The Z/Yen Group

Labuan IBFC
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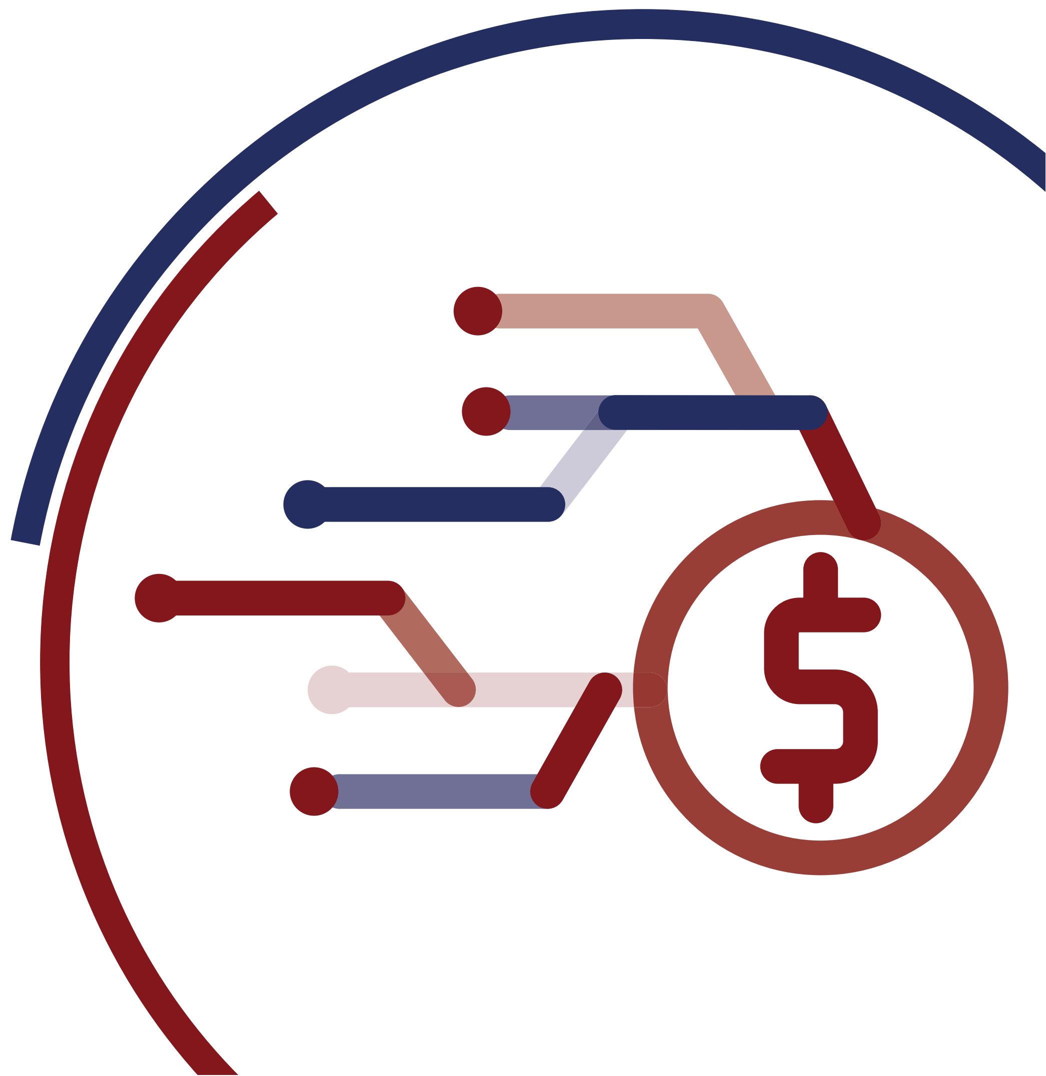
INTERNATIONAL FINANCIAL CENTRES: FACILITATING FINANCIAL INCLUSION VIA DIGITALISATION



Financial Centre Futures

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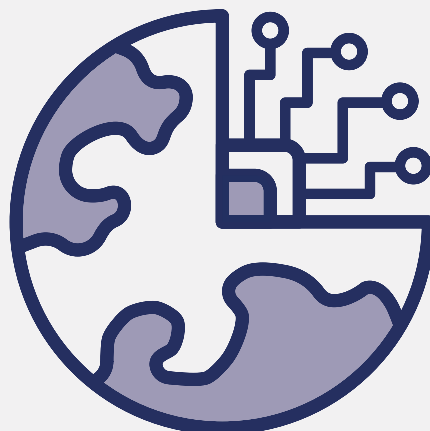
Foreword

As the world emerges from the shadow of Covid-19, questions are being asked about how the world's economy should be 'built back better'. These questions are informed by pandemic experience. For example, video-conferencing can work well, if most people are using it as a matter of course. Massive changes in commuter behaviour can reduce carbon emissions by several percentage points, but not even close enough to dent net-zero-carbon targets. Reductions in air travel can also reduce carbon emissions seriously, but air travel is far from net-zero-carbon.

Two related questions seem important. First, should we seek to rebuild better the economic system that drove growth and development before the pandemic, or seek to build something new? Second, in consequence, should we seek to rebuild better the financial systems that drove growth and development before the pandemic, or seek to build something new?

The world has set out 17 ambitious goals, the United Nations Sustainable Development Goals (SDGs), examined in this report. The SDGs stretch us, from their establishment in 2015 to achievement in 2030. Society is concerned about these 17 goals, but progress is slow and achievement is lagging.

The SDGs will only be achieved when the billions of people on the planet make much better bottom-up decisions every day. Financial services has a critical role to play in the delivery of SDGs. Money is a core input to many of these trillions of decisions ahead. Consumers need to compare product and service choices that include carbon prices and other environmental externalities. Investors will be guided by monetary results as they direct the flow of finance into more, or less, sustainable activities. Nations will be guided by budgets and funding that constrain or unleash future development paths for nations. Fundamental to these development paths is access to financial services for the poorest people in society.



