Smart Campaign Client Protection Standards 2.0 – Open Comment FAQs

Why are you updating the Client Protection Standards?
The Client Protection Standards 1.0 represented the output of several years of industry collaboration and input, managed by the Smart Campaign. For the standards released in January 2013 as part of the Client Protection Certification Program, the Smart Campaign worked with a Task Force of over 30 experts representing various stakeholders to develop and vet the standards. The standards are truly a public good for and by the industry.

Standards that reflect social norms and expectations of an evolving industry must be dynamic. In order to incorporate an ever-changing sector and its diversity of products, services and related client protection risks as well as reflect our continued learning - the Smart Campaign has worked to evolve and improve its standards. In conducting its standard setting work, the Smart Campaign aspires to the ISEAL Code of Good Practice on Standard Setting which recommends heavy consultation with stakeholders and a healthy lag period between the publication and implementation of new standards.

Are you aligning your update with the Universal Standards for Social Performance Management (USSPM)?
Yes. It is important to align as closely as possible given that the Smart Campaign standards make up approximately 30% of the USSPM. To keep its standards aligned with the Universal Standards for Social Performance Management, the campaign has worked closely with the Social Performance Task Force; both organizations plan to put their revised standards into effect during June of 2016. To ensure that institutions looking to become certified have ample time to adjust to the new standards and indicators, the Smart Campaign will finalize and publicize the revisions six months in advance, currently planned for January 2016, during which it will update its resources to reflect the changes to the certification program and assist institutions in preparing for those changes.

We plan to update the Client Protection Standards on a three-year cycle along with the USSPM, meaning that Client Protection Standards 3.0 will be available in June 2019.

What are the documents I should review before submitting feedback?
Ideally, if you have the time, we recommend reviewing the draft Standards 2.0 in full, as well as the complementary guide on newly proposed quantitative benchmarks, before beginning the feedback process. You might also review the current draft Standards 1.0 for comparison.

How can I submit feedback?
You can submit feedback in multiple ways, via email or survey. We prefer that you utilize the Survey Monkey prepared by the Smart Campaign in order to best aggregate the responses, or an excel-based draft of the standards.
How different are the draft Standards 2.0 compared with the Standards 1.0 and how were the changes decided?

Standards 1.0 and Standards 2.0 are not very different – the main points of difference are:

- Simplification: The results of work by the Campaign to simply, reduce redundancy and duplication
- New Technical Areas: The addition of several new technical requirements to reflect the evolution of the industry in the areas of savings, insurance and digital financial services

Below are more details on the process conducted by the Campaign.

**Step 1: Identification of Gaps in Certification 1.0**

In April 2014 the Smart Campaign convened a working group largely comprised of a subset of the Steering Committee to form an Evolution of Standards Working Group. This group has met on a monthly basis to guide, review and give feedback on several identified gaps in the existing standards. Each of those gaps was addressed at a different pace with a different set of expert consultant(s). The remaining steps represent a general approach for all the work-streams, though some steps were more relevant than others. Members of the working group are:

Anne Hastings, Director, Microfinance CEO Working Group
Elisabeth Rhyne, Managing Director, Center for Financial Inclusion at Accion
Larry Reed, Director, Microcredit Summit Campaign
Beth Porter, Policy Advisor for Financial Inclusion, UNCDF, USA
Carlos Lopez-Moctezuma, Global Director for Financial Inclusion at BBVA, Mexico
David Grace, Independent Consultant, USA
Rosamund Clare Grady, Senior Financial Sector Specialist, World Bank, USA
Felipe Arango, Director, BSD Consulting, USA
Essma Ben Hamida, Executive Director, Enda Inter Arabe, Tunisia
Cara Forster, Director of Latin American Outreach and Training Social Performance Task Force
Deepti George, IFMR
Barbara Magnoni, President, and Emily Zimmerman, Research Associate, EA Consultants
### Table 1: Evolution of Standards Workstreams and Researchers

