

# **Barefoot Innovation Podcast: Aishah Ahmad, Board Member of the Financial Alliance for Women, and former Deputy Governor of the Central Bank of Nigeria**

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Jo Ann Barefoot: I have been looking forward to today's show for a long time because my guest is Aishah Ahmad. Aishah is the board member of the Financial Alliance for Women and also former Deputy Governor of the Central Bank of Nigeria. So Aishah, welcome to the show.

Aishah Ahmad: Thank you very much, Jo Ann. And I have been looking forward to joining you on this show. I think the insights and the topics, important topics that you bring forth are very, very relevant for the financial industry and for policymakers. So I'm very glad to be here.

Jo Ann Barefoot: Thank you. Thank you for saying that. I'm delighted to hear it. We have been excited to work with you because we have been doing work at [inaudible 00:00:56] in West Africa. And specifically, we did a big project late last year that was a tech sprint on payments fraud and consumer protection in West Africa and you participated in that. So I'm looking forward to picking your brain about those issues and what we should be doing about them. But for starters, let me ask you to introduce yourself to the audience. Tell us about yourself and the journey that brought you to what you're doing today.

Aishah Ahmad: Thank you, Jo Ann. And it was my pleasure to participate. I gave the keynote at that tech sprint.

I spent my career more or less at the intersection of finance and policy and regulation. I worked, I had a previous financial services career for over 20 years before I pivoted into the Central Bank. And I think one theme, one general theme that has sort of been the hallmark of my career has been promoting inclusive financial systems. My last job before the Central Bank was heading the retail business for a very large retail bank. And in that, there was a lot of trying to find solutions, commercial solutions for excluded segments like those in the informal sector, women, and trying to find creative ways to solve payment problems. At the Central Bank, I think that theme continued, of course, trying to promote a secure, stable financial system, trying to make sure that there's financial inclusion, etc.

Today, I continue to work in this space. I'll talk about Financial Alliance for Women in a minute, but I'm constantly working on themes around financial inclusion, Africa's climate resilience, governance. Particularly in terms of getting more women to be in leadership positions is something I've been very

passionate about, is something I paid a lot of attention to when I was at the Central Bank. And just regulatory innovation generally.

I think my view, and that's why I love what you're doing with the work, all the different platforms you're running, because I feel that the value that our financial systems need globally can be found at that sort of integrated nature between what financial institutions are doing and what policymakers are doing. So I'm very passionate about that, of course, in addition to some of my board roles.

I think that getting more women in leadership positions and policies is a topic that has not been sort of very well focused on. There's not enough research, but I think there was an interesting IMF report that said that when women are the helm of policy, policies are more inclusive, financial stability outcomes are stronger, so to speak. So that's what I'm about right now.

Financial Alliance for Women, it's a coalition, it's a global coalition of financial institutions that are committed to ensuring that we get the most out of the female economy. That is ensuring that financial products serve women and their specific needs, trying to ensure we expand access to finance, loans to women. And just trying to ensure that the world gets the benefit, the economic benefit of getting more women into financial sectors. So I'm very excited because as you can see, that role really aligns with all the other things that I'm trying to do.

Jo Ann Barefoot:

That's terrific. Yes, we are doing a lot of work on financial inclusion obviously, and women specifically. And as you say, there's huge benefits from that. So I'll link to some of that in the show notes as well.

Let's look at, so we're going to talk about some of the problems that are developing for financial consumers in the digital financial services realm. But before we turn to the problems, paint the picture for us of how digital payments and digital financial services are improving life for financial consumers. There's been an explosion in inclusion really over the last, what? 10 or 15 years worldwide as we've moved to people being able to do their banking in their phone. Talk to us about what the good side of that has been so far.

Aishah Ahmad:

I think the benefits and the positives cannot be overemphasized. It's touched every aspect, not just of our lives but of our businesses and of the financial sector in particular, from making sure consumers have access to convenient financial services. Because I think what innovation has done, particularly digital innovation, is move us from banking as a place we go to banking or financial services as a thing we do. I think what mobile telephony has done has been to, more or less, disrupt and totally change the landscape of delivering financial services.

And on the back of that, we know our customers more, we have data around behavior. And using that data, we can provide services that are more tailored. As

you know, Jo Ann, as we get more efficient and that's what digital does, cost gets cheaper to deliver these services and then, of course, that lower cost is usually felt by the consumer.

But beyond that, I think there's a huge economic benefit, especially for the continent. So when you're looking at emerging markets and the continent of Africa, you've seen how digital and payments has transformed that informal sector, allowing small businesses to sell, giving them a platform to sell globally because there's been conversations now more not just about using payments within the continent and within countries, but cross border, which is powerful for the economic profile of citizens and for countries.