New technologies and businesses can open up ways of reaching these people. Innovative products and services benefit from the larger markets that trade integration offers over narrow nationally-bounded markets. Often overlooked is a point that trade as a percentage of GDP has grown from 27% in 1970 to 60% of GDP in 2019.

Alongside technology and productivity improvement, the rise in trade has been a might force powering our increasing economic well-being. So as well as driving bottom-up decisions in technology, productivity, and investment, the traditional role of international financial centres in supporting trade remains crucial.

There is a lot to do. Policymakers, financial centre leaders, regulators, and financial services providers, often coming from opposing and antagonistic positions, need to work together. Financial centres can create the bridges for collaborative action, providing crucibles for innovation, and showing leadership on regulation, standards, and benchmarking.

Labuan International Business and Financial Centre (Labuan IBFC) has embraced this leadership obligation and is showing how international financial centres who are seeking to deliver on financial inclusion and the delivery of the SDGs can make a difference via digitalisation.

Professor Michael Mainelli
Executive Chairman, Z/Yen Group

Introduction

As the world continues to suffer the ravages of the Covid-19 pandemic, light is beginning to dawn with the advent of clinically proven vaccines, which will enable a return to 'normailty'. However, around the globe, populations and politicians are questioning the type of 'normality' we should return to.

Climate change, the destruction of nature, poverty, inequality, corruption and political instability were all rising up the agenda before the pandemic struck. The all-consuming nature of Covid-19 temporarily obscured these issues, but as the dark clouds lift, they are being thrown into sharp relief.

As the world economy is rebuilt, the public and policy makers alike are demanding a course correction, and are looking to the United Nation's Sustainable Development Goals as a template for redevelopment.

Resting at the heart of the SDGs, is the concept of 'agency', the ability of all citizens to act independently, contribute to society and affect their destiny. However, without financial inclusion, there can be no agency.

In this short paper, commissioned and co-written by Labuan IBFC, we explore the role that International Financial Centres (IFCs) can play in the delivery of the SDGs. In particular we focus on how they can facilitate financial inclusion using new and emerging digital technologies, how they can act as a crucible for positive innovation and how they can foster debate with policy makers on sustainable and equitable development.

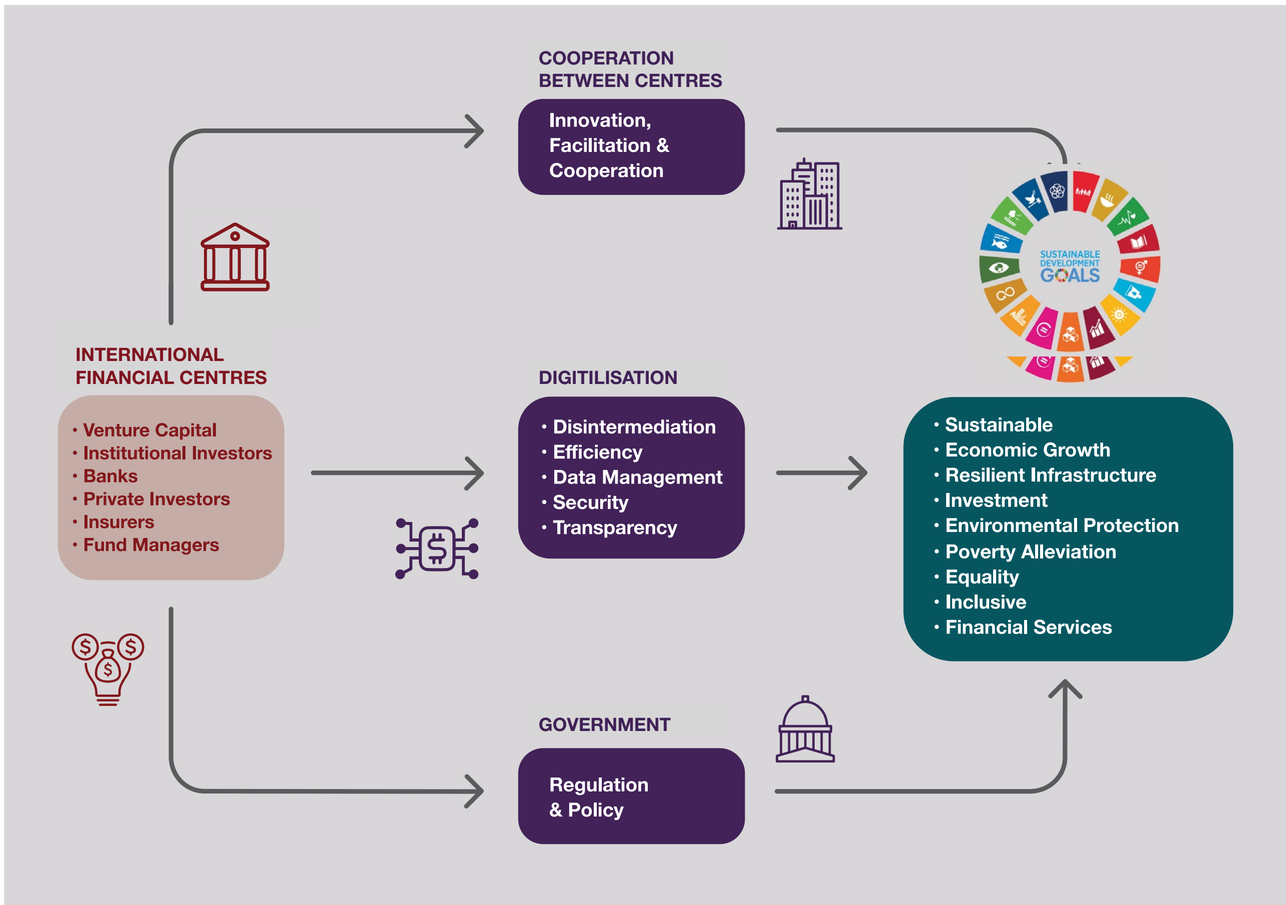


Figure 1: IFCs, Fintech And The Delivery Of The SDGs

IFCs have a critical role to play in the delivery of the SDGs, but they cannot act in isolation. Cooperation and partnership, between centres, between centres and policy makers, and between centres and the enterprises they host is essential if they are to reach their full potential as leaders and change agents.