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Main Objectives</th>
<th>Responsibility</th>
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<tbody>
<tr>
<td>Insurance</td>
<td>To mitigate against key risks faced by clients using microinsurance products.</td>
<td>EA Consultants</td>
</tr>
<tr>
<td>Savings</td>
<td>To mitigate against key risks faced by clients using microsavings products.</td>
<td>David Grace</td>
</tr>
<tr>
<td>Digital Financial Services</td>
<td>To mitigate against key risks faced by clients using digital financial services as provided by MFIs and their partners.</td>
<td>Carol Caruso, Sonia Arenanza</td>
</tr>
<tr>
<td>Indicator-Level Review</td>
<td>To review current indicators and look for opportunities to reduce duplication and change confusing wording etc.</td>
<td>Cara Forster, Consultant</td>
</tr>
<tr>
<td>Principle 4</td>
<td>To address the challenges for market-based pricing analysis through examining pricing trends over time with particular focus on market leaders in high-priced markets.</td>
<td>Daniel Rozas</td>
</tr>
<tr>
<td>Principle 1</td>
<td>To help expand the approach to ‘appropriate product design and delivery,’ reflecting industry advancements and the concept of suitability.</td>
<td>IFMR</td>
</tr>
<tr>
<td>Quantitative Benchmarks for Key Indicators</td>
<td>To research a small sub-set of indicators to see whether the Campaign should create specific benchmarks for achievement.</td>
<td>Anne-Laure Behaghel</td>
</tr>
<tr>
<td>System architecture</td>
<td>To advise the Campaign on organizing principles for the entire standards system to help minimize confusion.</td>
<td>Felipe Arango; BSD Consulting</td>
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**Step 2:** Review of Existing Smart Campaign Content

**Step 3:** Desk Review, Expert Interviews

**Step 4:** Draft Recommendations & Evolution of Standards Working Group Discussion

**Step 5:** Period of Public Comment and Structured Feedback

**Step 6:** Revision and Final Recommendations
### Table 2: Timelines & Deliverables for Evolution of Standards Workstreams
Deliverables at various stages are hyperlinked when available

<table>
<thead>
<tr>
<th>Step</th>
<th>Savings</th>
<th>Insurance</th>
<th>Digital Delivery of Services</th>
<th>Indicator-Level Review</th>
<th>CPP 4</th>
<th>CPP 1</th>
<th>Quant Benchmark</th>
<th>System Architecture</th>
</tr>
</thead>
</table>
| **Step 3: Desk Review and Expert Interviews** | - Hugh Allan of VSLA Associates  
- Paul Lutchenburg, UNCDF | - Craig Churchill  
(Microinsurance Innovation Facility)  
- Michael McCord  
(Microinsurance Centre)  
- Sam Duncan (Leapfrog Investments)  
- Bert Opdebeeck  
(BRS/Microinsurance KPIs)  
- Veronique Faber  
(Microinsurance Network) | - CGAP, Kate Mckee  
- GSMA, Simone di Castri and Jeremiah Grossman  
- World Bank, Ross Grady and Jennifer Chien  
- USAID, Matthew Homer  
- UNCDF, Till Bruett  
- ITMFI, Bill Mauer | - M-CRIL, MicroRate,Planet Rating, MicroFinanza Rating  
- CERISE  
- Valerie de Briey, Auwa Muhammad, Bonnie Brusky, Anne-Laure Behaghel, Kinga Dabrowsa and Ewa Bankowska | N/A | IFMR Internal Review | - Social performance leads at MCWG | N/A |
| **Step 4: Draft Recommendations and Working Group Discussions** | June/July, 2014 Discussion with Evolution of Standards Working Group in Senegal (French; Spanish)  
May 27-28th, 2015 DC Workshop | June/July, 2014 Discussion with Evolution of Standards Working Group in Senegal (French; Spanish)  
May 27-28th, 2015 DC Workshop | Potential risks to clients when using Digital Financial Services (An analysis report to inform the Evolution of the Client Protection Standards)  
Digital Financial Services and Microfinance: State of Play (framing note to inform the Evolution of Standards)  
WG Call Oct 29th 2014  
May 27-28th, 2015 DC Workshop | WG Call April 1st 2015  
May 27-28th 2015 DC Workshop | WG Call Feb 25th 2015  
| **Step 5: Public Comment for Individual Workstreams** | Fall 2014 Webinar – 15 participants; Additional outreach to 15 partners/regional stakeholders | Fall 2014 Webinar – 10 participants; Additional outreach to 15 partners/regional stakeholders | N.B. Public comment was on the risks paper not on the recommendations | N/A | N/A | N/A | N/A |
| **Step 6: Final Recs. From Workstreams** | No separate document; embedded in Draft Standards 2.0 | No separate document; embedded in Draft Standards 2.0 | Recommendations to include Digital Financial Services into the CPPs (April 2015) | No separate document; embedded in Draft Standards 2.0 | Assessing Price Fairness in MF (Jan 2016) | Detailed Guidance on CPP 1 (July 2015) | Proposal for Quantitative Requirements - Standards 2.0 (Sept 2015) | N/A |
| **Step 7: Public Comment** | Draft Standards 2.0 and Open Comment Period from September-November 2015 (FR) (SP) (RUS) | | | | | | | |
In addition to the individual workstreams there are some additional architectural changes that are reflected in the Standards 2.0

