Managing cybersecurity during Covid-19

Cybersecurity: A policy perspective (see page 12)
ESBG positions 2020 released (see page 20)
Turning crisis into opportunity: Advancing digital financial inclusion during Covid-19 (see page 35)
Sustainable finance in Peru: WSBI member takes winning approach (see page 41)
DID YOU KNOW
ESBG MEMBERS: STANDING FOR
LOCALLY FOCUSED BANKING IN EUROPE

→ Facts & Figures

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164 MILLION EUROPEANS BANKED BY ESBG MEMBERS

- €6.6 billion tax contribution in 2019
- €1.3 billion spent every year on social commitment, philanthropy and foundation work
- €1 trillion in corporate loans, including to SMEs
- €5.3 trillion in total assets
- Over 200 years of customer proximity
- Loans to assets ratio 66%
- Average BIS Capital Adequacy Ratio: 16%
- Net interest income/total net operating income: 58%
Responding to uncertain times

The year already can be summed up with one word: uncertainty. As savings and retail banks approach the end of this turbulent year, our traditional business model finds itself at the cusp of great opportunity and change. This edition focuses on the digital realm of banking and how those banks address concerns around cybersecurity and dependable 21st century banking during the Covid-19 pandemic.

The global virus outbreak served as a catalyst for banks to evolve quicker towards digital banking, in competition with global digital platforms with a lot less regulatory baggage. Banks responded to human need, with greater resources placed on online and mobile banking, greater use of innovation to help connect people to their financial futures, be it a household or growing business. A story inside this edition from FEDECRÉDITO provides a fine example.

Cybersecurity plays heavily in this edition of News & Views. A timely topic given the reports about cybercrime during Covid-19, banks know any act that threatens safety, security and dependability of the banking sector undermines trust among people on the ground. To tackle the issue, News & Views invited cybersecurity experts from a WSBI-ESBG member and the European Central Bank to provide insight to better frame the issue and solutions to tackle how banks and other economic actors can address it. We devote coverage to the topic as the ‘Cybersecurity Month’ campaign takes place each October.

We continue to explore the work done by WSBI’s Scale2Save programme in Africa, with new research findings on digitally savvy young people and their savings habits during the coronacrisis. We also learn about at efforts in Peru to boost sustainable finance and a new partnership with the Latin American Banking Federation.

Savings and retail banks respond to crisis through innovative ways. Doing so builds on their important role in communities and regions to build a sustainable, inclusive future.

We will highlight that response in our latest ESBG Positions now available that describes how policy can help banks further innovate, deliver needed products and services that make a positive impact on people’s lives. Our retail banking conference set for 28 October will highlight what’s inside.

In the meantime, we stand reminded that for WSBI-ESBG members, overcoming uncertainty caused by Covid-19 requires anticipation, prudence and responsibility. Savings and retail banking looks ideally placed to excel in all three.

Chris De Noose
Managing Director, WSBI-ESBG
Publisher, News & Views
“...every ecological and every social agenda cannot be viable without an economic foundation: that means generating jobs, income and wealth for all parts of society. We have to make sure that social divides are not deepened.”

Helmut Schleweis, President ESBG and German Savings Banks Association (DSGV)
Members of the Association of Southeast Asian Nations will celebrate World Savings Day on 31 October. A first-ever initiative of the ASEAN Working Committee on Financial Inclusion, members will organise an Asian Savings Day that coincides with World Savings Day under the WSBI-created theme: “When you save a bit, big things follow”.

Representing some 661 million people in 10 states, they join many organisations and WSBI member banks around the world who celebrate the day. WSBI members received information from participating ASEAN countries’ financial authorities to join in, many of whom have already.

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LEARN MORE ABOUT WORLD SAVINGS DAY ON PAGE 26.
By Helmut Schleweis, President, ESBG and German Savings Banks Association (DSGV)

The ongoing Corona pandemic has made us well aware of one thing: the virus does not stop at borders. It is a necessity to work together fighting the disease and helping each other to overcome the consequences for our societies and economies. The real economy – the small and medium-sized enterprises and the private households – have been hit hard by the crisis. Savings banks and locally rooted retail banks were among the first citizens and enterprises who turned to for help and advice. Even before governments were able to set up their relief programmes, specific relief measures started in our banks: new financing, extensive advisory services, and forbearances, among others.

It is broadly acknowledged that our banks have played an extraordinary stabilising role especially in the first phase of the crisis. It has become clear that a diversified banking system with banks committed to their communities and regions is a huge asset in our European economic model.

Of course, these are challenging times for our business model: eroding interest rates and margins, rapid changes in our ecological and technological environment. We will use all our opportunities to adapt where necessary. And we keep up our demand for a proportionate and fair regulatory framework that appreciates the key role of savings banks for the European society.

It becomes more and more clear that economic decisions cannot be taken without considering the ecological impact and without aspiring to a more sustainable economy and society.

Our society will not thrive without taking into account the ecological and social aspects of economic activity.

Our customers will need our support in the transition to a more climate-friendly approach. Many people do not want any more a concept of growth, based on throw-away behaviour, unreasonable consumption of resources, and long-distance transport. At the moment I am writing these lines, we might indeed be witnessing the final phase of a specific concept of globalisation we all grew up with.

Savings banks do already a lot in the area of sustainable finance. But we agree: it is by far not enough. So we have to take into account much more than before the ecological dimension of sustainability – but without neglecting the social impact of the transition.

Even more so, since sustainability, in the sense of serving the needs of society, has been part of the savings banks idea for the last 200 years. This is our DNA. Let’s grasp the opportunity to further develop and modernise it.

It should be just as clear, however, that every ecological and every social agenda cannot be viable without an economic foundation: that means generating jobs, income and wealth for all parts of society. We have to make sure that social divides are not deepened. We must find the right balance of incentives and regulation in order to make the transition to a more sustainable economy, ecologically and socially, a success.

I am sure, dear reader, that your average weekly screen time has increased considerably since the lockdown in the first wave of the pandemic. Also, the IT departments of our institutions have seen a dramatic surge in digital transactions, mainly in the payments area.

As much as this is an opportunity to make a big leap forward on the digital front, it is essential not to forget about who the ultimate beneficiary of this trend should be: Our customers.

More specifically, the push for a closer digital connection must come with smart digital applications.

And with dedicated efforts in financial education, so that a maximum of people can use digital tools in an efficient and safe manner.

We have been committed since many decades to financial education. And we are happy to see that it has become a prominent issue on the political agenda. In many Member States and on the European level as well, as we can see in the action plan for the Capital Markets Union.

I would also like to draw your attention to the basis the digital ecosystem is built on: data.