Executive Summary

The Millennium Development Goals (MDGs) were eight international development goals for the year 2015 that were established following the Millennium Summit of the United Nations in 2000. The use of goals has been regarded as a successful approach in galvanising global attention and action on development issues.

In 2016, the United Nations took this approach a stage further, setting out 17 goals with some 169 'targets', which were termed the "Sustainable Development Goals" (SDGs) (See figure 2).The SDGs incorporate interlinked environmental and economic objectives, which aim to deliver economic growth whilst tackling climate change and working to preserve the natural environment.

As the fifth anniversary of the SDGs approached in 2020, policymakers around the world have taken stock of progress towards the goals, identifying areas of concern, and considering new opportunities for growth and development. The Covid-19 pandemic has unfortunately, somewhat pushed this global agenda to the back burner at a time when equality is at the heart of eradicating the worst effects of the pandemic.

Financial inclusion, especially, is critical to the delivery of the SDGs, if they are to achieve the aim of equality. New innovations in financial products and services, such as sustainable and responsible finance and fintech, hold promise for delivering financial inclusion and thus supporting attainment of the SDGs.

Global financial centres need to cooperate as well as compete, 'co-opetition' in the jargon, in order to ensure that inclusion is achieved. Society has many ways of addressing development problems - from command-and-control, through policy focus, to enacting legislation and ensuring a fair as well as equitable taxation system. The financial services industry is key in ensuring the successful implementation of this aim. Further innovation within the sector is more effective when consistent regulatory treatment sets boundaries delineating 'perfectly fine', 'out of bounds', and 'permitted on an experimental basis' for all financial tools.

Such a proposed collaboration requires policymakers, financial services providers, and financial centres to discuss and be aware of trends in regulation, standards, and benchmarking. Cooperation is the key to ensuring the successful roll out of the SDGs, and financial centres need to adapt in order to meet this aim. A key facilitator in achieving the goals of the SDGs is digital advancement, which not only reduces the cost of business generally, but in addition offers transparency via distributed ledger technology - providing a clear and indisputable 'audit trail' in the roll out of SDG related initiatives. Distributed ledger technology is also important for tracking and tracing of supply chains and monetary transaction chains.

The Sustainable Development Goals - A Framework for Action

Figure 2: The Sustainable Development Goals

As the fifth anniversary of the SDGs approaches, policymakers around the world are taking stock of progress towards the goals, identifying areas of concern, and new opportunities for growth and development. Finance, financial services, and financial centres are equally interlinked with most, if not all, the SDGs and their success or failure. Interest in the SDGs has built steadily in the five years since their adoption and increasingly, business leaders are looking to the SDGs as a model for corporate strategy. With the effects of Covid-19, it is imperative that these goals are met and more importantly, are understood to be key facilitators in overcoming the ravages of the pandemic.

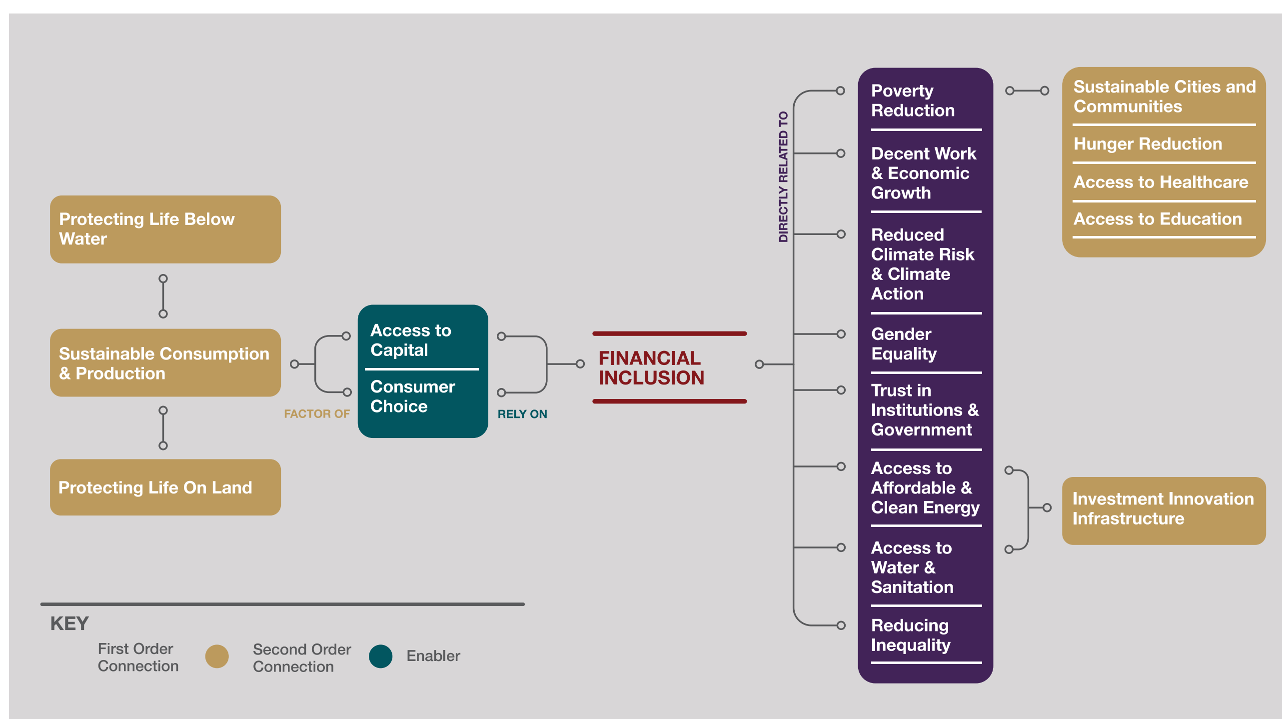


Figure 3: Relationships Between SDGs and Financial Inclusion

Financial Inclusion

Analysis of the SDGs reveals that potentially the most critical component to unlocking action is financial inclusion (see figure 3). At first glance it appears that only three of the SDGs are directly related to financial inclusion however, sustainable development is a 'wicked problem'[1] – complex, circular, aggressive, and interconnected – so the issue of financial inclusion has some bearing on each of the goals – even the rise of terrorism is fuelled, at least in part, by the repression and exploitation of the economically and politically disempowered.