But beyond that and the job creation benefits, you've also seen how governments can be more efficient, governments can easily collect payments. It helps fiscal finances. And it helps with transparency. We are able to see taxes, tax collection. And again, all of that data can only make for better policy.

Beyond governments, you're also looking at households and how households can become more financially resilient because now you can do automated savings and those savings come in very handy when you have some crisis. So I can go on and on about the benefits of digital innovation or digital financial services and how they've come to stay and how our financial experience is unparalleled and so different today than what it was [inaudible 00:09:03] as short a time as 10 years ago.

Jo Ann Barefoot:

As you say, there's been global success in bringing people into the formal financial system through the mobile phone and digital services. And not surprisingly, that what has come along with that has been the problems that people have when they're in the financial system. And that has included fraud and we are seeing, in general, globally a big spike in fraud and scams, some of it being driven by new kinds of AI and some of it just growing. So that was the focus of the tech sprint. Talk to us about what you've been seeing in terms of the development of types of fraud, the scope and scale. Tell us about that landscape.

Aishah Ahmad:

Yeah. You couldn't be more correct, Jo Ann, about the nature and origins. So it's the double-edged sword about technology. It's two sides of the coin. With the ease, with the convenience, with the data is vulnerability that that data and that access and that convenience that allows an elderly person to conduct a financial transaction on their phone without having to go to a bank, that that person's identity could be compromised and that those systems that are meant to be secure could then provide easy access, easy unauthorized access, I would say, to fraudsters. So it's that other side of things.

I think the fraud has been really driven by social engineering, what I call exploiting the humanity in us. Because when I talk to people that have been victims of scams of phishing, they're not people that are illiterate. They're not

educationally illiterate, neither are they financially illiterate. It could have been at a time when they were a little emotionally vulnerable, not paying attention, distracted. You know?

We've heard of some of the examples from the UK around the deep fake voice activated scams that have happened. So this is no way about just about illiteracy, it's about the ease which these technologies can be used. So we're seeing a lot of that.

We saw that cybercrime favors a lot of digital channels. I think the favorability index of that is as high as 34% when you just survey all fraud. So it's about [inaudible 00:12:15] your digital channels, it's about taking control of your phone. Try losing your phone today and see how difficult it is for you. It's easy to replace the phone, but it's difficult because you do use, now we start using a lot of two-factor authentication and most of those codes go to your phone, right? So you have this one channel that is supposed to be a backup. That can also be a challenge depending on the circumstance, right?

And you also see some fraud that is targeted at institutions. Of course, people say that people go where the money is. So you have the denial of access for example, which the crypto industry, some of it has fueled. [inaudible 00:13:10] that in terms of the scale, I don't have the numbers off the top of my head today, but increasingly, we are seeing a lot of costs.

Now, some of the cost of fraud may be masked a little by the significant growth in digital financial services. But if you do it on a scale, on a relative scale and check out that cycle of growth, you can see that it's actually growing exponentially. So as a flat percentage of all transactions, it may seem low. But when you then scale it to weight, you can see that it's growing.

There's also been, in some across the continent and emerging markets, some issues around fraud that has been instituted by staff. We must say this. It's not all just technology, it's also human in terms of the fact that some of the bank staff have access to the vulnerable moment, they have knowledge, insider knowledge about vulnerabilities. And if an institution is not as disciplined in plugging those vulnerabilities, we can see that happen.

I think the results of fraud and the impact on consumers is not just a direct result. There's been some negative indirect impact, the fact that we risk over-regulating financial systems because we are trying to control this matter. I've been very concerned about the tendency to go the short route, which is we have a challenge, we should try and fix it. The fix is complex and so we just say, "Okay, we're going to cancel [inaudible 00:15:00] KYC," for example, which was revolutionary in places like Nigeria, in places like Kenya, to bring people that didn't have biometric ID into the financial system. That cannot be the answer, that we shut the door to financial services and become too stringent and we affect service to solve this problem.

So that has brought up a regulatory issue around how balanced regulation should be. I think the fallout of this has also shown that we need to strengthen consumer protection systems and I'm sure we'll talk about that later. And it's also uncovered that there's a need for better coordination, not just within regulation but across law enforcement and some of the other participants and with the consumers themselves. Because like I said at the start of this bit of our conversation, a lot of it, a lot of the fraud that gets through is because of the human weaknesses in that situation.

Jo Ann Barefoot: Yeah. You've anticipated a lot of my questions. This is so interesting. One thing I know that you've talked movingly about is the human toll taken by these crimes. I think sometimes the regulators and the financial providers think of these issues as a process to be managed and so on.