Use of data certainly creates business opportunities. But the use of data must not come to the detriment of data privacy and data security.

And security is a matter of all market players involved. Not only of the banks who enjoy the trust of their clients. But also of fintech firms and digital platforms who so far seem to have reaped most of the benefits of a digital revolution where the customer was supposed to be the winner.

European citizens and European businesses should keep sovereignty over their data. Client data are precious and must be handled responsibly.

I also think that we should endeavour, as individuals and as part of our respective organisations, to make a positive contribution to our society. This is not possible if our only ambition is profit maximisation. As savings and retail banks with a long tradition, we are convinced that we need to give something back to our communities: to provide access to finance to all parts of our society (rich or poor); to contribute to the economic development of our regions; to foster a peaceful and prosperous society; by supporting arts and culture, science and education, grassroots sports and health; and by supporting more and more green projects.

With all this, savings banks have contributed significantly to a sustainable economy and society. And we will continue to do so in the future.
Overcoming Covid-19 uncertainty requires anticipation, prudence, responsibility

Signed by WSBI President Isidro Fainé and Managing Director Chris De Noose, the latest WSBI Presidential letter looks back at a difficult first half of the year and managing uncertainty ahead, keeping sights fixed on the long term.

We trust the last months of the year will be more hopeful and provide us with positive data in the fight against coronavirus.

A DIFFICULT FIRST HALF-YEAR

Retail and savings banks are playing a vital role, joining forces with business and social initiatives to support families, businesses, and society as a whole, especially the most vulnerable. However, the coronavirus crisis will leave a deep mark on the banking sector.

Unprecedented declines in economic activity, reflected in all indicators, have a strong negative impact on profit and loss accounts. Good management allows us to face the crisis with a strong financial position, but the challenges we face are great.

We do not know how the situation will unfold, but we are determined to continue supporting our clients and promoting economic recovery. To be able to face any situation, we need action plans based on a number of different scenarios depending on how the macroeconomic situation develops.

The situation is really complicated. We have to set aside increased provisions for asset impairment deriving from the effects of the pandemic, very low interest rates, moratoriums, low structural profitability, technological challenges and decreased market capitalisation.

This is a stark reminder of the importance of maintaining active risk management, with reinforced capital positions, high liquidity and high coverage ratios. There are no magic solutions to overcoming this scenario, but there are three words that can help us weather the storm: anticipation, prudence and responsibility.

We need to firmly believe in our capacities. In times of crisis and in these difficult moments, our power of resilience must be stronger than ever.

If we are able to successfully face adversity, the results can be beneficial both to the company and its stakeholders.

READY TO MANAGE UNCERTAINTY

We are facing a paradoxical moment: we constantly receive data at the health and economic level, yet we live with unprecedented levels of uncertainty. For this reason, it is important when taking decisions to keep our sights fixed on the long term.

This approach is perfectly compatible with solving problems quickly and effectively. To do so, we need transformative leadership that is able to adapt quickly to the new reality and continue to generate value. There are no competitive companies without competent managers. We need new ways of working more agilely, efficiently and collaboratively. We must also rely on technology to ensure that people, despite working from home, always remain at the centre of the organisation.

Innovation transforms our present and shapes our future. And as we tread this path, we insist that as banks we cannot allow ourselves to become dehumanised. Strategically, good analysis of Big Data and efficient management of artificial intelligence are just as important as being guided by ethics and strong social commitment.

This involves compliance with the law and respect for people, with special emphasis on diversity and work-life balance, and economic, social and environmental sustainability. In addition, integrity and professionalism must guide our actions, with leadership that always meets the highest standards of excellence.
Solidarity with Salvadorans: FEDECRÉDITO Covid-19 response

WSBI-ESBG sits down with Macario Armando Rosales Rosa, Chairman and CEO of WSBI member FEDECRÉDITO in El Salvador, to talk about the effects of the coronavirus and the bank’s response to the pandemic and natural disaster that struck El Salvador.

The Covid-19 pandemic hit the entire world with devastating effects. Back in May and June as the tide subsided in Europe, some countries in Central and South America became the new epicentre. In El Salvador, the increase in daily cases coincided with tropical storms Amanda and Cristobal that affected almost 150,000 Salvadorians.

How did the Covid-19 pandemic affect FEDECRÉDITO’s customers; do you see any changes in the demand for certain services or products?

Confinement following the Covid-19 outbreak reduced economic activity, and the slow reopening of commercial activities resulted in a decrease in new credits and the use of credit cards. Due to the restrictions in April and May, there was a decrease in transactions carried out through FEDE RED 365 ATMs and non-banking correspondents. During the same period, however, we witnessed an uptick in use of our online channels FEDE MÓVIL and FEDE BANKING, as well as growing deposit levels from companies and customers. This clearly shows the confidence they have in SISTEMA FEDECRÉDITO.

Another change we can point out is related to family remittances, mainly coming from the United States.

Initially, we saw a sharp fall in remittances in April with a recovery in July – reaching higher levels than those in 2019.

Could you provide some numbers or statistics illustrating these changes?

With regard to the demand for products and services through our digital channels, we noted a considerable growth in transactions, up 127% via mobile banking and 27% via internet banking, and volumes rising 150% via mobile and 30% via the internet.

Due to lockdown, the cash dispensed by our network of FEDE RED 365 ATMs was affected in March, April and May. Despite showing an increase over the previous year, we observed a decrease compared to February of this year. However, in June figures grew by 25% over the previous month – the highest amount dispensed recorded this year.

Our FEDE PUNTO VECINO non-banking correspondents experienced a downward impact, as a quarter of them had to close in April and May due to the restrictions on commercial transactions. Fortunately, in June there was a year-on-year increase of 0.30% in transactions and 70% in the amount. This results from the amounts paid in family remittances via this channel.

A decrease in the flows of remittances was also registered during the month of April 2020, both at a national level and for SISTEMA FEDECRÉDITO, which saw a downward trend of 40% compared to the same period in the previous year. By June 2020, there was a 9.77% improvement at national level compared to the same month in 2019.

Remittances paid out by our partner entities at the end of July 2020 reached a total of US$574.4 million – a 4% increase compared to 2019 – thus breaking the negative trend that existed until June 2020. It is worth mentioning that SISTEMA FEDECRÉDITO has paid out a historical amount of US$108.8 million during July this year, which highlights the importance of family remittances within the clients of the Credit Unions and Workers’ Banks of SISTEMA FEDECRÉDITO.
The volume of purchases made with the SISTEMA FEDECRÉDITO credit card has decreased by 50%, and the volume of purchases made with the SISTEMA FEDECRÉDITO debit card has dropped by 20%.