Although financial inclusion is on the rise around the world, gains have been uneven across countries, often held back by large disparities between men and women and between the rich and poor. Globally, 1.7 billion adults remain unbanked, yet two-thirds of them own a mobile phone that could help them access financial services.[2]

Based on the World Bank's 2018 report, Asia alone is already home to nearly half of world's poorest people. Poverty in Asia is likely to be exacerbated by the recent coronavirus pandemic outbreak, especially in the emerging Asian economies, which could drive an additional 11 million people into poverty.

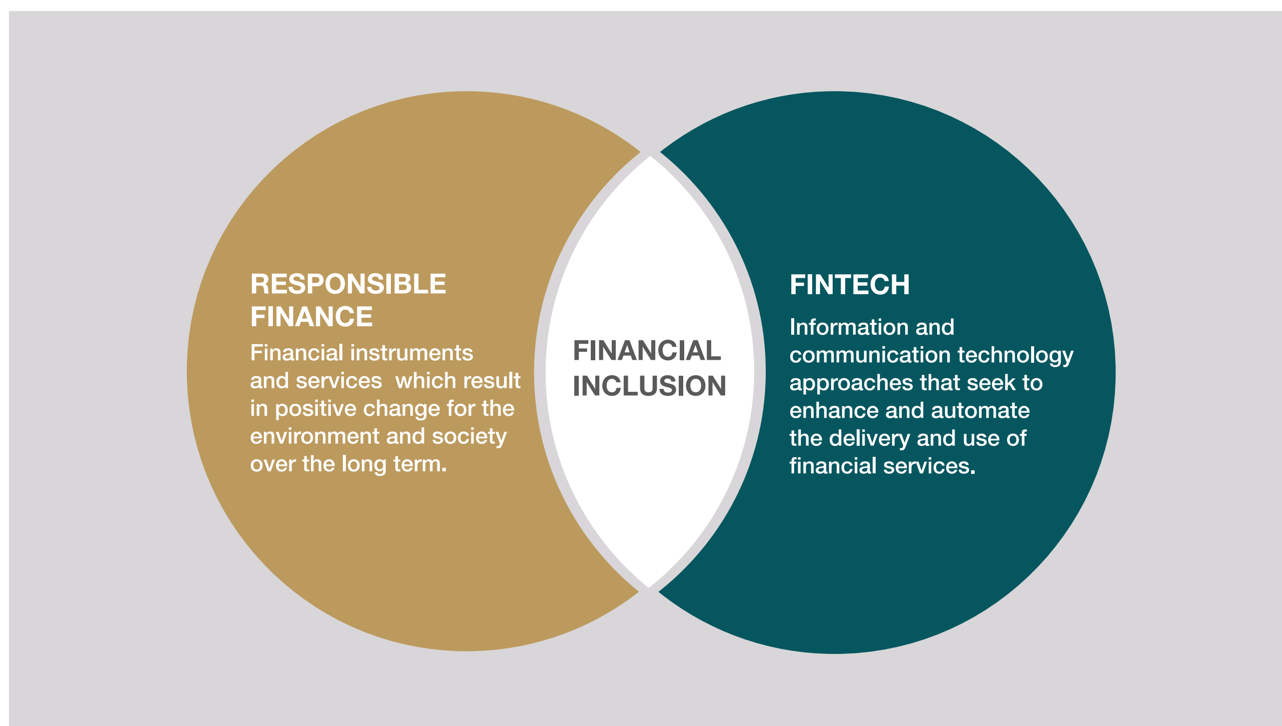


Figure 4: Responsible Finance, Fintech and Financial Inclusion

Capitalism is the greatest engine of human development and prosperity ever invented. However, the 2008 financial crisis not only challenged society's faith in the free market; but raised fundamental questions about capitalism's ability to deliver the goods society needs.

Financial exclusion, poverty, inequality and the rising tide of environmental problems have all contributed to this existential crisis, and confidence in the ability of capitalism to deliver a better tomorrow has plummeted.[3]

For the last two years, the World Economic Forum event in Davos has focussed on turning this tide of disillusionment through 'Globalisation 4.0'[4] that links the successive waves of globalisation to industrial revolutions – steam, oil, electronics and finally data.

The focus of Globalisation 4.0 is aligned with the SDGs as it aims to look beyond stockholder capitalism, to stakeholder capitalism which places inclusion at its heart. Under this philosophy, a company's purpose is to create long-term value and not to maximize short-term profits or enhance shareholder value at the cost of other stakeholder groups.

This esoteric concept, has become an important determinant of firms' capacity to create and sustain economic value. The financial services sector has two key tools with which to deliver against this shifting agenda: responsible finance and fintech (see figure 4).

Responsible Finance

Socially useful and responsible finance facilitates trade & commerce, provides social protection, and promotes financial stability. Responsible finance, which includes ‘green finance’, refers to any financial instrument or financial services activity – including insurance, equity, bonds, commodity and derivatives trading, analytical or risk management tools – which results in positive change for the environment and society over the long term (sustainability).[5] Responsible finance is no longer seen as a fringe activity, but an increasingly desirable business approach, which drives financial markets, serves society and enhances the status of financial centres’ expertise.

Responsible finance is aligned with Islamic finance in terms of advocating positive values such as social responsibility, shared prosperity and sustainable growth. Shariah compliant financial products such as green sukuk have become globally recognised as an effective means of directing investment capital towards climate change mitigation as well as climate change resilience and adaptation projects.

In Malaysia, the Labuan IBFC provides a supportive and nurturing ecosystem that has an integrated and internationally recognised legal, regulatory and Shariah framework which confers certainty and upholds the integrity of Islamic financial transactions. The regulator has recently issued a guidance note to facilitate green, social and sustainability sukuk issuance via the centre.

