

New frontiers of financial inclusion and entitlement

The new frontier towards financial entitlement is governing the strategic relation at the basis of the Digital Economy – the relation between banks and investors, by creating a framework of policies that facilitate the counterweight in terms of unbiased analytical control. As advanced analytics redefine information and communication infrastructures world-wide, innovators are using big data and algorithms to sharpen risk assessment and drive revenue. And these innovators are usually the Internet giants, large institutions and banks

The Finance Transparency Forum hosted a meeting in New York on January 12 to frame this year's perimeter of investigation with the members of the board. During the same week additional input was received from the participants in finance sector events in Europe, together with the first reactions to the disruptive change in the Swiss Franc versus Euro exchange rate.

Addressing today's issues of the digital economy

Among the main priorities set for the Finance Transparency Forum's agenda, the key topics set for this year's debate are:

- strengthening regulations
- addressing the analytical divide
- facilitating financial inclusion
- securing a cashless society

Lessons learnt from the 2008 wake-up call

Proceedings of the New York meetings held on the opening day of the National Retail Federation conference in New York expose how today's largest and most powerful techno-social system, the global financial market, sees a number of paradoxes unaddressed. These are becoming another emergency in light of the ongoing computerization trend and call for the adoption of a scientific approach, for new tools to be developed and for control to be established to protect the broader ecosystem of stakeholders impacted by the performance of the financial industry.

Ben Shalom Bernanke, Chairman of the Federal Reserve in office under George W. Bush and



Barack Obama (2006-2014) has been subject to criticism concerning the late 2000 financial crisis, but was also publicly praised by Obama on the occasion of his reelection "for the courage and creativity in helping prevent another Great Depression in 2008". He opened the day with a public address revisiting the sequence of events following the infamous Lehman Brothers bankruptcy week-end back in September 2008. "The recommendations I came forward with as Chairman of the Fed, pointed out how dramatic decisions had to be taken in the shortest time," he said, commenting on the decision he was invited to take at the FED's sole responsibility in front of the US Congress. "I urged congress to acknowledge that there simply no longer was the time, and thus the possibility of contemplating alternatives. Pursuing other remedies simply was no longer viable."

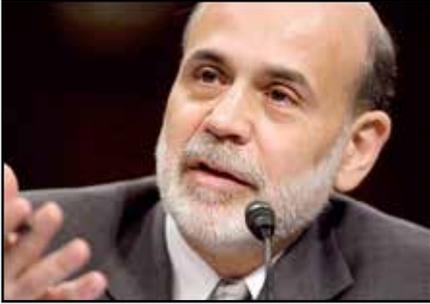
Seven years ago, the question was whether the Fed could save a major investment bank whose failure might threaten the entire economy. As the world knows by now, no one rescued Lehman. The investment bank was allowed to collapse overnight, a decision that

soon unleashed full-blown panic in the world of finance and its clients. As a direct or indirect consequence, nearly every other major bank soon had to be saved.

Ever since the start of the crisis in 2008, the world became aware that any butterfly effect registered in the hyper-connected and ultra-fast context of deregulated digital finance has in fact the risk to be more similar to a globally self-perpetuating tsunami effect. "Strengthening regulations in the finance sector is a pri-

The Sustainability Summit opens its 7th year of activities. At the forefront in 2015: the Finance Transparency Forum, the newest initiative created among its working groups engaging policy makers and industry leaders driving modernization projects for societal development





New York, January 12: Ben S. Bernanke, Chairman of the FED 2006-2014 (above) and Richard Kerby, UN Interregional Adviser and FTF board member



ority understood by all stakeholders of today's economy," says Richard Kerby, Interregional Adviser of the United Nations and Board Member of the Finance Transparency Forum. "But with the advent of Big Data, it is of prime importance that we shed light on the far-reaching implications of today's analytical divide, the overwhelming disparity in the availability of data intelligence that sees an ever growing imbalance in the finance sector."

A key issue that has arisen to the attention of the major finance sector clients and stakeholders is the gaping hiatus between how the public and private sector owners or managers of large and strategic estates on one hand, and the banking industry on the other, access timely and rich transactional data, computational power, as well as intelligent instruments for transparency, accountability and control. Today our society seems to favor the banking sector with implicit use of intelligent data, which could lead to uncontrolled exposure to risk.

Restoring trust – technology's role

In the era of advanced data intelligence, the finance sector is transitioning to new set of challenges. These request urgent attention in order to protect the estate owners from rising threats of instability in the economy and from what is increasingly perceived as an exposure to risk of profits and resources being siphoned off from their estates via hidden costs, conflict of interest and unethical practice. Not to mention that with today's digitalization trend, society needs to be protected as a whole from

the threat of an unprecedented system-wide financial collapse.

"Step one in the roadmap to address the global issue of the analytical divide in the world of finance is to counterbalance the trend establishing independent referees that may act with the richness and intelligence of financial data accessible to finance operators," says Sivi Lindén, former Minister of Communications, Finland, member of the UN Broadband Commission and Board Member of the Finance Transparency Forum. "The issue is of pivotal importance to restore trust in the financial system and investors' confidence globally."

"This is just the newest priority in the agenda of policy makers who have been engaged in addressing the renowned issues arising since the global economy became digital," says



London, January 19: H.M. Queen Máxima of the Netherlands, UN Secretary-General's Special Advocate for Inclusive Finance for Development

Lindén. "Over the last decades, we have been busy and sometimes even remarkably successful countering phenomena such as the digital divide and the identity divide, which in the economy's context converge within the issue of financial exclusion."

Banking the under-banked

With 2.5 billion people across the world still having no access to formal financial services, financial exclusion is in fact a world problem, not a developing world problem. One that also affects developed markets such as the UK and the US, with people locked out, often unfairly, of financial services because they do not or cannot fulfill the criteria for basic services like bank accounts. H.M. Queen Máxima of the Netherlands, UN Secretary-General's Special Advocate for Inclusive Finance for Development, was invited to address the banking industry on these matters at the Financial Inclusion Conference in London on January 19.

It is now a vision shared by the majority of governments, that in an increasingly digitalized economy, every individual and organization should be empowered with the basic skills to



EU Commission President, Jean-Claude Juncker, says financial system reform is key to kickstart growth through a 'capital markets union'

benefit from the unprecedented opportunities offered by the internet and the digital world, as seen by government-led programs worldwide.

Financial inclusion is an issue that also banks and traditional payment companies like MasterCard are keen to solve, as there is a clear incentive to widen their pool of customers. Booz & Co claim that a fully digital UK would be worth an extra GBP63bn (USD95bn) to annual GDP and digital technology could generate GBP18.8bn (USD28bn) in revenue for UK SMEs.

"We're making financial inclusion a key part of our strategy on a global basis. We don't approach it as philanthropy or corporate social responsibility," says Scott Abrahams, Group Head, Merchant and Acceptance Development at MasterCard, speaking in London on January 19 at the Finance Inclusion conference. "We approach it as a strategy with two parts - the technology we currently have and are looking to deploy and marrying that with our relationships in the private and public sector."

A vision for the future

Policy makers, finance sector institutions, truly independent operators and technology experts have an important goal to meet in building new trust models, advancing the frontier of financial inclusion and restoring investors' confidence. To submit information to the Finance Transparency Forum, contact info@finance-transparency.org.