Remarks by Alejandro Díaz de León, Governor of Banco de México at the CFI-UNSGSA Workshop: Balancing Financial Inclusion & Exclusion in AI-Driven DFS.[1]

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- Technological change and digitization present a huge opportunity to expand financial inclusion. The first dimension has been about access to financial services and the second is related to better pricing (from credit bureaus to behavioral bureaus).
- Adopting new technologies should go hand in hand with safeguarding consumer protection, which underpins trust.
- We have identified several policy anchors essential for the development of the new financial ecosystems (traditional and new stakeholders):
  1) same-risk/same-regulation;
  2) interoperability and network neutrality;
  3) fostering competition and avoiding mergers and partnerships among dominant firms;
  4) ensuring business continuity with large foreign providers;

[1] The opinions and views expressed in this document are the sole responsibility of the author and do not necessarily represent the institutional position of the Banco de México or of its Governing Board.

5) global coordination to address jurisdictional gaps;
6) client protection; and,
7) cybersecurity.

- Let me highlight the risks and challenges that this process entail in a consumer perspective:

1. Building on a “same-risk/same-regulation” approach, which applies at the institution level, we should strive for a “same-information/same protection” approach, at the customer level. This implies that it should not matter which provider is serving the end-user (financial or non-financial).
2. New technologies allow for the collection and processing of vast amounts of transactional information both on current financial service users and potential users. Such information may enable financial service providers to develop better priced financial products and better suited for the customers’ needs, without misusing it or inducing behavioral biases.
3. To take advantage of innovation, sharing customers’ information between financial services providers. Financial regulators should make sure that the rules and standards for data sharing, level the playing field between providers. In this context, the standards set

for the development of Application Programming Interfaces (API) is central to take advantage of these developments.

4. Another challenge is how to include everybody, swiftly, as data on new users becomes available. A result of the covid-19 pandemic is that it has forced certain population segments to embrace new technologies, including e-commerce and overall digital transactions. For example, in Mexico, from the last quarter of 2019, before the pandemic hit, to the first quarter of 2021, the number of bank accounts linked to a cellphone increased from about 41 million to about 53 million, a 28 percent increase.
5. When customers give their authorization to sharing transactional data, they may find it challenging to understand what they are actually consenting to. Information disclosure approaches should set a pro-consumer threshold that takes stock of the behavioral biases they are exposed to. For instance, instead of requiring customers to read the fine-print in pages-long contracts, providers could be shown a few practical examples of the expected used of their data under different choices (even a video). Moreover, when end-users give their consent to providers for the use their

information, they should not face all-or-nothing options, but should face a menu of alternatives that empower their decision-making.