Fintech

Fintech has the capacity to make a significant contribution to the SDGs by presenting an array of opportunities to close gaps in financial inclusion. Specifically, fintech has the ability to reduce costs and transactional frictions, increase efficiency and competition, overcome information asymmetry, and support broader economic growth by bringing previously economically excluded people into the formal financial sector.[6]

As a case in point, Labuan IBFC being a wholesale innovative intermediation centre, provides various technology-enabled structures via the concept of a ‘digital wrapper’ with a dedicated focus on encouraging financial inclusion through its digital/Distributed Ledger Technology (‘DLT’) technology and structures or licences. A ‘digital wrapper’ or a digital business plan simply means the element of technology to be utilised is embedded into the business plan of each proposed licensed entity, and the regulator will assess each applicant based on merit.

Given the vital role that financial services have to play, in the delivery of the SDGs can these waves be harnessed to deliver on sustainable development?

Fintech, Innovation and the Delivery of the SDGS

Significantly, changes in financial services, driven by technology and innovation, are beginning to take place and contribute to the delivery of SDGs. While digital innovation provides a substantial boost to financial inclusion, digital finance also brings new challenges to the regulators.

The following sections discuss some of the key changes in financial sector, technology acts as an enabler, driving the sector for sustainable, inclusive outcomes.

Mobile Banking

3.8 billion people — or 69% of adults —have access to a bank account or an account through a mobile money provider.[7] Providing access to the remaining 31% of the planet's population is a priority if these people are to be lifted out of poverty. Mobile money allows digital money storage, payments and transfers.

However, the rapid growth of mobile money has taken regulators by surprise. Many central banks and other policymakers want to review and possibly strengthen regulatory frameworks for mobile money, but the traditional approach to regulating payment systems is ill-suited to mobile money services which, in the majority of cases, are provided by mobile phone operators. Key issues which require addressing are money laundering, fraud and prudential regulation (mitigating the risk of mobile money customers losing the money they have stored in the system).

Insurtech

The insurance sector experienced early disruption by fintech, and the disappearance of high street insurance brokers can be directly attributed to the rise of call centres and later internet comparison sites. More recent examples of fintech intrusion in the day-to-day lives of insurance customers are the proliferation of 'black boxes' placed inside motorists' cars, the development of wearable technology such as FitBit, and internet-connected household appliances.

The current penetration of insurance in developing parts of Asia has been low.[8] Insurance is still largely distributed through tied agents and agents in bank branches (Bancassurance) and insurance is largely absent in rural communities. However, the rapid spread of smartphones and strong community ties mean the P2P insurance market is ready for very rapid growth.

Asia is undisputedly a key growth driver for the global insurance industry and insurtech's role as an accelerator to this growth could not be more timely. Labuan IBFC started to embrace digital offerings in 2017. In 2019, the centre licensed its first Southeast Asian insurtech company specialising in leveraging big data, actuarial risk management, and machine-learning processes to developing solutions for enterprises. The centre believes that insurtech will lead to a more innovative, efficient and accessible insurance/reinsurance industry, and the technology may even facilitate a platform to cultivate a more financially inclusive region via microinsurance, and the use of insurance vehicles such as protected cell captives, and mutual insurance vehicles. Such vehicles can also be used for environmentally friendly decommissioning funds.

Crowdfunding

One of the most significant opportunities associated with crowdfunding is the ability of communities to raise funds for local infrastructure and services. Crowdfunding also introduces creative opportunities for governance – what to invest, where, who receives the returns – and democratic control of commonly held organisations. Generally, the sums raised are relatively small – tens of thousands rather than hundreds of thousands, and questions remain regarding the governance of such initiatives. However, crowdfunding has proven an effective way of engaging millennial investors and leadership from financial centres could bring this, as yet small market, into the mainstream.

China's rapid development of internet finance coupled with the prevalence of smartphone usage has fuelled the growth of crowdfunding. However regulation and oversight have lagged behind and a number of scandals[9], where crowdfunding has been used to deliver 'pyramid' schemes, have stifled potential innovation in the crowdfunding sector.

Malaysia has been more structured in its embrace of crowdfunding. Amendments to its Capital Markets and Services Bill 2015[10] allowed the endorsement of 6 licensed aerators for crowdfunding in June 2015. This number has grown considerably over the last five years to incorporate all three types of crowdfunding model. It is likely that this is a recognition by policymakers that Equity CrowdFunding is an important avenue of early-stage financing to complement the existing pools of capital from venture funds and private equity.

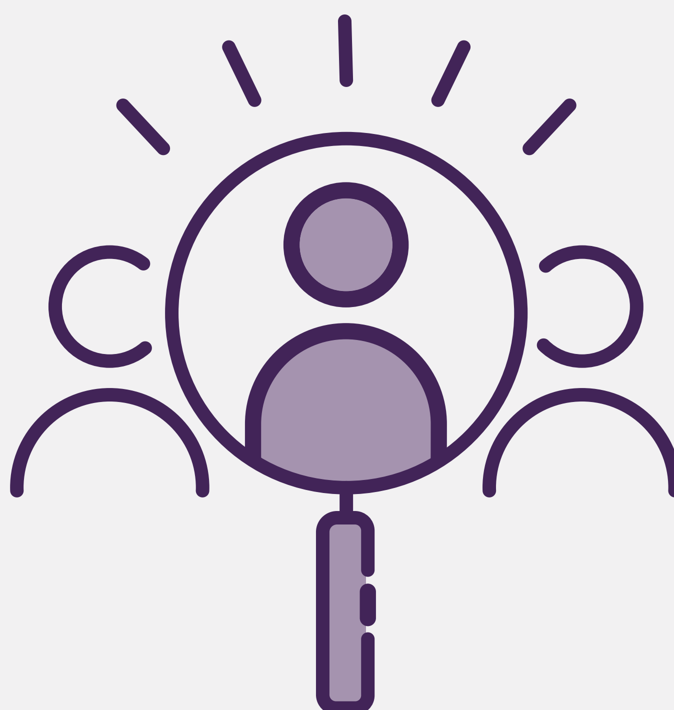
In addition to crowdfunding, it is worth noting that IFCs can play a facilitation role for regional funding needs. In Labuan IBFC, the legal framework not only supports conventional fund raising but also shariah-compliant funding for the region. For example, a joint venture of two Australian solar companies has funded AUD550 million of 250 megawatt solar project in Indonesia through an Islamic sukuk in Labuan IBFC. Started in July 2015, the first phase of the project was funded through an offer of AUD150 million of sukuk.

