

# Responsible Investing in Digital Financial Services

## About the Investor Guidelines

The Investor Guidelines for Responsible Investing in Digital Financial Services are developed jointly with leading investors in responsible digital finance and financial inclusion. They aim to benefit digital finance customers, providers and market ecosystems in managing both opportunities and risks associated with digitalization.

## Signatories of the Investor Guidelines

Signatories include Investors and Endorsers that voluntarily commit to: (1) transforming principles into actionable steps aligned with due diligence; (2) catalyzing responsible digital financial inclusion models to help the underserved, including women; and (3) promoting private-public partnerships to share lessons towards resilience and sustainability.

Each Signatory is an individual owner of the Investor Guidelines, adapting them to risks and opportunities in a given market or business context. Signatories are also collective owners of the Investor Guidelines. This may involve engaging with investors, innovators, industry networks or associations, and regulators to advance progress. As Signatories working together, they can promote responsible product innovation and build more awareness to refine emerging evidence and business models for inclusive growth.

## Investor Guidelines Update

This update provides an overview of the Guidelines for Responsible Investing in Digital Financial Services (“Investor Guidelines”), including their definitions, examples of potential actions and selected industry references.

The Investor Guidelines—formerly hosted on the Responsible Finance Forum\* (RFF) platform—were [launched in 2018 by IFC and 50 co-founding Signatories](#). This group has since expanded to over 130 [Signatories](#) representing investors and endorsers from 50 countries.

As a Signatory and a leading private sector investor, IFC continues to [host the Investor Guidelines on its platform to enable all, and co-leading signatories to gain access to evolving work](#), as well as to share [global initiatives for responsible digital financial services](#).

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\*In March 2022, IFC transitioned the convening role of the RFF to the Center for Financial Inclusion (CFI). IFC continues to host the Investor Guidelines and provides general updates as needed.

## Investor Guidelines for "Responsible Investing in Digital Financial Services"

**Guideline 1: Promote Responsible Investment in Digital Finance.** We embrace digital financial services as a priority to drive development of inclusive financial systems. We will actively support responsible DFS providers to innovate and expand the range of financial services available to underserved groups to help them reduce their vulnerability, build assets, and mitigate their risks for an inclusive digital economy. We as investors commit to make responsible investment choices. We commit to supporting improved board governance and management commitment such that access to finance generates resilient, sustainable and value-added growth towards creating markets and opportunities for broader Sustainable Development Goals.

**Guideline 2: Manage Risks Comprehensively with Growth of Digital Inclusion.** We acknowledge that investors play a role in ensuring that the risks that emerge from innovation are borne by those that are equipped to absorb them, i.e., not by end customers. Investors will identify and assess risks during their due diligence process and manage these during investment. We encourage our investees to incorporate risks for customers or consumers into their business models and operations for a more comprehensive risk management framework.

**Guideline 3: Foster a Proportionate Legal and Regulatory Framework.** We support a prudent and proportionate legal and regulatory framework. As responsible investors, we commit to ensure compliance to existing regulations (including, by our investee companies) and to engage productively with policymakers so that the regulatory framework reflects both customer protection concerns and commercial concerns.

**Guideline 4: Facilitate Interoperability and Infrastructures for DFS Ecosystems.** We recognize the need for an ecosystem of enabling infrastructure for DFS and encourage interoperability, where appropriate, within that ecosystem. We encourage investee companies to take responsibility for the actions of agents, employees, and third-party service providers across the value chain. We will support investees to implement appropriate mechanisms for responsible provision of services along the value chain, and encourage investees that provide infrastructure services to providers of DFS to apply these Guidelines along the chain.

**Guideline 5: Establish Customer Identity, Data Privacy and Security Standards.** We encourage the development, use and implementation, as relevant to market standards and in accordance with applicable laws and regulations, of customer identity and authentication

systems by DFS providers. We promote the responsible use of data and practice of data management, including back-end technology infrastructure and/or other mechanisms to protect the privacy and security of customer data and help strengthen approaches for informed customer consent. We encourage the assessment of risk to both customers and providers in adopting various approaches and technologies.

**Guideline 6: Promote Fair and Transparent Pricing.** We encourage and support investees to apply fair, risk-based and transparent pricing for all financial products and services, that is affordable to consumers while allowing for investees to be sustainable and provide adequate returns to investors. For savings products, investors encourage and support investees to provide real returns on the deposits of customers.

**Guideline 7: Improve Disclosure of Terms and Conditions for Customers.** We will promote and support investees to improve disclosure of terms, conditions and pertinent information to customers through transparent and clear communication that is easily accessible. This includes transparency in pricing, appropriate product design and delivery, and key supporting facts that enables customers to make informed decisions.

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

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

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

Together with private sector investors, IFC has been leading a global effort to develop new guidelines for responsible investing in digital financial services\*

*\*IFC Compass Note: The Case for Responsible Investing in Digital Financial Services, 2019*



## Examples of Potential Actions

Implementing the Investor Guidelines may include the following examples of potential actions, as relevant for a given business model and/or market context.

- 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.
- Implement industry standards as may be relevant to local market or business context.

## Guideline 1: Promote Responsible Investment in Digital Finance

- 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.

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

- 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 models and 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, exchange experiences and lessons from new risks identified arising from the use of new digital technologies; share industry learning to promote and scale responsible digital ecosystems.

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

- 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 promoters of digital financial inclusion. This potential action aims to mitigate unintended regulatory policies 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 underserved 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

- 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 (i.e., through a covenant in the legal agreements)

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

- 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.