These figures show that the pandemic has affected some of SISTEMA FEDECRÉDITO’s products and services, especially due to the co-financing measures taken in our country. However, SISTEMA FEDECRÉDITO has remained solid as always, which proves we are the financial network with the greatest coverage in El Salvador.

How did FEDECRÉDITO adjust its operations in the context of Covid-19?

FEDECRÉDITO has been promoting teleworking during the pandemic. All personnel training took place online and will continue so together with a face-to-face format once the situation normalizes.

FEDECRÉDITO constantly monitors the liquidity of its Partner Entities and follows up on the situation throughout El Salvador’s entire financial system. Likewise, FEDECRÉDITO has promoted the formalization of new international funding lines. We also monitor the quality of portfolios and the clients who have taken advantage of financial relief measures in their credit obligations. The most important measures include the transfer of loan quotas at the maturity of the loan, with a corresponding term extension as well as the transfer of credit card quotas, without any type of penalty for the client.

Contact has been maintained with all affected customers of Credit Unions and Workers’ Banks in order to assess their situation and the impact caused by the pandemic. We took a special interest in MSMEs, as this sector is one of the main generators of jobs and boosts the country’s economy. Based on this analysis, tailor-made solutions were suggested to each client, such as restructuring, refinancing, granting new resources to companies.

Our staff’s and clients’ health is a priority at FEDECRÉDITO, which is why we implemented various measures that have been replicated by our members. Some examples of these measures include:

- A contingency plan for continuity of operations.
- Basic prevention measures were communicated to all personnel. They were also displayed at the main entrances of each building, bathroom and elevator at all levels.
- Automatic hand sanitizer dispensers were installed in all common areas.
- A medical doctor and a nurse joined the team. They use infrared thermometers to constantly take the temperature of all customers and employees at the main entrance.
- Rotating work shifts that favour social distancing were introduced at home and at the office.
- Employees over the age of 60, pregnant women and people with chronic diseases are teleworking.
- In addition, personnel in different work areas have been provided with the necessary supplies to protect themselves, namely hand sanitizer, disposable tissues, disinfectant spray, masks and propylene gloves.
- A flu vaccination campaign was carried out, with the support of national health personnel.
- All buildings and vehicles are cleaned daily.
- Transportation is provided to employees who normally commute by public transport.
- All necessary hygiene supplies are also provided to our customers and visitors in the reception area of the banks.

Does FEDECRÉDITO’s structure – consisting of 48 credit unions and seven workers’ banks – allow for better service to its customers when Covid-19 hit? If so, how?

Undoubtedly, because SISTEMA FEDECRÉDITO remains emotionally and physically close to clients. The pandemic promoted the use of digital channels, but the physical proximity and the importance of service points within the network, which makes us the financial network with the largest coverage in El Salvador, facilitates the search for individual solutions for our customers. Additionally, this has allowed us to collaborate with the government to distribute aid vouchers to those in need.

How do you see FEDECRÉDITO’s role during this pandemic?

FEDECRÉDITO coordinates the global response implemented by SISTEMA FEDECRÉDITO jointly with its members. Each member contacts their customers and seeks individual solutions – for example in the field of financial relief measures for loan and credit card customers. FEDECRÉDITO, as supervisor of its members not directly supervised by the Financial System Regulatory Agency in El Salvador, has transferred to its members the Central Reserve Bank’s measures in order to ensure that restructuring and refinancing solutions do not have a negative impact on the risk category of affected clients and their need to build up additional reserves.

Another aspect worth highlighting was the leading role that our association plays in these troubled times. We constantly communicate and regularly meet with all the general managers of the credit unions and Workers’ Banks to analyse crisis developments and its possible scenarios. For example, the whole SISTEMA FEDECRÉDITO went through a digital transformation of processes, ways of working, new products and communication with customers.
Finally, SISTEMA FEDECRÉDITO’s communication strategy focuses on facilitating the use of digital channels and sharing a message of optimism and confidence with the country.

Tell us more about your initiatives related to fighting Covid-19, and helping families affected by the storms that simultaneously hit the country?

SISTEMA FEDECRÉDITO commits itself to helping Salvadorians through its Corporate Social Responsibility (CSR) policies. These policies promote financial inclusion and financial education and support education, national culture, the preservation of the environment as well as the dissemination of positive messages.

In addition, we gave donations to the Salvadoran Red Cross and the Salvadoran Green Cross to support their work during the crisis. The funds were used to buy medical supplies to protect staff and to meet basic hygienic needs. Cleaning and food supplies were also bought for the first responders providing voluntary service.

A series of talks were held via Facebook Live and online webinars under the “It’s time to continue” campaign that provides people with relevant information so they can cope with the situation and receive motivational tips on how to stay active. Topics addressed include how to manage your emotions during lockdown or how to optimise people’s own finances in times of Covid-19, successful sales and consumer loyalty in times of Covid-19, new branding trends for different markets. With such initiatives, SISTEMA FEDECRÉDITO encourages and contributes to the dissemination of positive messages.

In your view, what added measures should policymakers and regulators take to help the financial sector better assist their customers in the context of Covid-19?

As a result of the pandemic, there will obviously be a deterioration in the credit quality of the loan portfolio, while many micro-, small- and medium-sized enterprises will require additional financing to be able to gradually open their doors again. Financial intermediation entities have a fundamental role to play in this regard. Regulators should adjust the provisions and equity fund requirements to the new situation while providing an adequate time frame. Also greatly important are the implementing public guarantee mechanisms for credits granted to SMEs.

ABOUT FEDECRÉDITO

A WSBI member since 1998, FEDECRÉDITO is based in El Salvador. It boasts the financial network with the largest coverage in the Central American country. It is present in 195 municipalities and manages 690 points of service. Together with its associated entities, the cooperative organisation manages a loan portfolio of US$1.8 billion and total deposits of US$1.2 billion (end of 2019).
Persistence pays off

MODERN DIGITAL OFFER, STRONG LOCAL PRESENCES HELPS WSBI-ESBG MEMBER SCORE TOPS IN SWEDISH QUALITY INDEX (SKI) SURVEY 2020

By Ewa Anderson, Chief Executive Officer, Sparbankernas Riksförbund – the Swedish Savings Banks Association

Trägen vinner. A Swedish proverb that means “persistence wins.”

That saying especially rings true for savings banks in Sweden. After steady efforts to innovate while keeping local roots, Swedish savings banks received in September the highest overall customer quality score in a country-wide survey.

In this year’s Swedish Quality Index, or SKI survey, the Swedish savings banks received the highest rating among all banks in Sweden among both private and corporate customers. The result came thanks in part to savings banks efforts to build a modern digital offer together with a strong local presence and commitment to the customer. Customers like how savings bank form an important part of the local community. They also like the well-functioning digital services and especially appreciate close and personal service to customers.

