



**White Paper**  
**The Role of Digital Finance and Fintech Associations  
as Self-Regulatory Organisations**



**Alliance of Digital Finance  
and Fintech Associations**



## The Role of Digital Finance and Fintech Associations as Self-Regulatory Organisations

A key reason for founding the Alliance of Digital Finance and Fintech Associations (AllianceDFA) was to share information, knowledge and best practices for running associations and promoting the impact and value they add to the market. The benefits of that network were felt when our member in India, [Fintech Association for Financial Empowerment \(FACE\)](#), shared the [Framework for Recognising Self-Regulatory Organisation\(s\) for the Fintech sector](#), launched by the [Reserve Bank of India \(RBI\)](#). Our Digital Finance and Fintech Associations (DFAs) are actively discussing the merits and challenges of becoming a Self-Regulatory Organisation, and what this could mean for the future of DFAs.

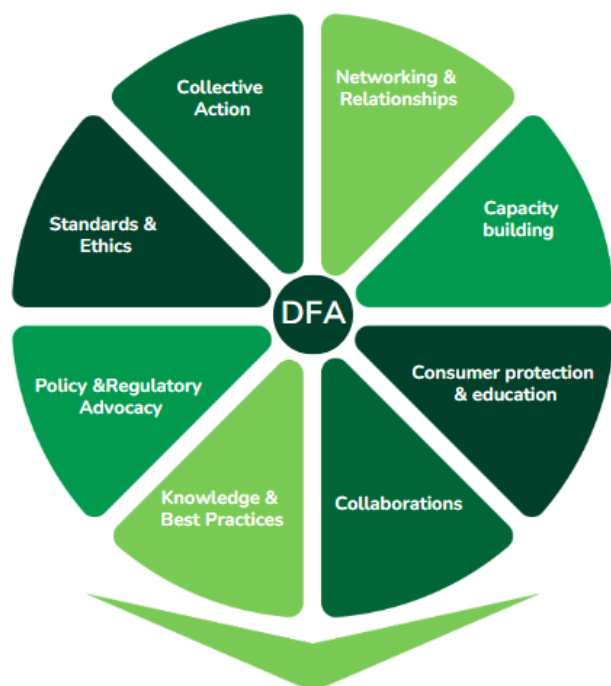
RBI applaud the disruptive and reshaping role that fintechs have had on the financial services industry, particularly in enhancing access and lowering costs, which are key factors to support increasing financial inclusion.

Research by [CGAP](#) has shown that as digital financial services evolve so do risks to consumers, with some risks exacerbated and new risks being introduced. The more the industry digitises and embraces technological innovation, the more people will utilise these new products and services. For many this increased usage of digital financial products and services brought greater financial resilience and personal economic growth. But as RBI also acknowledge it “raises concerns relating to customer protection, data privacy, cyber security, grievance handling, internal governance, financial system integrity.”

The risks that arise from fintech need to be balanced with regulation that encourages continued growth and innovation. RBI proposes that self-regulation of the sector through Fintech Associations could support the industry to adhere to responsible practices and ethics, whilst creating an enabling environment supporting innovation. The ideas raised in the proposed Self-Regulatory Organisations (SROs) Framework resonate strongly with AllianceDFA and we are thrilled to see acknowledgement of the important role that DFAs can play in driving a responsible, inclusive and innovative industry.



## Role of Digital Finance and Fintech Associations



Through engagements with members, we identified that DFAs play a significant role in building the ecosystem and accelerating collective growth and innovation.

### Ecosystem Building and Accelerating Growth

Key aspects that DFAs are delivering include:

1. Leading responsible conduct through codes of conduct and ethics
2. Collectively identify and tackle industry issues
3. Build knowledge and best practices within the industry
4. Facilitating networking and relationships
5. Collaborations between members, across the industry, and globally
6. Capacity building to support the ecosystem develop the required skills and capabilities
7. Advocacy to support the creation of enabling policy and regulation
8. Promoting consumer protection and meaningful usage of digital financial services

In RBI's proposal, there remain some questions which require further thought and discussion. One of these is on membership, whether it should be for organisations that are currently unregulated or whether it could also include regulated entities to support collaboration and partnerships. Another issue is the number of SROs required, whether the industry is too large and diverse for just one SRO, or whether multiple SROs could create gaps and undermine the centralisation. There are certainly many pros and cons to either side of these questions, arguably the approach taken in these two issues may have the greatest influence on whether this approach is a success or failure. The views from the industry and existing associations in India are currently being sought and we look forward to hearing the direction that RBI take.



One of the other characteristics that will determine the success of the initiative, is the operationalisation and the effectiveness of the chosen SRO(s). The legalities, governance, membership, operations and credibility of the association(s) will need to align with the purpose of an SRO(s). They will need to be effective, efficient and able to support industry growth whilst actively monitoring adherence to their regulations.