**Standards at Higher Level than Indicators**
Feedback on Standards 1.0 showed the users were often confused about the difference between standards and indicators; often the language was framed at the same level. Some standards were very granular, some indicators were very high level and in a few cases indicators practically replicated what a standard conveyed. **Corrective Action:** In this version we are striving to make standards at a higher level than indicators. We have several working definitions for these different levels.

*Principles and Standards are the outcomes that we want to see in the world*

*Indicators are what we expect financial institutions to do to achieve those outcomes*

**Indicators Now Specify the ‘Must-Have’ Details**
Under certification 1.0 many of the indicators have accompanying details that we came to call guidance. Guidance was created in order to further specify what meeting an indicator could or should look like in practice. Guidance also gives examples of and definitions for the indicator. While it helped give more color to indicators that were vague, feedback suggest that more clarity was required to convey which elements of the guidance is ‘must-have’ vs. ‘nice-to-have.’ In addition, guidance often touched on systems outside of what the system the indicator addressed. For example the third point in the below guidance speaks to an internal control system rather than the training system that is the focus of the indicator:

<table>
<thead>
<tr>
<th>Indicator 1.0</th>
<th>Guidance 1.0</th>
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| **The same training is provided to third party collections staff in case collection is subcontracted and they are held to the same standards as the FI staff.** | * Contract with third party collections staff requires compliance with FI’s ethical standards and standards of professional conduct.  
* Third party collections receive training in acceptable and unacceptable collections practices.  
* Internal audit verifies a sample of clients delegated to third party collectors. |

The Smart Campaign decided to bring more clarity to which guidance would be ‘must-have’ versus ‘nice to have,’ for each indicator. These mandatory details are in bulleted lists under each indicator. While this change presents more formally more technical requirements for Certification 2.0, in practice the guidance was **already** applied under Certification 1.0.

**When is the period for open comment period?**
September 29\(^{th}\) until November 30\(^{th}\) 2015
What are you going to do with the feedback?
The Smart Campaign takes seriously all of the comments and feedback from its stakeholders and will incorporate it into the finalization of the standards between December 2015-January 2016.

If I am interested in undergoing a Smart Assessment, Client Protection Certification or other activity between now and June 2016. Given the changes in standards, how should I prepare?

Good question. If you are actively preparing for Client Protection Certification, you should consider the timing of your proposed mission with when the Standards 2.0 will go into effect. Any Certification mission that takes place before June 2016 will be under the current Standards 1.0. Any mission that takes place after June 2016 will be under Standards 2.0. Likewise with the Smart Assessment process. Smart Campaign secretariat staff can assist you in answering any additional technical questions.

What is the timeline for the review and implementation process?
- October – December 2015: Open comment and piloting period
- January 2016: Finalization and announcement of Client Protection Standards 2.0
- February-June 2016: Update of tools, training material and certification protocol for launch of Standards 2.0
- June 2016: Standards 2.0 becomes “live”