Being tops in the survey forms only one part of the story, however. The other part is how we got there. We stuck to locally focused banking, balancing both digital and personal customer experience at the same time. Getting the balance right required great planning, a lot of hard work and commitment. The payoff translated not just to high scores, but to greatly helping communities and real economy households and businesses that depend on them in a globalised world and during the current Covid-19 pandemic.

Research shows that where there is a bank, there exists higher growth and entrepreneurial activity than in areas where the local bank does not exist.

We definitely have an advantage. We are so close to the customer with some 200 offices in 19 provinces, important financial link for people and companies, namely outside the big cities. When it comes to entrepreneurship, we know that it is hugely important for the entrepreneur that they can seek the personal contact at the bank.

Savings banks in Sweden forge an important financial link for people and companies, namely outside the big cities. While serving at local level matters in today’s world uncertain world, our 2.2 million customers depend more and more on digital services while seeking locally anchored banks. They expect banking that’s online, mobile or through branches, close to customers and grasp their everyday lives. Although most customer meetings today take place via digital interfaces, The close and personal meetings affect satisfaction and loyalty the most.

Customer ratings matter greatly for Sparbanker, Swedish for “savings banks”, which score well every year. They give a tried-and-true reminder that the unique idea of savings banks matters to people. Our efforts get recognised by them. Savings banks have long earned a high level of trust among customers, so it is therefore gratifying that we have now taken another strong step forward. To keep our scores up, we will stay persistent.

THE SAVINGS BANK IDEA: 200 YEARS STRONG IN SWEDEN

Ever since the first savings bank started up in 1820, local anchoring, long-term thinking and community underpinned their business concept. For 200 years, good profitability and high customer satisfaction form the basis for savings banks’ work and chances to support growth locally. This year’s “Saving Bank Idea 200” outreach campaign gives Sparbankernas Riksförbund members a way to share their 200-year story. The campaign weaves in World Savings Day as well to share the savings banks unique role in society. Association head Ewa Anderson will broadcast that day that message with the Swedish minister of finance.

An association for 58 savings banks and savings bank foundation-owned bank limited companies and 13 savings bank foundations, Sparbankernas Riksförbund members form the fifth largest banking group in terms of deposits and lending in the Swedish banking market. As Swedish savings banks respond to customer need in the Covid-19 pandemic, they continue to give back to society in many other ways too. Savings banks together provided last year some SEK500 ($US59 million) back to society. One of the most important givers to Sweden society, more than 5,000 associations of different kinds received grants and sponsorships from Sweden’s savings banks.
ESBG argues for a single authority established that receives all reporting from all financial institutions into an EU central Hub/Database. This authority would be responsible for reporting to each competent authority depending on the issue (for example, PSD2, GDPR, NIS) and the country. A comprehensive and harmonised EU-wide system of ICT and security incident reporting should be designed for all financial entities and that would lead to harmonised incident reporting also at a national level.

The association argues for creating a standing mechanism to exchange incident reports among competent authorities to ensure that best practices are shared among financial players. It should be designed on two pillars: i) sharing good practices between authorities which support their supervisory powers and ii) receiving feedback from authorities to improve banks’ internal practices.

The legislator should examine the authorisation schemes based on compliance with pre-determined requirements, with the aim to speed up the processes. Concerning purely contractual considerations, a standardisation of all the main clauses is needed. In addition to the main standard contractual clauses (clause concerning audit; subcontracting clause; business continuity clause; withdrawal clause; data location clause; non-compliance case; penalties for non-compliance), ESBG would welcome a proposal for standard contractual clauses also in regard to confidentiality and the (relevant) bank secrecy act, GDPR and how to handle the potential “conflict” between GDPR and the Cloud Act (US).

Nevertheless, this raises the question of which regulatory framework will be chosen by the Commission. If the selected standard framework is an EBA regulation, this will strengthen the financial sector’s capacity to negotiate, but it will not always be imposed on providers since they are not in the EBA’s supervision field. The most desirable outcome for ESBG would be to obtain a regulatory framework that could legally embed providers in the application of the major, mandatory Cloud clauses.

**WHY IT MATTERS**

In recent years, cyber-attacks on the financial sector have increased in number, sophistication and severity. The increasing digitalisation of finance is set to accelerate this trend. Dependence on ICT and data raises new challenges in terms of operational resilience. The increasing level of digitalisation coupled with the presence of high-value assets and (often sensitive) data make the financial system vulnerable to operational incidents and cyber-attacks. While it already outsprends other sectors in safeguarding itself against ICT risks (both of malicious and accidental nature) finance is nonetheless estimated to be three times more at risk of cyber-attacks than any other sector. ESBG submitted a response to the European Commission consultation on a digital operational resilience framework in March 2020, and to the Financial Stability Board consultation on effective practices for cyber incident response and recovery in July 2020. ESBG welcomes the initiative by the Commission to build a real single market for cybersecurity.
Systemic cyber risk: The potential for serious negative consequences for the real economy

Interview with Mr Wiebe Ruttenberg, Chair of the Eurosystem Task Force on Cyber Resilience Strategy for Financial Market Infrastructures and Senior Adviser, DG Market Infrastructure & Payments at the European Central Bank.

In the recent decades, the financial system has become increasingly globalised, digital, and interconnected. The financial system relies critically on information and communication technology (ICT) infrastructure and on the confidentiality, integrity and availability of data and systems. As a consequence, cyber incidents can disrupt even key economic functions. Cyber risk not only affects individual financial institutions and infrastructures, but has an important systemic dimension. Understanding the potential systemic impact of cyber incidents is of the uttermost importance.

Mr Wiebe Ruttenberg kindly sits down with News & Views to answer a handful of questions.

Mr Ruttenberg, what is a cyber incident, and what is a systemic event?

WR: That is a good question as not always policy makers use the same definitions when debating cyber issues. The Financial Stability Board (FSB) has addressed this and published its Cyber Lexicon in November 2018.

A cyber incident is an observable occurrence that happens in an information system and not only jeopardises the cyber security of that information system, but also violates its related security policies and procedures, whether resulting from a malicious activity or not. The combination of the probability of cyber incidents occurring and their impact defines cyber risk.

Indeed, cyber risk is a particular kind of operational risk but it has its own unique characteristics, i.e. the speed and scale of its propagation as well as the potential intent of the threat actors.

One could say that a systemic event is the point at which the financial system is no longer able to absorb the shock, in this context resulting from a cyber incident, resulting in an impairment of all or parts of the financial system and in serious negative consequences for the real economy.