Aishah Ahmad: Yeah.

Jo Ann Barefoot: We see that sometimes these crimes are just basically destroying people's lives or wiping out their savings. Talk a little bit more about the human toll taken.

Aishah Ahmad: Your guess is as good as mine in terms of what... First of all, there is a real economic impact of your bottom line. When such a thing has happened to you, you actually lose money. And resolution mechanisms are not as quick as I would like to see, particularly for sort of fraud at the lower end of the scale. So it may be low in terms of the amount, but significant for that family, that household. And I feel we need better frameworks for resolving those issues.

So there's an economic toll. You're not able to pay your bills, you go into financial distress. And then there's an emotional toll and that is the one that can be very alarming. So you're feeling, what I would say, the intrusion. It's almost the same way someone gets into your account and has unauthorized access, it's the same way you feel if someone burgles your house, that feeling that you've been violated. And then all sort of emotions. Many victims of fraud blame themselves. They feel, "How could I have let this happen to me?"

And for me, I think the biggest challenge is what it can do to trust in financial services. We don't want a situation where people then, even though they're financially literate, they're digitally literate, they decide that they don't want to use financial services because they don't trust it. When we lose that trust, it really affects our financial stability objectives because the more financial inclusion we have, the more stability.

So I think there's just a range of negative economic and emotional and social challenges that can come out of being victims of fraud. And I think it underscores how urgent this matter is and how we must all work together to resolve it.

Jo Ann Barefoot: Do you have a sense of the legal protections in different scenarios in Nigeria or maybe on the continent in terms of if the fraud is associated, say, with a bank payment and the person reports it, how much protection do they have versus a situation where maybe they have fallen for a scam and intentionally authorized a payment that they later regret? Can you share with us what the legal protections are in those scenarios today?

Aishah Ahmad: Okay. It's a very important distinction you have made around the safety of your funds, when it's in custody with the financial institution versus when it has to do with a compromise on your account. I think all customers of regulated institutions can be assured that if a bank systems are hacked, for example, and it loses money, it would not affect it because there are reserves in place, safeguards in place that allow, and insurance that allows the organization to recover.

It's more nuanced when it comes to targeted attempts. When it's across a broad swath of customers, I think those protections can also be assumed because it's an incident that was targeting the data within the financial institutions. When it's an isolated incident, I don't recall any specific legal provisions. I know that when the investigation is done and it is clear that it wasn't the customer's fault, the customer can be assured of restitution. When it is shown that your account was compromised, either unwittingly by you or where you have been careless or less attentive with your data, there are no protections.

As regulators in my past life and as a policy advisor today, I continue to advise governments and regulators to strengthen the responsibility for awareness because a lot of this can be prevented. We don't want consumers losing money, we want them to continue to have trust in the financial system. We also do not want banks to lose money because it affects their stability and their risk profile. So it's important that we all hands on deck to continue to push for awareness.

And I think it's improving. But as it improves, the fraudsters too are learning and they're coming up with new ways of targeting the weakest amongst us. So most countries have consumer protection laws, but the enforcement varies. In Nigeria, there are consumer protection regulations that provide stringent penalties for institutions that do not meet those. So the frameworks are there, but we need to cover the newer fraud techniques that are AI driven. We have fraud monitoring, for example, which is very good. But like real-time monitoring, I've seen a move to start to use behavioral and machine learning to improve that. And then, of course, multifactor authentication beyond two-factor authentication and all of that. So these are all just mechanisms to support that framework that is sort of not really there and not really clear.

Jo Ann Barefoot: So let's turn to that question of what should we do? You've touched on some of it already, but what are the solutions that the policymakers who are listening and also we have many financial institutions and financial companies listening as well, but what are the keys to resolving this problem?

Aishah Ahmad:

Well, I guess for a multi-faceted problem, you're going to have different angles to it. So we've talked about, we mentioned briefly consumer awareness, consumer knowledge, that is so critical because that is, for me, the first line of defense, the consumers themselves. So as part of our financial literacy kits, we need to focus a lot on how they can protect themselves as they engage with financial systems and payment systems.

And I think our financial inclusion frameworks should have a strong consumer protection element and we shouldn't be sort of reacting when these things happen. We should be pitching this as these are the likely scenarios. So somehow the same way that a medical practitioner will tell you what to expect when you're going for a procedure. When you come in, we will do this, we will do this, you would experience it, this is how we should be discussing it. And we should be discussing it openly and we should trust that consumers will be receptive in the beginning and not hide that part of it from them and wait until it happens to them.

