so there are use cases where it's a great solution, and then frankly there are some where it's really not the right solution, even though there's maybe some hype that suggests that it is.

So with that, there was a woman in the back who had her hand up, and we'll go to her. And then after that there was -- Yes, so let's get the woman (crosstalk).

SPEAKER: Hi. I'm Amina from the Philippines. I work with a microfinance institution that's trying to launch a mobile money program. And one of the indicators in the four-dimension is access and usage, and in our experience those are two different distinct issues. It's so much easier to get clients signed up, but not so easy to get them engaged in the system, and part of that is what Diego was saying about trust and behavioral psychology in the ecosystem.

So, my question is, for the 2017 Report, how effective are countries in addressing this access versus usage gap? And in Colombia's experience what has been good strategies and trend to make sure that people below the poverty line are not only into the system but engaged and actively using it to leverage for opportunities?

MR. VILLASENOR: The Colombia question, I guess that's --

MR. VEGA: Yes. I think Colombia, because this is not only about -- again about just giving access to technology, or giving access to financial sector to technology, but also encouraging other applications using those financial services, that's key. So, like e-commerce, so how you really encourage the growth of e-commerce, how you develop applications for small companies, so that they improve the productivity, and part of that is using those financial services.

So, the financial services by themselves are just basically payment systems by themselves, they don't move the needle. So, you have to create the whole ecosystems of applications where they just play the role of moving the money, but there is going to be other values from those applications.

MR. VILLASENOR: So, on access versus usage?

MS. BUSETTE: No. I agree. I agree with the question that, you know, that that has really been an issue. I mean you can have a lot of access, and we've shown increasing access but typically the numbers are about, you know, one third of the people who are actually signed up use accounts, and so there's a pretty big drop-off.

And so that that means that for whatever reason they are not funding finding value, and as Diego says, it's about building value; but I think part of building value is really understanding what these customers need. And these customers are going to be very different from customers in higher segments, and typically the way financial services react to new customer segments is they take an existing set of products and then they try to move them down market. And without actually doing the research that allows you to know what the needs are, and how to meet those needs appropriately.

MR. VILLASENOR: I guess I'll just add that, you know, the good news is that we've sort of wised up. You know, six or seven or eight years ago you would have found some people, you know, focused maybe overly on potential access, just the number of accounts created, for example, as a metric. But I think, you know, very few people in the financial inclusion community today would use that number alone as any sort of a global success metric.

And so what we often look at is, for example, if you've done at least a certain number of transactions per month, then it sort of counts, you know, more than if you simply had an account that you've never used. So, it is a core question. So, thank you very much.

I guess the gentlemen up here, and then we'll go to the right, and then to the woman in the back. There to your left.

MR. SCHIFFMAN: Thank you. Henry Schiffman, I'm a Consultant on legal and regulatory reform for IFIs. Another core question; I think Diego suggested that high margins were an obstacle to access to finance, but hasn't the experience been that all of these NGOs, in particular, with what would be very high rates of interest for advanced countries make access to finance possible. You know, in recent years we are talking about 2.5, 3 percent a month interest, and that gets funders to fund microfinance.

MR. VEGA: What I said was that the traditional banking was very happy with high margins, and the base of the pyramid has low margins. That doesn't mean that the (inaudible), of course, you know, in an open economy you choose what business you want to be in. But like what we are saying is, you know, when financial inclusion is growing it's in places where the new FinTech companies are going. You know, either they come from entrepreneurs, or from telecom operators, or when banks say, let's tackle these new markets.

As the example I talked about, Davivienda, they said, let's innovate, let's join forces with the FinTech companies. And I think that combination of the traditional banking, and the newcomers is very, very important because the traditional banking, the traditional banks, they know the regulation, they know the business, so they have a lot of value to really build together, so companies like -- banks like Itaú in Brazil, or Davivienda in Colombia, they are really working on creating, you know, alliances with these newcomers to tackle the base of the pyramid, and that's been successful.

MR. VILLASENOR: Thoughts?

MS. BUSETTE: No. I would, you know, I would agree that in a couple of different ways, with Diego. First of all I do think that at least globally, it's very difficult for banks to go down market and really service those people in a way that makes sense for them in a -- kind of from a P&L perspective, unless they are willing to engage and partner with the FinTechs, or people who can bring the cost of service down, because you're doing a lot of little transactions, it's frequent.