Can a cyber incident become a systemic event?

WR: As already publicly stated by our President Ms Christine Lagarde earlier this year, the answer is yes. Her statement was based on work done by the European Systemic Risk Board (ESRB) which has developed an analytical framework to assess how cyber risk can become a source of systemic risk to the financial system.

Though there are not any historical precedents for systemic events arising from cyber incidents in finance, there is the possibility that a systemic event is triggered by the many cyber risks.

The interconnectedness of various information systems enables cyber incidents to spread quickly and widely. Some recent incidents have demonstrated actors’ ability to penetrate the networks of large organisations and incapacitate them quickly. Cyber incidents can also spread widely across sectors and beyond geographical borders, including to entities which are not the primary target or source of disruption. Malicious cyber incidents are becoming more persistent and prevalent, illustrating the high level of sophistication and coordination that threat actors are able to achieve.

An illustration of this is the NotPetya malware incident, which started in the Ukraine in June 2017, but had serious operational consequences for some non-financial companies at global level. Had financial institutions and infrastructures in a global financial centre been targeted and incapacitated by the incident, it could have easily resulted in a systemic event in the financial system.

In general, a cyber incident can evolve into a systemic crisis when trust in the financial system is eroded. A critical point in assessing whether a cyber incident will progress to become a systemic financial crisis lies in the differentiation of whether or not the incident escalates from an operational level into the financial and – finally – the confidence realms.

You mentioned that a cyber incident can evolve into a systemic event when trust in the financial system is eroded. What do you mean here by trust in the financial system?

WR: In order for a cyber incident to raise systemic financial and confidence concerns, either the disruption to critical functions supporting the real economy or the generated (or anticipated) financial losses from the incident need to reach a level where the financial system is no longer able to absorb the shock. For instance, a perceived irrecoverable destruction, alteration or encryption of account balances of one or several financial institutions or not the incident escalates from an operational level into the financial system.

A critical point in assessing whether a cyber incident will progress to become a systemic financial crisis lies in the differentiation of whether or not the incident escalates from an operational level into the financial and – finally – the confidence realms.
Trust is a key factor: While it takes quite some time for the financial institutions and the financial sector to build it, it can suddenly disappear. As a Dutch saying goes, “trust comes by foot and leaves by horse!”.

How can cyber risks be mitigated?
WR: Over the years already a lot has been done by the financial sector and national, European and international authorities to address cyber risks, at micro and at macro level.

The examples are too many to summarise here, but let me give you a few. As said earlier, the Financial Stability Board (FSB) has developed a Cyber Lexicon to foster a common language and facilitate cross-jurisdictional communication on cyber risk. At the European Union (EU) level, the mandate for the European Union Agency for Cyber Security (ENISA) has been strengthened and the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), and the European Securities and Markets Authority (ESMA) have issued guidelines on how the supervised entities should implement best practices in ICT risk management. The ECB has issued the Cyber Resilience Oversight Expectations for financial infrastructures, and we should certainly not forget the EU Directive on Security of Network and Information Systems (NIS Directive), which addresses various aspects of cyber risk across a range of industries.

Personally, I appreciate very much the initiative taken by the European Commission following the public consultation on a digital operational resilience framework for financial services in the European Union, which closed in March 2020. The now proposed Regulation on Digital Operational Resilience for the Financial Sector – also dubbed DORA – provides a unique opportunity to address the current fragmentation in financial legislation and supervisory approaches in the field of digital operational resilience, cyber resilience included.

Which initiatives have been taking specifically with regards to financial market infrastructures in Europe?
WR: Financial market infrastructures form the backbone of the financial sector and thus the European real economy. Their cyber resilience is of systemic importance. Therefore, the ECB Governing Council approved the Eurosystem cyber resilience strategy for FMIs in March 2017. I mentioned earlier already the Cyber Resilience Oversight Expectations (CROE). Let me highlight three other initiatives stemming from this strategy, i.e. the EU framework for ethical hacking (TIBER-EU), the Euro Cyber Resilience Board for pan-European Financial Infrastructures (ECRB), and the European Cyber Information & Intelligence Sharing Initiative (CIISI-EU).

TIBER-EU provides for a harmonised way how to test the cyber resilience of a financial infrastructure or a bank, making use of ethical hackers attacking the financial entity’s live production systems. It is currently adopted in 10 EU Member States and more are expected to follow.

Authorities and financial infrastructures have one thing in common, they are all victim of cyber-attacks. The ECRB has been established by the ECB as a forum for strategic discussions between board members of Europe’s largest and most important financial infrastructures, their critical service providers and authorities. Its objectives are to raise awareness of the topic of cyber resilience, catalyse joint initiatives to develop effective solutions for the market, and provide a place to share best practices and foster trust and collaboration.

One initiative stemming from the ECRB is CIISI-EU, an initiative to share vital cybersecurity threat information between Europe’s largest and most important financial infrastructures, selected EU national central banks, ECB, EUROPOL and ENISA. The core objectives of CIISI-EU are to protect the financial system by preventing, detecting and responding to cyberattacks; to facilitate the sharing of information and good practices between financial infrastructures; and to raise awareness of cybersecurity threats.

Let me conclude by saying that ensuring cyber resilience is like an arms race; it is a continuous effort with no end in sight.
Cybersecurity is everybody’s business: A view from inside the industry

An interview with Swedbank Head of Risk Johan Rosén, who covers digital development, ICT and security risk, including cyber. Also responsible for Group level crisis management, he chairs the Group Crisis Management Team at Swedbank. WSBI-ESBG News & Views magazine gathers his insights.

Cyber-attacks on the financial sector have increased in number, sophistication and severity, and represent non-neglectable threats to the banking industry, which is increasingly dependent on ICT and data. Particularly for organisations that operate across jurisdictions, harmonisation of regulatory requirements and coordination at supervisory level form key prerequisites to develop a sound cybersecurity strategy. Most recently, with the outbreak of COVID-19, new challenges are emerging and traditional risk profiles overstretched.

Pinpoint the main security threats for the banking sector in Europe?

The banking sector very much faces the same security threats as the rest of society. The challenges are twofold, both towards the bank and the confidentially, integrity and availability of our services and towards Swedbank customers. The “threat agents” continue to refine their techniques while banks do their best to keep up, as do the rest of society. Most notably, we see a rise in ransomware trojan attacks across the industry due to the seemingly lucrative nature of this cybercriminal niche, there appears an abundance of threat actors active.

The landscape of cyber threats generally seems rather similar across the European Union.

Some differences do occur, however, in relation to the composition of a regional or domestic financial system. As an example, attacks against ATM infrastructures and cash operations prove more common in jurisdictions were cash is more widely used and where there are large ATM networks.