I think, secondly, institutions should employ some of the newer technologies to assist them. I mentioned one or two. Two-factor authentication, very important. A cloud first policy and principle within the institution is key. Putting cybersecurity at the heart of board governance, making it a strategic priority is important. Being up-to-date with any patches you need to be up-to-date with and all of that, safeguarding and testing your systems, ethical hacking, all of these things, testing resilience, I would say is important for financial institutions. Using AI and behavioral techniques to do your real-time transaction monitoring is important, so that before it even happens, you can start to predict all of these things.

And of course I'd like to encourage financial institutions to report these incidences. If everyone reports, it makes solutions easier. People learn from this, people learn from the solutions in that respect and you strengthen the weakest link, so to speak, within the financial system.

I think for regulators, I cannot overemphasize collaboration, working together, not just within sector regulators, but with law enforcement, putting in place reporting frameworks. So first of all, financial institutions have to report, but regulators also and law enforcement, particularly those that are cross border, have to also engage each other and share that information and be responsive to take action, because a lot of fraud is... Technology is borderless and money flows where it will. So that's some of the ideas that I think can work. And I think overall, we must take this as a collective responsibility of everyone and create an ecosystem approach to solving the problems.

Jo Ann Barefoot:

Yeah. I wanted to go back to one of the first items you said, I think you said it's important to have a cloud-first technology. Can you say more about why?

Aishah Ahmad: I think because it helps you, one, secure your systems because in a way it's counterintuitive. It might be that you're trying to create one single source of vulnerability. It's like put the egg in that basket and watch that basket closely. That way you are able to respond and you're able to detect when you've been penetrated in a way that you shouldn't have been. And it also helps with data portability around those data that you will need to become more resilient. But it's very important that these policies are reviewed on an ongoing basis in line with any developments in the industry so that institutions can be up-to-date with what the best global standards in that respect are.

Jo Ann Barefoot: Yeah. I'm so glad you emphasized that because as you said, it's a little counterintuitive and I think not everyone includes that in thinking about this, which is so critical. The other thing I just want to really reinforce is your point on the need for data sharing and collaboration that includes the cross-border perspective because as you say, these crimes are international, many of them are driven by global crime rings and activities. And if the industry and law enforcement cannot share information to see the big patterns of these types of crimes, then we'll always be on defense, it seems to me.

Aishah Ahmad: I totally agree with you. And it's not just the industry regulators, law enforcement, it's also the telecoms companies.

Jo Ann Barefoot: Absolutely.

Aishah Ahmad: Also the technology providers because it's all a chain, right? In terms of how payments move and what actually fuels payments. And it's also the advocacy groups as well and everyone working together.

Jo Ann Barefoot: Absolutely. So as you know, we learned a lot from the tech sprint that we held last year, and we're planning a follow-up, calling it a policy tech sprint for June of this year, and bringing together a lot of the same people to think about not only what are the technology solutions, but what are the policies and the organizational approaches and human factors and so on that need to be addressed. And we're looking forward to your participating in that, I hope. What should we aim for? What do you hope can come from that?

Aishah Ahmad: First of all, I think it is important enough to reiterate how critical that first policy sprint was, the one with the tech sprint was because I think that was a nice foundation to start to see the beginnings of aligning regulators, financial institutions, technology, all of those things. I think to pivot from there, three key areas, and I think one of the first is that cross-border fraud intelligence. I cannot overemphasize that because we've increasingly seen a lot of activity moved, a lot of the payment activity done by fintechs, by the non-traditional financial institutions. And a lot of these things are cross-border. So can we create, can we encourage regional continental platforms for fraud intelligence sharing and how we can start to go about things like that.



And if you look at vulnerabilities, they're usually around ID. So can we enhance our digital ID and the authentication methods, right? Can we look at that and say, "How can we strengthen those systems?" Because they usually uncover the weaknesses in those systems. And we need, for us to retain consumer trust, we need to ensure those systems sort of are strengthened.

And then I think the last key bit would be, again, around that consumer protection, consumer awareness. We can't run away from that because no matter what policymakers do or regulators do, it rises and falls on the average level of consciousness and knowledge of the consuming public. And we need to start thinking about ways to not just sporadic engagements, "Oh, let's do a campaign." It has to be so memorable, almost like when we do national campaigns where we're trying to build a sense of national unity and pride. This is that important that we make it part of our lives.

It's like your physical health. Your financial health can affect everything. So governments must work together with financial institutions to invest in a multichannel distribution of this information. So let's not assume that everybody's online and everyone is on TikTok. So there are some people on TikTok, some people on YouTube, some people read newspapers, some people listen to the radio. Let's ensure that this message permeates the world.