You know, if it's not digital there's a lot of hand-holding and so that makes it expensive, and particularly if you are not going to tweak your products to really work for poor people, then it's going to seem very expensive. Like the cost is going to just seem extremely heavy.

I think where there have been some innovations, you know, actually East Africa. So, Kenya Equity Bank for instance has tried to put together a digital mobile money product, and now what they're doing, which is interesting, it's an interesting experiment, is they are getting rid of ATMs, and kind of forcing people to use the mobile money products.

And so that will be interesting to see exactly how that works, but clearly what they're trying to do is drive demand for that, and try to figure -- and they've actually created that product for poor people. So, I think, you know, it will be interesting to see how that works out, but I think you do have to create those products for poor people in order to figure out how you are going to work the margins.

And then you also have to figure out how you are going to leverage technology partners to drive down costs. So I think, you know, I would agree with you 100 percent on that.

MR. VILLASENOR: So, the gentlemen in the same row.

SPEAKER: Yes. My name is Andrakam Kanah. I used to be Head of Policy for NASSCOM, which is the IT industry in India. Just before my question, a couple of comments. We have found discussing issue of inclusive finance that we need to distinguish between financial inclusion and inclusive finance. Sometimes providing the services are not only not -- doesn't do anything, it can actually be harmful.

And here this is where one comes in to -- I won't go into detail -- but you have to get back into some of the fundamentals of when even issues like trust, a lot of people in countries such as India, and all over developing countries, trust banks and financial middlemen less than they trust the mobile phone. So our feeling that, you know, they don't trust the mobile phone. No, it's the other way around.

So that's why it comes back to what you've just said, which is that the -- you know, existing financial institutions are not geared and not interested, generally, to make the change. And in India we've been trying for 10, 20 years, and it was only when the new FinTech people just sort of, through e-commerce or whatever, grew that we've got Paytms, and others, but I won't go into detail we can talk later.

My question to you is, to what extent is the issue of identity, you know, digital identity a critical factor in financial -- inclusive financial, financial inclusion? As you know, in India we have now put one billion people with biometrics, and which has become very controversial; our Supreme Court has got it, people have worried about surveillance, et cetera. On the other hand, the issues are: Should everybody have a social security number? It's really as fundamental as to that. To what extent has that been a constraint in providing inclusive finance or not? That's really the crux of the matter.

MS. BUSETTE: Did you want to answer for (crosstalk)?

MR. VEGA: No.

MS. BUSETTE: So, I think it's been a huge constraint, I actually do, because you know in many, many countries people are very mobile, they don't have, you know, fixed addresses, they don't have identity papers, all those things that are typically required by banks to satisfy, you know, your customer rules, and AML rules, et cetera. So, it becomes a real barrier, and so I do think it's -- I think it's extremely significant. And I can't stress that enough.

And, you know, so I do think it's important to innovate in ways that will allow people who have those characteristics and that profile, basically, which is that they are very transient, and they also don't have documentation to be able to sign up for bank accounts and other kinds of financial accounts. Yes, I agree.

MR. VILLASENOR: Thoughts from you?

MR. VEGA: I think it is one of the main barriers or the main opportunities, I mean, to grow financial inclusion. You know the detail or identification, it is a way to track a person's life, you know, to understand what they do, if they are trustworthy, or whatever; not only a person, an asset as well, you know, which is critical.

Most of the assets that are in the base of the pyramid are not registered today, so that's also an opportunity, so if you give a loan for a person at the base of the pyramid, to buy a motorcycle or a car, you know, having a detailed track of that asset is also important for different sector to increase the productivity of the financial sector. So I think it is critical, and the way -- there are different ways to really grow digital ID, one is what India is doing it, which is an initiative led by the government, a traditional initiative led by the government so, moving everybody to the digital ID.

But I think one faster way to do it, is through the financial sector, so joining forces between the government and the financial sector to create a common platform of digital ID.

MR. VILLASENOR: And I can't help but respond to that. When you use phrases like: it's an easy way to track people's lives, that there's some people who would not necessarily celebrate that.

MR. VEGA: That's true.