How can technology help to thwart cyberattacks?

Technology helps, but there exists absolutely no silver bullet. Every piece of new tech that you add on to your network – even the stuff that is supposed to protect you - also adds new risks and vulnerabilities. Cybersecurity tools are just that: tools. The same happens with frameworks for cyber security: they seem great but they are just: frameworks. In the end, it comes down to leadership, organisation, culture, the way you understand risk and how you have distributed ownership and accountability across the enterprise. Be it a small institution or a large, complex one. All of that then needs to be accompanied by relentless training for awareness and exercising for agility.

At Swedbank, how do you stay on top of cybersecurity news and developments? What advantages come from being an organisation that operates across several jurisdictions?

Apart from all the different wells out there to draw open-source intelligence (OSINT) – data harvested from publicly available sources to be used in an intelligence context –we benefit from strong relationships with both other participants in critical infrastructures where we operate as well as with various government agencies.

It is to our benefit to be active at many levels of society in the different markets where we operate. Sweden is highly mature and “open source” in its nature. The country enjoys strong collaboration between market participants. That said, some of our best examples of public-private cooperation come from Estonia, a country where society is both far ahead digitally and small enough to have to share skills and competencies between parties. The Baltic states are also NATO members and part of the European Economic and Monetary Union, which for Swedbank opens doors to important dialogues relevant to security policy in the region.

How do you raise awareness on cybersecurity matters among employees in your organisation?

I believe in combining things that can make a difference. A single large training event to all employees will never suffice. You need constant reminders to cultivate a sense that security is everyone’s business. Our security culture reflects the sum of all those everyday behaviours by developers, technicians and managers alike. Allowing people to act – move themselves into new behaviours – requires hard work. You are never, ever finished building that culture.

The quote “Security is everyone’s business” was coined by our chief information security officer (CISO). It’s a cornerstone of our awareness philosophy. Right now, the team under our CISO stays busy rolling out several initiatives that supports this. That includes everything from strict technical measures, to trainings, to little reminders like how ID tags are designed to visibly show if you are employed or from a third party.
How has the COVID-19 pandemic shifted your risk profile?

Covid-19 affects the risk profile of banks in many ways. From a cyber security perspective, we were fortunate at Swedbank to have a rigid and secure solution for remote access that we could quickly scale up to meet the needs of our employees without compromising basic security. As with every other institution that has moved a lot of work to remote access from the home, we’ve had to accept some increased data protection risks, but not substantially as we place strict limits of what is accessible remotely. Daily banking activity is performed on premise and within the defence perimeter. As we now come to terms around the pandemic not going away any time soon, institutions – including ours – find themselves continuously confronted with the challenges of how to securely engage in new ventures where relationships are almost entirely remote. My wish is that this will accelerate “zero trust” policies and solutions available to the industry.

In terms of internal governance, how is Swedbank set up to manage different lines of defence?

I have been in many and sometimes exhausting talks on governance. Often with friends in the industry who seem convinced that one model works better than the other. For me, good governance is really about what fits the organisation best at a certain point. Swedbank has multiple lines of defence in its approach to cyber security, whereby the CISO and the information security teams are in the first line. That means that we’ve had to build competence in the second line and find effective ways of providing assurance in an area that requires deep subject-matter expertise. This has not been an easy ride, but we have now accomplished a highly effective setup where the CISO supports the chief information officer and the functional IT organisation with standards and tools for cyber risk management. The risk organisation within the second line provides independent assurance that those risk management activities are effective and bridges the gap to enterprise risk management (ERM), including taxonomy and risk appetite.

Which initiative should EU policymakers take to further strengthen the banking sector?

The EU has done plenty to build regulatory requirements and also, importantly, to widen the scope beyond banks to areas like financial management information systems (FMIS). The TIBER-EU framework provides a good example of how governance can then be leveraged further in cooperation between stakeholders. Moving from traditional red team testing to threat intelligence-based testing within a common framework shows really exciting proof of how the approach to cyber security is maturing within the European Union. TIBER has the potential to do a lot for the sector. However, since cyber security is only as strong as the weakest link in the whole financial infrastructure, we expect the European Union to keep up its efforts to broaden governance towards different service providers. Cloud service providers are good example of that.

The industry still struggles with lack of harmonisation of local supervisory implementation. Sometimes it’s more important to look at the harmonisation and effectiveness of existing regulatory initiatives than to add more.

Lastly, would you like to share a message with cybersecurity leaders from the banking sector?

I’d like to remind all my friends in the field of risk and security out there that we can never be competitors in the field. Criminals don’t care about petty things like nation-state borders, regulators, shareholders or organisational differences. They act without borders and we should too. A major breach in one place hurts the trust in many other parts of the ecosystem. So, continue to share your intelligence and your analysis for the benefit of all.

ABOUT TIBER-EU

TIBER-EU is the European framework for threat intelligence-based ethical red-teaming. It is the first EU-wide guide on how authorities, entities and threat intelligence and red-team providers should work together to test and improve the cyber resilience of entities by carrying out a controlled cyberattack.

RED TEAM PROVIDER

A company that carries out the simulated attack by attempting to compromise the critical functions of the entity by mimicking a cyber attacker.

Source: European Commission
Better to have a good neighbour than a far-away friend

A LOOK AT HOW EUROPE’S SAVINGS AND RETAIL BANKS SERVE IN UNCERTAIN TIMES

“It is better to have a good neighbour than a far-away friend”, goes the saying. That’s something bank clients could experience during the COVID-19 crisis that we are struggling with. From the outbreak of this crisis, as soon as the unprecedented scale and nature of the threat became clear, Europe’s savings and retail banks have taken the necessary measures to keep the commercial relationship with businesses and private clients going – no matter what.

That’s not by chance. Part of Europe’s success with difficult moments stems from strong local banking on the ground. That includes the 885 savings and retail banks who work with the European Savings and Retail Banking Group to help 164 million people in the European Union. They nourish the real economy through €1 trillion in loans, mostly to small- and medium-sized enterprises. Some 660,000 employees in 21 countries serve the real economy every day. And savings and retail banks help Europe’s economy by providing the loans and support needed to keep business moving strong and communities robust in the long term.

Representing a fifth of the EU banking sector by assets, locally focused banks offer services that go beyond big cities to towns and rural areas. A bedrock of Europe’s social market economy, locally focused banks have been unwavering in their services to local areas, which demonstrates why this model needs to continue to thrive in the wake of COVID-19, climate change and digitalisation. Doing so helps ensure diversity and pluralism thrive in the European banking sector, which has proven critical during 2020 to preserve the stability of the financial system and maintaining Europeans resilient under the heavy pressure from lockdowns, confinement and social distancing. As people stay close to home, ESBG members help households finance their dwellings, with €1 trillion in mortgages in the European Union, or some 16 per cent of all home loans.