### Best practices and key characteristics of DFAs

AllianceDFA is proud to be collaborating with The [Cambridge Centre for Alternative Finance](#) (CCAF) to conduct the first-ever empirical research to identify global best practices for industry associations which represent firms in the FinTech/digital financial services sector. The output of this research will be a published report that will inform the approaches and practices of the global community of FinTech industry associations. This report will be crucial in supporting associations to operate sustainably and responsibly and to increase the impact that they can make in market.

The SRO Framework produced by RBI identifies some best practices that we at AllianceDFA endorse. Our [Membership Association Assessment Tool \(MAAT\)](#) lists the key documents, processes, strategy, legalities, and oversight that DFAs need to have in place to operate credibly, sustainably and impactfully.

We created a [simplified version of the MAAT](#) more appropriate for DFAs in formation or early stage of operation. This was used to create a curriculum for our [DFA Accelerator Program](#) which supports DFAs with information, tools and templates to practically create all the documents, processes, governance and strategies that we identified in the simplified MAAT. DFAs going through the program are certified by AllianceDFA once the key items are in place, adding credibility to the DFA and helping to ensure a solid foundation from which the DFA will operate.

Key characteristics identified by [RBI for Fintech SRO's](#) include:

- A Membership is representative of the sector. Membership includes or represents the wider ecosystem of industry players, creating collective expertise and an industry voice. This will support the development, acceptance and adherence to the industry standards.
- Focus on the growth and evolution of the industry and capacity-building. Provide industry thought leadership, mentorship and incubation, and opportunities for continuous learning that create a responsible and innovative fintech ecosystem
- Independent from influence. To ensure the interests, oversight and support of all members is unbiased and impartial.
- Recognised mediator of conflicts. Have the credibility, fairness and processes in place to resolve disputes and create a more unified ecosystem.



- Ability to encourage members to adhere to regulations. To ensure members comply with regulations, the ability to take action against non-adherence, and to shape an enabling regulatory environment with regulators and policymakers.
- Act as an information hub. Gather, consolidate and distribute information on member's activities, industry trends, industry innovations and changes in the regulatory/policy environment to inform and guide the industry.
- A well-governed and managed entity. Be led by a competent, credible, experienced, and fair Board of Directors and Management Team.

AllianceDFA concurs with the above and we recommend that all DFAs, whether SROs or not, prioritise the adoption of these characteristics to establish themselves as trusted stewards of the fintech sector, driving collective and responsible growth.

Although implied in RBI's framework, AllianceDFA would like to also advocate for following characteristics:

- Have the required resources to operate. Ensure DFA/SRO has a business model with sustainable sources of funding, has robust financial management practices, and has the staffing and infrastructure to deliver commitments efficiently and effectively.
- Set a clear vision and strategy. Ensure that the DFA/SRO(s) vision articulates purpose and long-term goals, which guides decision-making, resource allocation, and activity, and supports alignment among members and stakeholders.
- Have a consumer protection and financial inclusion focus. Prevent harm, grow trust, and encourage increased usage of digital financial products for the ethical, responsible and sustainable growth of the industry.
- Connection to global DFAs/SRO(s). To benchmark, learn, and identify global best practices to enhance long-term sustainability, credibility, effectiveness, and impact of the DFA/SRO.

#### Key Takeaways and Future Directions

AllianceDFA recommends that:

1. DFAs wanting to be impactful and credible, particularly those whose vision is to become or operate as an SRO, should implement the above characteristics and practices.
2. DFAs use the full version of our MAAT tool to identify any gaps in key documentation, processes, strategy, legalities, and oversight that need to be in place to operate credibly, sustainably and impactfully
3. DFAs should collaborate with other DFAs to identify best practices in DFA and SRO management and to create long-term relevance and sustainability.

We express our gratitude to the RBI for their bold and forward-thinking initiative in acknowledging the pivotal role associations can play in industry oversight and fostering growth. We recognise the importance of this milestone and are committed to collaborating



with DFAs, regulators and industry stakeholders to realize the full potential of fintech associations in driving innovation and sustainable development within the financial sector. We will closely monitor the implementation and efficacy of the initiative by the RBI to identify how AllianceDFA can support the advancement and evolution of DFA Members towards SRO status, should other jurisdictions opt to pursue a comparable approach to the RBI's.

We are excited that our collaboration with CCAF will identify global best practices for DFAs, which will be crucial in supporting associations to operate sustainably and responsibly and to increase the impact that they can make on in market.

We extend an invitation to associations not currently within our membership to connect and join a community that spearheads the establishment of global best practices for sustainability and impact. Furthermore, we invite organisations interested in fostering the growth and advancement of DFAs to collaborate with us in amplifying their influence and impact.



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