Identity

Identity is a fundamental enabler for innovation and trust in financial services. According to the World Bank Group's 2018 #ID4D Global Dataset,[1] an estimated one billion people lack an official identity. With the rise of internet-enabled financial services and mobile banking, the issue of identity has become the source of new risks for both individuals and institutions.

Over the last decade, cybercrime and identity theft have changed from cottage crafts to a multi-billion dollar industry committed by perpetrators who are not only highly organised, highly skilled, and well resourced, but are often supported by covert state institutions seeking to exploit points of weakness in national infrastructure. In a globalised world approaching ten billion people, transactional security is crucial to success. However, although expensive identity schemes may be standard practice in developed nations, the costs may exclude large market segments in developing nations.

Validating identity in person is costly, inefficient, and time consuming. Remote onboarding of new accounts is not only easier for banking institutions and customers alike, but also fits with evolving business models and customer behaviour. However, remote client onboarding comes with the increased risk of a fraudster spoofing the system. In response, blockchain solution, technology companies and compliance providing entities have developed digital Know Your Customer (KYC) solutions that specify identification, due diligence and risk assessment procedures for analysing clients.



Sandbox Approach

Financial centres' rapid adoption of responsible finance and fintech has been driven by two factors:

- Firstly, there is the rise of "collaborative-competitive" ventures outlined in the preceding section, where financial centres seek to work together through formal Memoranda of Understanding or structured work programmes such as Financial Centres for Sustainability (FC4S)[11] or Alliance for Financial Inclusion (AFI).[12] These initiatives have proved invaluable in setting benchmarks on standards and reporting, encouraging experimentation and creating best practice case studies, which enable participants to enhance the range and quality of products and services offered by their centres.

- Secondly, the unnecessary complexity of regulation has led to a counter-complexity initiative from regulators. "Sandboxes", "RegLabs" or "Innovation Labs.", are formal regulatory programs that allow businesses to test new financial services or business models with customers, subject to certain safeguards and oversight.

The Global Financial Innovation Network (GFIN) was launched in January 2019 by an international group of financial regulators and related organisations, including the Financial Conduct Authority (FCA). This built on the FCA's early 2018 proposal to create a "global sandbox". The GFIN is a network of 28 organisations committed to supporting financial innovation in the interests of consumers.

An alternative, ready for roll out approach is one taken in Labuan IBFC, as the ethos that the centre adopts is that digital is an enabler of business in the first instance – digital innovation is seen as a enabler, and the jurisdiction accepts it as a business process. This open approach means that possible license holders need to comply with existing requirements but with an added layer to the business operations which allows for the digital element to play a part in the entity's operations. This has eased the set-up of innovative financial service providers from digital banking licences to insurtech, robo-advisory, digital exchanges, crypto trading platforms, e-payment systems and blockchain tokens. In 2019 alone, the centre has close to 50 digital related licences.

A controlled environtment for testing	One argument for sandboxes has been that firms can use real data and real customers. This is alluring. Startups need real customers and real data, but in reality, have to be operating in any case in order to attract them. One could argue that "sandboxes are where children play", yet to take this further, large financial institutions find it difficult to change. If a change delivered for real customers is a failure, there are serious consequences. Perhaps "sandboxes are where the big kids are allowed to play without hurting themselves". So long as big firms use a sandbox and make full restitution if developments fail, they can continue to experiment on catching up with the leading edge - real innovation can occur elsewhere.
Reduced time-to-market	This argument might be better rephrased as "more certain time to market". There are indications that smaller firms appreciate engagement with the regulator that gives them some assurance that what they are proposing to do won't be peremptorily closed down. However, these firms equally point out that engagement with a regulator most certainly does not reduce time-to-market - it just makes excessive time-to-market at late notice less likely.
Consumer protection safeguards	Most firms find this the least credible argument. Consumer-corporate interactions on finance are well-understood. Data protection obligations equally so. To most professionals in finance, this argument is regulatory self-justification. No regulator to date has given any assurances that a successful sandbox application is in any way 'certified' because of course, that would favour certain firms over others.
Better access to finance	This argument is true, for those who manage to get into the sandbox. The apparent 'imprimatur' of the regulator implies that the business case of a startup looks more credible than others, and that, in some way, the regulator 'approves' of the new innovative approach.

However, sandboxes can be construed as anti-competitive.

This is a particularly strong argument.

First, the sandbox idea makes investors look for "pseudo-approved" startups.

Second, startups look to get into sandboxes to improve their chances of raising finance.

Third, investors begin to let regulators do their pre-selection work for them, not least influenced by the notion that even if they identify a good firm outside the sandbox funnel, it is likely to get approval later than sandbox firms or just less likely to get regulatory approval.

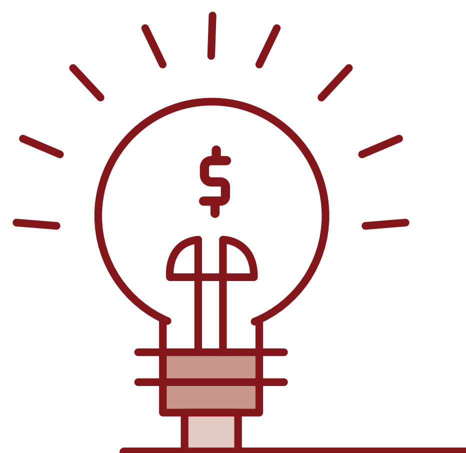
Fourth, firms that do not need the sandbox nevertheless realise that joining the sandbox will help in fundraising, thus displacing others who might benefit.