CORONACRISIS: BANKING NEEDED MORE THAN EVER

As people continue to cope with Covid-19, 47,000 savings and retail banks branches have remained open, with millions of cases where people got the help sought to manage their mortgage or business loan in tough times. Entrepreneurs and already-budding businesses got the added financing they need to continue to operate, making the changes necessary to sustain their business and workforce. ESBG members deployed strong digital channels – online and through user-friendly and safe mobile apps – that keep people constantly in touch with their accounts, their banker and their financial future. Through in-person and mobile connections, people continued to get the tailor-made financial services they expect.

Best practices implemented by banks bring them even closer to the customer while their service stays continuous. Those include moratoria on loan repayments, which members employ to help households and businesses. Meantime, much-needed and swiftly granted special credit facilities provide a lifeline for the future of SMEs – often in synch with national development banks and other authorities. These measures consider the need for businesses and ESBG members to manage risk.

Policymakers should fold in the uncertainty caused by Covid-19 and challenges that emerge from the pandemic in debates on non-performing loans. New measures can attract a wider investor base to a secondary market for NPLs. A common legal framework can ensure the right balance between debtor protection, data secrecy and privacy. Promoting third-party loan servicers can rachet up secondary loan market efficiency.

Banks work tirelessly to lift the clouds Covid-19 places on economic life. Given this, EU policy must take a flexible stance in the current recovery and resolution framework, allowing banks to focus on delivering financial services to the real economy. Recovery rules established in the 2008 financial crisis aftermath need to be fine-tuned to handle COVID-19.

SUSTAINABLE FINANCE: TIME TICKS FOR PEOPLE, PLANET, PROGRESS

Immediate crises can distract from longer-term threats. This proves no different for COVID-19 and climate change. The EU Renewed Sustainable Finance Strategy reveals some of the subtle links between COVID-19 and risks related to human activity, climate breakdown, and biodiversity loss, as well as the critical need to give a further boost to sustainable and resilient societies and economies.
As the European Green Deal and the recovery from the economic consequences of the COVID-19 crisis spurs needed investment across all sectors, both public and private financing frameworks have to provide much support as EU public policy goes in this direction. The Renewed Sustainable Finance Strategy aims to provide the policy tools to ensure that the financial systems genuinely support the transition of businesses towards sustainability while spurring recovery. A well-designed Renewed Sustainable Finance Strategy takes into account stakeholders like savings and retail banks, whose sustainable business model meets societal need.

On sustainable finance taxonomy, there arises an absolute need to define a workable framework to ensure a seamless inclusion of environmental factors throughout the European Union and ensure the financing of the transition towards a low-carbon economy. Data constraint poses one of the biggest challenges when it comes to sustainability-related information to end-investors, especially in the case of principal adverse impacts of investment decisions. Data collection proves highly important but could be a heavy burden for small- and mid-sized banks as well as small- and medium-sized firms.

**THE BIG AND SMALL PICTURE: BASEL III**

Not all banks are the same. Rules outlined in Basel III are meant for globally connected, large, complex banks. Locally driven institutions, whether small or large, punch well above their weight, providing 80% of SME financing. Proportionality plays a big part in the policy discussion, as Basel III should avoid heavy capital increases and ensure a level-playing field. Putting Basel III in place in a careful, risk-aware and sensible way would keep borrowing costs reasonable. This would help households and companies, including SMEs, afford the financing they seek in the COVID-19-crisis period.

**CAPITAL MARKETS UNION: CMU 2.0**

A new CMU 2.0 European Commission plan should balance the need for less regulatory morass and broader investor base to unlock capital around Europe. Greater participation by retail investors in EU capital markets requires restoring investor trust and raising confidence in capital markets. At the same time, Europe needs well-informed investors that make responsible investment decisions. Wider access to equities needs to be considered in rules requirements, especially around MiFID and PRIIPs. During the CMU journey, policymakers need to take into account SME structures, as well as the fact that European businesses predominantly turn to bank financing, not to the capital markets.

**A SAFE, EFFICIENT DIGITAL WORLD**

The COVID-19 crisis has been a catalyst for digital financial services, which makes regulatory frameworks for digitalisation even more important.
We are supportive of a level playing field for digital services and point to regulatory and supervisory fragmentation as an important obstacle for the implementation of innovative technologies in the European financial sector. Electronic identification requirements, for example, differ vastly between member states.

At the core of the unprecedented wave of digital transformation are data. ESBG agrees with the European Commission’s ambition to create an EU-wide data space, but points to the sensitive nature of financial data and to a current lack of recognition of the value of data.

At the same time, cyber-attacks and incidents pose a substantial risk to the stability of the overall financial sector. They are increasing both in number and complexity, particularly since the start of the COVID-19 pandemic, as the financial sector is increasingly dependent on digital technologies. ESBG warns against overlapping reporting obligations now in place for cyber-incidents.

BEYOND BANKING: A RESPONSIBLE APPROACH TO BANKING

The world today shows savings and retail banks at their best. Their approach balances banking with the need for financial sustainability and a return to society. While staying profitable, ESBG members shifted more of their philanthropic budgets to meet the needs of the Coronacrisis and towards a sustainable future. By reserving a portion of their annual gains for reinvestment in the local economy, they help not only keep social, environmental and cultural programmes intact but also education and social projects that help people affected by the pandemic, such as youth, immigrants and the elderly.

Their approach also applies to financial education. For Europeans to be more resilient, need exists for greater levels of financial literacy. Complemented by adequate consumer protection rules, Europe creates fairer and more inclusive societies, especially in the financial area. Public-private cooperation, including with academia, can help. European Union policymakers help advance the financial education cause. ESBG and its members help too, by supporting new research, outreach and annual campaigns such as the European Money Week and the World Savings Day.

WHERE EUROPE GOES NEXT

The European Commission, Council and Parliament faced a wave of bad news, hard decisions. There have been threats to the health of people, the soundness of the economy and a planet in environmental peril. With so much to be done to address all three, policymakers will need to stay the course to ensure financial flows build a sustainable future that keeps in mind the social impact.

ESBG member savings and retail banks stand ready to harness their experience, their commitment to “retail, regional, responsible” to help ensure EU policymakers deliver on the promise that a social market economy brings – resilience in times of uncertainty.