MR. VILLASENOR: And so you know, it's a double-edged sword and so, you know, you can imagine very reasonable fears, you know, of not wanting to be in a system like that if that information could be misused. So now, I think we had a question in the back.

MS. BUSETTE: Over here I think we had David.

MR. VILLASENOR: Oh, okay.

MR. MEDINE: Hi. David Medine, CGAP. One of the areas where digital finance has not really achieved its potential is consumer-to-merchant payments, that is payments may be made to the consumer from the government, say, digitally, as I think was suggested, to try to get customers or citizens used to receiving digital payments. But then they go to -- the citizens go to the agent or to an ATM and cash out, and go to the merchant, that seems like an undue friction and cost of handling cash, but yet somehow there hasn't been merchant acceptance or customer demand to make electronic payments. Do you see that as an issue in financial inclusion? And if so what can be done about that?

MR. VEGA: Go ahead, do you mind?

MS. BUSETTE: So I'm going to say, I think it's an issue for ensuring that access to finance grows in terms of the number of services that are utilized. But I do think that -- So I think there are a couple of different points, the first is that you need to have an ecosystem of merchants who are willing to obviously use the system, and in order to do that you typically have to have a platform, you know, a transactional platform that people can plug into.

And in some places that exists, in some places it doesn't exist, in some places it could exist but it would be expensive, and so that kind of thing obviously, you know, like a Switch platform, or some sort of platform like that has to be ironed out. I think that with the growth of e-commerce, however, we are starting to see movement in some countries.

So, as you know, David, China and increasingly India are sort of at the top of that list, but I would imagine that places like Kenya will finally, you know, come on board with respect to e-commerce, because you have a significant growing middleclass that will transact there, and so I think there will -- you will start get that sort of critical mass of businesses that are willing to, you know, take payments online. And I think people will become more comfortable with that over time but, again, I'm not sure the ultra poor, or really poor people will do that, because I think really poor people still really cash is king for them, and I'm not sure cash is going to be completely out of the system as a result.

MR. VEGA: That's exactly what happened in Colombia. When we started to distribute the subsidies with mobile payments, you know, we saw that 90 percent of them were cashed out in the next two weeks, you know, like massively in the first three days. So, we understood that we needed to create that ecosystem. I mean we needed to work with the local merchants, with the local mom-and-pop shops so that they can have applications using that money, that electronic money.

But one main barrier here is a tax man. So, those merchants are afraid of being taxed, you know, because this is an informal economy, so you have to be really, really small on what kind of application, so that they really feel comfortable that they are not going to move into additional costs even, you know -- given those tax costs.

So we created a lot of public-private partnerships to create those applications for the merchants, so we moved from 7 percent of SMEs connected in Colombia to 76 percent of them connected, but the way we did it was just creating applications for them. So, we worked with food companies, with beer companies, with all kinds of companies that were doing business with those merchants to create an ecosystem. And we've improved a lot that ecosystem, we still have a lot of room to improve but we are moving in that direction.

MR. VILLASENOR: I'm really glad to see a question from this side of the room, I was worried I was going to be accused of bias towards one side of the room here, but now we've got a question. So thank you (crosstalk).

MR. POLZER: No. I'm glad. I hope it's worthy. Karl Polzer; I'm with the Center on Capital and Social Equity. So I hear a lot of measures about liquidity, how many transactions -- and that can be good or bad, it depends what the results of those transactions are. So I wonder, are there any experiments with measures that are more that of working capital or building credit?

In other words, could you have an account that has a compartment, say, 20 percent, or whatever, where they have to keep it in for a while, and it's put in real working assets that could be aggregated, you know, like a big index fund, and people could develop real collateral, and then that could be another measure. Does that make sense?

MS. BUSETTE: So in the U.S. there are products like that, you know, there are some regional banks that have worked on actually interestingly in markets where you have a lot of payday lending, that have worked on products where you keep a certain amount of money in, you pay back a certain amount on your on the credit card, let's say, for instance you build a credit score, increase your credit score as a result, and you can utilize the savings component as collateral for loans, et cetera.