Fifth, the regulatory application funnel most often gets clogged up and delayed, having underestimated demand for regulatory imprimaturs for fundraising – itself a sign of overregulation.

The danger is that sandboxes lead to a situation where the regulator is the gateway to the speed and nature of innovation - the reverse of what was intended. However, as jurisdictional regulators, there is an inherent need to ensure client protection, as retail investors and users of financial services are a key stakeholder.

This is not the situation for IFCs that are by definition wholesale in nature. IFCs are conduits through which jurisdisctionally based financial services positions are netted off, these centres, such as Labuan IBFC are essentially the 'plumbing of global finance". It is in these environments where digital financial services and tools can be used in a live environment, allowing for its benefits to come to the fore, whilst at the same time providing test cases which may be migrated to onshore more retails financial systems.

Suggestions For Financial Centres Seeking To Deliver Innovation



In the absence of any hard evidence on the benefits or disbenefits of sandboxes, there are some useful, progressive regulatory interventions (see figure 5) that can be made which can encourage open, competitive markets.

- Providing open industry data test sets, e.g. anti-money laundering, or consumer activity, that allow firms to test that their prototype systems;
- Working on consistent standards for connecting firms both on inputs and outputs (such as agreeing common definitions, rolling out standard platforms);
- Promoting open data wherever possible, for example, European regulators could go much further with GDPR to push for consumer-ownership of data with firms 'leasing it back';
- Permitting, subject to restitution, firms large and small to experiment so long as they notify the regulator in advance;
- Reviewing the regulatory and tax structure in order to attract and maintain talent;
- Promoting efficiency in managing insolvency and administration, which is important for recycling assets and jobs; and
- Exploring employee share ownership through a smart ledger share registry, which could provide functions to help particularly small companies, implement the complexities of employee share ownership without high overheads.

Four further actions could also assist financial centres seeking to maximise their impact in this area:

- Identify and work with initiatives and potential partners to help with standards, benchmarks and the tearing down of barriers. This will ensure that collaboration among centres will actually facilitate the growth and development of digital finance.
- Engage in dialogue with financial services providers, regulators and policymakers in order to agree a plan of action.
- Create a stable and supportive regulatory environment.
- Promote the use of IFCs for secure escrow.
- Consider how to enhance areas of competitiveness as this will attract both the talent and the capital required for innovation.

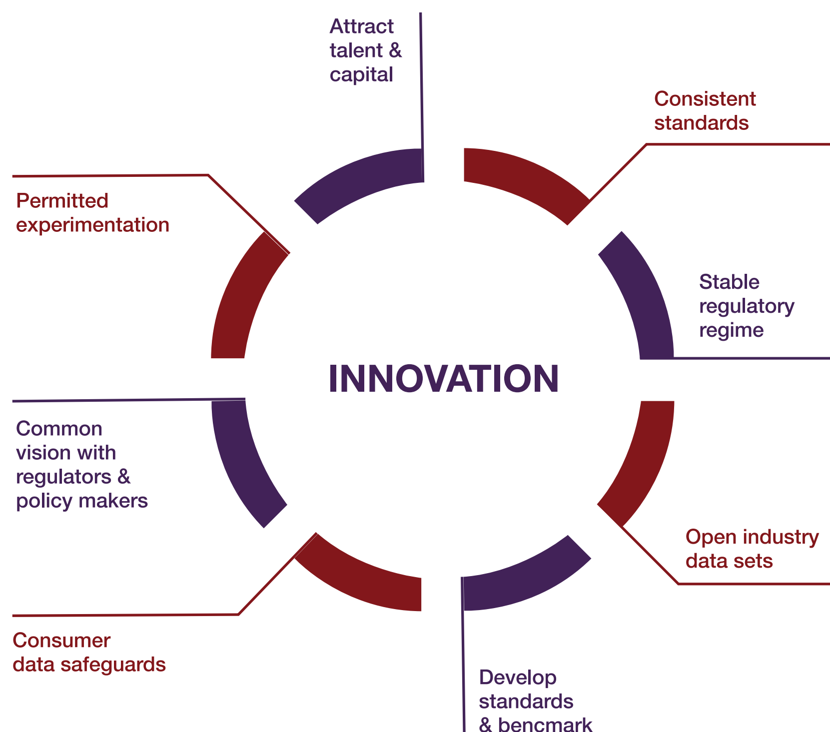


Figure 5: Progressive Regulatory Intervention

Innovative products and services require international scope for growth and sustainability:

- Services and products need to trade across national borders in order to grow markets.
- Some services, such as mobile banking, have high transaction costs and must be traded at scale for them to be economically viable.
- Some services, such as insurance, must diversify in order to ensure a more effective spread of risk and a wider protection basec.
- The development of this international scope can only materialilse through collaboration between policymakers, financial services providers and financial centres on regulation, standards and benchmarking.

A Leadership Role For IFCs?

The world has more than 100 IFCs, facilitating the movement of global trade, finance, investment and wealth. IFCs are key to sustainable economic growth, as they provide the framework for investment and savings that drives infrastructure investment and entrepreneurial endeavour. One of their prime purposes is to meet growing global funding needs, and these are expected to be particularly high for the next ten to twenty years.

The investment or trade mediated by IFCs supports the developments of economic activity and job creation. It provides the underlying financial activities that enable real economic investment such as housing, businesses, or infrastructure. In Labuan IBFC itself, the centre employs more than 6,000 people, which supports the Island's economic development grows in tandem with Labuan IBFC's business expansion.

As centres for wholesale financial intermediation, IFCs play a key role in sculpting the financial landscape, and as such it only stands to reason that they have a role in ensuring the SDG goals are met, especially via a facilitative digital approach and framework.

Alarmingly, just as headway was being made in the SDG space, the Covid-19 pandemic has set the world back, with unprecedented impacts on the world's economy and financial systems. The IMF has declared global recession and that will necessitate further cross border cooperation for the world to succeed with containing the virus and prevent liquidity problems from becoming a solvency issue.

The recovery from the impacts of the pandemic will be a long and difficult journey. Again, regional collaboration is key to developing solutions that will help to build a more resilient, equitable and sustainable global economy.