## Guideline 6: Promote Fair, Responsible Pricing

- 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

- 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

- 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

- 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.

## Guideline 9 (cont'd)

- 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

- 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.

## Selected References

### Guidelines 1 to 10:

- [Center for Financial Inclusion \(CFI\) at Accion, Client Protection Principles \(Smart Campaign\)](#)
- [Client Protection Pathway](#) (formerly Smart Campaign), see [SPTF](#) and [Cerise](#)
- CGAP, [The Evolution of the Nature and Scale of DFS Consumer Risks: A Review of Evidence](#), 2022
- CGAP, Focus Notes, [Consumer Protection in Digital Credit](#), 2017; and [Doing Digital Finance Right](#), 2015
- [G20 High-Level Principles for Digital Financial Inclusion \(G20 HLPs\)](#), 2016
- [G20-OECD, High Level Principles on Financial Consumer Protection, Oct 2011; Financial Consumer Protection Principles and Implementation, Sep 2014](#)
- [Global Partnership for Financial Inclusion \(GPII\)](#), see [Subgroup on Consumer Protection and Financial Literacy; related consumer protection initiatives by Subgroup on Markets and Payments, and Subgroup on Standard Setting Bodies](#).
- [Global System for Mobile Communications Association \(GSMA\), Mobile Money Certification Principles 2020; Safeguarding Mobile Money, 2016; and Code of Conduct for Mobile Money Providers, 2015](#)
- IFC, [Compass Note 67: The Case for Responsible Investing in Digital Financial Services](#), 2019
- 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; and Handbook on Digital Financial Services and Risk Management, 2016](#)
- [Responsible Finance Forum \(RFF\), Annual Meetings: RFF 2014 in Perth; RFF 2015 in Antalya; RFF 2016 in Xi’an; and RFF 2017 in Berlin](#)
- [The Better Than Cash Alliance, Responsible Digital Payments Guidelines, 2016; UN Principles for Responsible Digital Payments 2021](#)
- [United Nations Principles for Investors in Inclusive Finance \(PIIF\)](#), 2011
- [World Bank, Good Practices for Financial Consumer Protection, 2017 Edition](#)

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

- IFC, [Compass Note 67: The Case for Responsible Investing in Digital Financial Services](#), 2019
- 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”
- [MCF-IFC Partnership for Financial Inclusion, Handbook on Data Analytics and Digital Financial Services, 2017; and Handbook on Digital Financial Services and Risk Management, 2016](#)
- [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 \(GPII\)](#), see [Subgroup on Consumer Protection and Financial Literacy; related consumer protection initiatives by Subgroup on Markets and Payments, and Subgroup on Standard Setting Bodies](#).
- [World Bank, Good Practices for Financial Consumer Protection, 2017 Edition](#)

## Selected References (cont'd)

### Guideline 5: KYC, Data Privacy and Security

- [European Banking Authority, Payment Systems Directive](#)
- [EU General Protection and Data Regulation \(GDPR\), 2018](#)
- [Financial Action Task Force \(FATF\), Guidance on AML/CFT](#)
- [IFC, Compass Note 67: The Case for Responsible Investing in Digital Financial Services, 2019](#)
- [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](#)
- [World Bank Group and Center for Global Development: Principles on Identification for Sustainable Development: Toward the Digital Age](#)

### Guideline 6: Fair and Responsible Pricing Tools:

- [Client Protection Pathway](#) (formerly Smart Campaign at CFI/Accion), see [SPTF](#) and [Cerise](#)
- [IFC, Compass Note 67: The Case for Responsible Investing in Digital Financial Services, 2019](#)
- [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"

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

- [CGAP, The Evolution of the Nature and Scale of DFS Consumer Risks: A Review of Evidence, 2022](#)
- [CGAP, Focus Notes, Consumer Protection in Digital Credit, 2017](#); and [Doing Digital Finance Right, 2015](#)
- [G20/OECD/INFE, Ensuring Financial Education and Consumer Protection for All in the Digital Age, 2017](#)
- [Global Partnership for Financial Inclusion \(GPFI\), see GPFI Subgroup on Consumer Protection and Financial Literacy initiatives and publications](#)
- [IFC, Compass Note 67: The Case for Responsible Investing in Digital Financial Services, 2019](#)
- [Responsible Finance Forum \(RFF\) in Berlin, 2017](#)

### Guideline 10: Reporting Tools

- [IFC Operating Principles for Impact Management, 2019](#)
- [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"
- [Social Performance Indicators: Social Performance Task Force \(SPTF\) and Cerise](#)
- [UNPRI, Environment and Social Performance Standards: United Nations Principles for Responsible Investing](#)



[Accial Capital](#)  
[Accion International](#)  
[Accion Venture Lab](#)  
[Alitheia Capital](#)  
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[mFarmPay](#)  
[MFS Africa](#)  
[Musoni](#)  
[Nomanini](#)  
[Paga](#)  
[Tala](#)  
[TymeGlobal](#)

Note: Signatory investor and endorser in 2020.

<sup>1</sup> The Smart Campaign's Client Protection Principles was transferred in 2020 from CFI to SPTF and Cerise to manage the implementation of the Client Protection Pathway.

<sup>2</sup> Represents 20 regional rural banks in China as of 2019. F-Road also works with 28 city-commercial banks and covers 1,400 banks and 60,000 branches across 27 provinces.

<sup>3</sup> Represents 38 members, which include digital financial services providers, digital lenders and fintechs. Marketplace Lending Association and Online Lending Policy Institute (OLPI) formed the American Fintech Council (AFC), which represents 50+ members to promote responsible lending practices and consumer protection.