So that those products do exist in the U.S., or the payment cards, for instance, that have something similar -- prepaid cards that have a component where you can save money. And so I think there is a recognition that, you know, just moving money in and out is not -- is not the goal of financial inclusion, right. The goal of financial inclusion is obviously financial security, economic participation, et cetera, and so there are, I would say, individual companies that have tried to provide those kinds of products that are useful for people who are trying to build credit, or build savings.

MR. VEGA: I'm seeing a new FinTech companies doing that in the region, and that's key again of this FinTech world. We have to let them grow and help them grow as well, so in the case of Latin America, according to a recent report of the IDB, there are more than 700 new FinTech companies, and most of them are in this new alternative finance or payment systems, but there are like 15 or 20 percent of them, like a bunch of them, working on how to create new ways of building credit records, and I think again, part of this is let them grow; let them grow. And it is very difficult for regulators; very, very difficult for regulators to do that, but one way is creating, you know, a kind of sand boxes.

You know, so let's create an environment where they can grow, and we have kind of special or flexible rules for you to grow, and once you have grown you have a little bit of maturity, everybody understands the business, the regulator and the FinTechs, and then a new regulator -- a new regulation could be issued to regulate that business.

MR. VILLASENOR: And I'll just add to the thoughts that, you know, you put your finger on a really important issue, which is sort of: how do you measure these things? And one reason people measure just existence of accounts because it's easy, right. You just ask how many accounts are there, and then, you know, moving to measuring transactions, it's a little harder but it's not too much harder, than if you try to look at some of the more sophisticated measures it becomes even harder to simply to get the data.

The other thing is there is -- you know, there's not a one-to-one correlation; for example, you can imagine someone who is very included who almost never makes any payments from an account. In other words, they deposit things into the account, the account balance goes up and they are saving, they are not actually spending, but if you decided that because this person hasn't made a payment from the account in the last 60 days that they're not included, or less included, then that would be precisely the wrong conclusion, right.

So, your question gets at this by definition, kind of, impossible to perfectly solve the question: what do we measure? But it's a great point in that, you know, we've taken -- we've measured the easier things, but not always the ones that correlate really with what we want. So, it's a great point, We have time for maybe one or two more questions. In the back please?

MS. CHABON: Thank you. My name is Karen Chabon, I'm with Fairfax County Government. My question kind of follows on the data; you had mentioned early on the number of unbanked or underbanked people across the country in the United States. I'm wondering, is there a reliable source that if, like a local government was interested, to kind of know where their community was, so maybe they could target actions in a certain way that they could drill that number down in a reliable way?

MS. BUSETTE: You know I'm not sure of more regional statistics but the FDIC is really the one that has traditionally done a study around unbanked and underbanked numbers in the U.S. One suggestion I could make is that there is several cities have come together to call cities for financial empowerment, which have coordinated their approach to financial inclusion, and so the main organization is actually based in New York City. I think it's co-chaired by somebody in New York City, and then the county -- the San Francisco Treasurer as well; and so that organization should have some statistics on the more regional level, or at least the metro level. So you might be able to plug in there.

MR. VILLASENOR: One more, last question, and then we'll wrap it up.

MS. COCHRAN: Hi. I'm Judy Cochran, I'm with SIL International. And I really appreciate what Camille had to say about addressing the ultra poor. And around the world those who are the poorest or the poor often speak minority languages that aren't even recognized by former financial institutions, and I wonder; to what extent did this report take language into account with regard to inclusion.

MS. BUSETTE: Do you want to answer?

MR. VILLASENOR: Yes. So, I'm not sure of the best way to answer that. The short answer is, we didn't pay a lot of attention specifically to the issue of language with the understanding though that in many places the financial services are, you know, developed with specific knowledge of the local languages. But as you say, in many of these communities there are minority communities who speak languages that are outside, and that is clearly a barrier to inclusion. And so that is another challenge. It's a great point, and I certainly wouldn't claim that we've really addressed it. But it's a terrific point, and it's in many, many countries in the world we would have this. So, great point.

Okay. Well I just want to express my thanks to our panelists, and to all of you for a really terrific set of questions from the audience, and really great set of perspectives from our panelists. And we welcome any of you to go take a look at the report on the Brookings website. And thanks again for taking some time to be here today. Thank you.

MS. BUSETTE: Thanks John.

MR. VILLASENOR: Thank you. (Applause)

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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