IFCs are well placed to take a lead in meeting these challenges. Regional collaboration is key to setting up flexible and sustainable funding models that will help weather the crisis. Regional collaboration is nothing new, and has happened before: the ASEAN Infrastructure Fund is an example of a successful multilateral effort. The ASEAN Infrastructure Fund was established by ASEAN member nations and the Asian Development Bank to address regional infrastructural development needs through the mobilisation of regional savings. The fund has been domiciled in Labuan IBFC since its inception in 2011. A similar fund could be established by global leaders to support developing nations recover from the coronavirus pandemic.

To realise the delivery of SDGs, three major factors are critical (see figure 6):

Regulation
a supportive regulatory environment, which mandates consideration of social and environmental issues in reporting and decision making provides a strong platform for responsible finance;

Innovation
a framework that supports experimentation and innovation in new products and services which deliver inclusive outcomes and encourage;

Leadership and Collaboration
dialogue between financial centres, between regulators and innovators and between financial service providers assist in the developments of standards and benchmarks which improve the delivery of inclusive sustainable financial services.

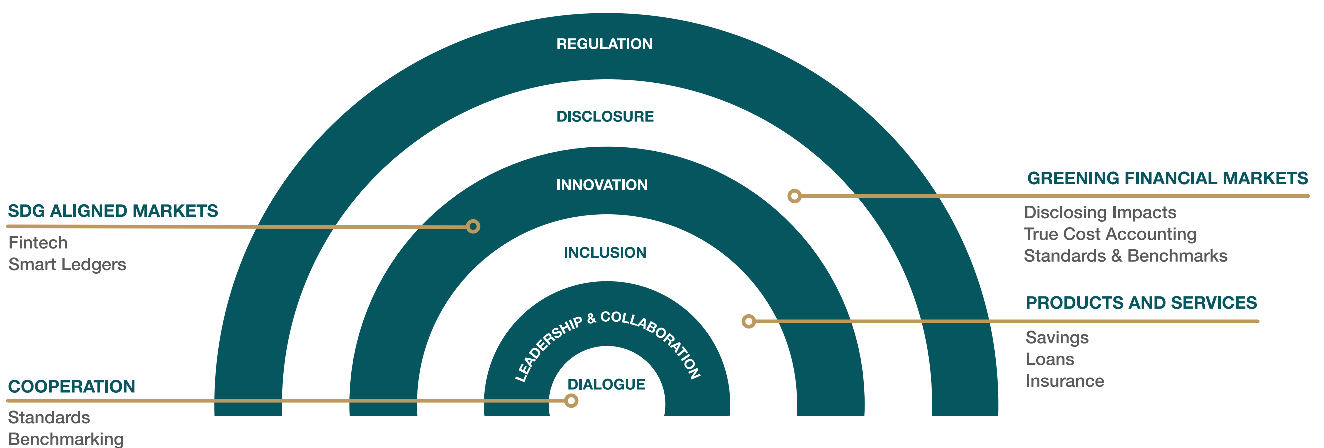
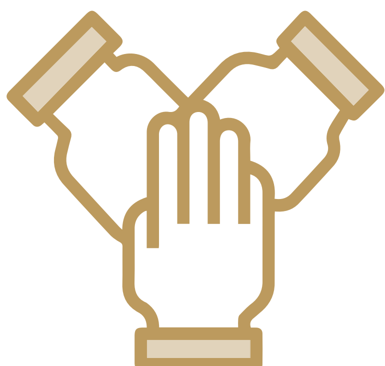


Figure 6: Aspects Affecting Financial Centre Delivery Of the SDGs

The third of these, leadership and collaboration, is often overlooked.

Financial centres hold a unique position. They are neutral platforms for the facilitation of frictionless trade. Unencumbered by political baggage, they have the capacity to be thought leaders, as their views are given weight by policymakers, and the dialogues they initiate have the ability to direct the attention of financial service providers.

The rise of digital finance means that the physical constraints of infrastructure and systems have been removed as an obstacle to trade. What remains are legislative and policy barriers.



IFCs are ideally placed to create a new agenda for change, the delivery of Globalisation 4.0 and the SDGs:

- Financial centres must work together to frame the questions for policy makers, regulators and financial service providers on how to embed inclusion in financial systems, whether it be facilitated by a digital or more conventional approach;
- IFCs must lead the international and domestic policy discussions which will shift the Overton Window.[13] The Overton window is the range of policies politically acceptable to the mainstream population at a given time. It is also known as the window of discourse and is named after Joseph P. Overton, who stated that an idea's political viability depends mainly on whether it falls within this range, rather than on politicians' individual preferences. Shifting the Overton Window to make financial inclusion the de facto choice, will allow policy and regulatory progress on the SDGs to be made; and
- IFCs must work together to establish benchmarks and standards which will allow the legislative and policy barriers, applying friction to international trade, to be torn down.

Conclusions

Although financial systems have historically struggled to encompass, or entirely ingored, the delivery of sustainable development, the SDGs provide a lodestone in directing efforts, and central to success in their delivery is enhancing financial inclusion.

Responsible finance and fintech provide the tools necessary to deliver on financial inclusion, and, although this is still a relatively new field, there is ample evidence that both new players and incumbents are developing new products and services which provide financial inclusivity for the world's poorest people.

However, for markets to grow, and for sustainable, inclusive finance to become the norm, international collaboration is required – to break down barriers, create standards and grow markets.

Financial centres have a leadership role to play, one which they have yet to fully grasp. They provide a link between regulators, policymakers and financial service providers. They can convene and direct dialogue and debate, create a nexus for innovation, provide a platform for collaboration and show leadership.

Although the world has a long way to go to meet the sustainable development goals, as we have passed the fifth anniversary of their adoption, IFCs can demonstrate they have the tools, and the vision, to ensure that real progress can be made towards them. Challenges posed by the Covid-19 pandemic, should not hinder the progress on this front, in fact to the contrary the pandemic should spur the need for collaboration towards ensuring no one is left behind.

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