I think those three key areas, strengthening our fraud intelligence sharing and our coordination, strengthening our digital ID, ensuring that authentication is strong, and three, creating that, raising that level of awareness. And it's doable. I remember when computers started and older people were not really digital savvy and they had to learn. And today, everyone can use a phone.

So I think any solutions we come up with must be cross-sectoral, must involve our data, and that's where I talk about digital ID authentication, and must be customer focused. I think once you have these three key areas to focus on, I think this can put us on a sound footing to enhancing the fraud resilience across the continent.

Jo Ann Barefoot: Great. Is there anything we have not talked about that you'd like to add?

Aishah Ahmad: I think the national tax force was something that I mentioned when I spoke at the tech sprint. And I talked about it because I think until we come together formally to put a stake in the sand to say, "We are creating this task force and this is its purpose," we cannot start to improve on what it should look like. There are good task forces in Singapore. And the task force, within three years of it being set up, it's improved fraud monitoring and the incidences by 50%.

There's a great one in the UK as well that has helped to create a platform for information gathering because again, you have to be very careful about gathering information in silos where it sits without being used. So this task force helped to formalize the platform for which that information is collected,

analyzed, and for which intelligence is uncovered from it. And it's helped to develop early warning systems, just like we have in normal financial regulation where you have early warning systems about risk within a financial institution. We should start to get to points where we can gauge what the fraud threat level is and respond appropriately. And having that information in one place and having all of the actors in one place, we can make better policy that can be more relevant to the problems of the day. So I think that's important.

And there was a question that was put to me in the notes that I thought was also important because there was a question of do we need an SDG for this? Because it's that important. Do we need a [inaudible 00:37:16].

Jo Ann Barefoot: Sustainable development goal.

Aishah Ahmad: Because if you look at financial matters, from financial inclusion to economic inclusion, at least three or five SDGs are affected, SDG 1, SDG 8, SDG 5, because women and the elderly are more vulnerable to some of these fraudulent activities. And we're also still trying to make sure that payment systems and financial systems are gender sensitive and that they address women's particular behavioral needs.

So do we need a new SDG? Maybe not, but we do need some form of global collaboration on this. So if you are having a national task force on fraud, can we have a global initiative that looks at tackling this problem once and for all? That ensures that there's no hiding place for illicit funds that have been gotten from proceeds of fraud. And to ensure that there's justice and fairness in the protections that we have. Because indeed, these technologies are country agnostic and continent agnostic, right? So the solutions should impact everyone. Yeah.

So those areas, I think will be very important. And of course, ensuring that our regulatory frameworks are harmonized to an extent.

Jo Ann Barefoot: Wonderful. Let me ask you where people can get information about the Financial Alliance for Women.

Aishah Ahmad: So you can go to our website and the website is a treasure trove of a lot of resources. Some of them are for members, but we issue a lot of reports from the insights that we see from our work with the reporting financial institutions. We're very committed to supporting institutions that are looking to really harness the value of the female economy. And that's by guiding with workshops, insights on what gender-friendly financial products look like.

And when we talk about gender-friendliness, it's not really about just looking at women, it's about ensuring that the financial system works for everyone. And it's about ensuring that we do not leave half of the world's population behind,

because I think the estimated \$34 trillion in the female economy, most of which is untapped, cannot be left on the table.

And I think for a final word, I think it's important to underscore the issue around trust, because we've talked about a lot of things and sometimes it's good to distill it into the core elements. I think trust is the bedrock of any relationship, much less a financial relationship. And fraud, we're losing not just the economic losses that come from it, but I think the loss of trust is a bigger loss that has a more lasting impact on the financial system and has the potential to undo all of the good work that we have done in the last five to 10 years on financial inclusion, and not just undo, but reverse some of the gains that we've had.

I think secondly, working together. Sounds simple, but it is so powerful. We need to work together and start to have those important conversations.

And then we need to remember that fraud is a human issue. We shouldn't fall into the danger of blaming the technology. I always say that technology is agnostic, just like money is agnostic. You can use it for good, you can use it for bad. So let's get our minds out of blaming the technology and look at the human element and empower ourselves.

And we have the tools. We know what the threat pathway is. We can use the same technological tools and digital tools to support our resilience. And I think increasingly and with the work of platforms like the Alliance for Innovative Regulation and others that are looking at this problem, I think we have the will, the commitment, and the passion to make this work, and that's really all that we need. So I think there'll be very exciting times for what is going to come out on the continent on managing this really critical issue.

Jo Ann Barefoot: Thank you so much. Aishah Ahmad, it's been fantastic talking with you today.

Aishah Ahmad: Thank you very much, Jo Ann. It's been wonderful talking about this topic.