As the world searches now for a vaccine to thwart Covid-19, Europeans want and need new ways of working and living. Europe needs a policy framework that keeps banking diversified, strong and locally focused. A proportionate and well-balanced regulatory regime helps achieve this. When these pieces fall into place, savings and retail banking helps Europe better withstand shocks and speed up recovery when headwinds subside. Europe’s social-market economy, and the people who live and work in it, depend on that kind of support more than ever.
ESBG launches in October its latest policy-laden positions booklet to share its story and ideas to build a sustainable, inclusive and resilient Europe.

Titled “Serving all Europeans with responsible, sustainable retail banking” the document explains ESBG positions on a host of banking and financial services related-policy areas geared towards economic and social sustainability in Covid-10 times. An entire section looks at how savings and retail banks in Europe responded since the coronavirus began, with ESBG members taking the necessary measures to keep banking relationship going with businesses and and households no matter what.

The publication explores more than 25 different policy ideas for policymakers and stakeholders to consider as Europe faces economic, social and ecological challenges, including:

- **Sustainable Finance**: Future focused action now: EU renewed sustainable finance strategy, disclosures and reporting, taxonomy, EU ecolabel for financial products
- **Prudent Banking**: specific rules: Basel III completion, non-performing loans, banking resolution
- **Lucid approach**: Information flow with less fuss: Capital Markets Union, MiFID II, PRIIPs, distance marketing, mortgage credit
- **The real economy - Banks finance, SMEs, households**: capital markets union, mortgage and customer credit directive
- **Payments – Steady, safe, sovereign**: Payment Accounts Directive, PSD2 and IFR, instant payments and central bank digital currency, cash
- **Digital banking**: Unleash further innovation: FinTech-digital strategy, e-ID, AI, cybersecurity, Big Data, Cloud, RegTech and Innovation facilitators, Crypto-assets
- **Financial Education**: Money skills empower people.

**WHY IT MATTERS**

ESBG members have long formed an integral part of the European model of the social market economy. They form group of efficient, high-performing locally focused, and people-driven financial institutions.

But that model finds itself under threat from cheap money that remains a problem for the banking model. The enormous build-up of debt in the economy—certainly for a good purpose—represents a huge threat for the current and coming generations, as does the climate challenge that becomes more pressing by the day.

The growing inequalities between different segments of society, between countries and continents, as well as generations of people become wider and lead to anxiety and unrest.

As the world searches now for a vaccine to thwart COVID-19, Europeans want and need new ways of working and living. Europe needs a policy framework that keeps banking diversified, strong and locally focused. A proportionate and well-balanced regulatory regime helps achieve this. When these pieces fall into place, savings and retail banking helps Europe better withstand shocks and speed up recovery when headwinds subside. Europe’s social-market economy, and the people who live and work in it, depend on that kind of support more than ever.

Look out for more on this year’s positions at the upcoming Retail Banking Conference, an online event held on 28 October. Read the 2020 positions document at the WSBI-ESBG website.
The following statement by ESBG responds to the release on 24 September by the European Commission of its communication on a Capital Markets Union Action Plan.

People and businesses in Europe can gain much from Capital Markets Union Action Plan announced today and its 16-part journey to build a sustainable, resilient, inclusive future.

An ambitious project when completed fully, it would offer an additional avenue for financing European companies. People will gain from measures to make Europe a safer place to save and invest long-term. The bold step to integrate national capital markets into a genuine single market could reap great benefit for the EU economy, investors, and Europe’s place in a globalised world.

With such great plans afoot, locally focused financing matters most. European businesses at whatever stage along their journey most often turn to bank financing – not the capital markets. Those markets can complement what banks do, and when building the CMU framework, policymakers must also understand the specific nature and needs of small- and medium-sized enterprises work.

ESBG member savings and retail banks do. They provide €1 trillion in financing to businesses of all shapes and sizes. Those 885 banks work with people from start-up phase to jobs-creating, export-driven maturity.

The Commission rightly notes the need to reduce regulatory morass while broadening the investor base to unlock capital around Europe.

To do this, greater participation by retail investors in EU capital markets requires restoring investor trust and raising confidence in capital markets.

On financial education, ESBG lauds the European Commission’s active approach. ESBG members fully back the action plan goal to raise financial literacy among European citizens. True to their mission and values, savings and retail banks’ financial education efforts tailor to millions of Europeans from youth, young people and the elderly, entrepreneurs, households, reaching people in big cities, rural areas, and everywhere in between.

While Europe needs well-informed investors that make responsible investment decisions, wider access to equities needs to be considered in rules requirements, especially around MiFID and PRIIPs, where less bureaucratic workload would provide added support.
A new European Commission plan for a ‘CMU 2.0’ should be used to identify and remove burdens presented by bureaucracy with the objectives of ensuring capital markets stability as well as providing capital markets access to all investors. Since the CMU aims at unlocking capital around Europe, increase in the participation of retail investors in EU capital markets is necessary. Therefore, in our opinion, the ‘CMU 2.0’ should be focused on:

- Restoring investor trust and raising confidence in capital markets.
- Increasing financial education. Well-informed investors will make responsible investment decisions from the range of available capital markets products that are more adequately suited for their needs.

Making capital market financing more attractive by reducing “bureaucracy”. In the retail securities markets in particular, numerous regulations have been created in recent years (keyword MiFID II, PRIIPs), which lead to a bureaucratization of securities distribution without creating recognizable added value for clients.

It would not be in the interest of the European economy, taking into consideration that is strongly based on SME structures, to favour funding from capital markets over traditional bank lending. While deepening the CMU, which ESBG fully supports, the European Commission should also ensure the proper functioning of the lending market. Pluralism and diversity in the European banking sector should be preserved to have a safer financial market.

It also puts savings and retail banks in an ideally placed position to help empower the economy and boost sustainable, inclusive and smart growth by granting loans to SMEs.

ESBG welcomes that the Commission addresses many important issues on MiFID II in the MiFID “quick fix” in a very positive way.

WHY POLICYMAKERS SHOULD ACT

A policy of complementarity remains the best way forward to create a stronger and more competitive European Union. This should be borne in mind by policymakers when further designing the CMU. In our opinion, it is equally important to promote the lending capacity of European credit institutions. This is where savings and retail banks in Europe can help. Backed by their long-standing experience in the regions, their wide network and proximity to the local companies enables them to build irreplaceable knowledge and trustworthy relationships.

BACKGROUND

A High Level Forum (HLF) was set up in November 2019 with the mandate to propose independent policy recommendations that would feed into the Commission’s work on CMU. On 10 June, it published its Final Report, with 17 very granular recommendations (many of them including multiple sub-recommendations for action), with a timeline, on what should be done to achieve a CMU. The Forum emphasised that 17 clusters of recommendations are a package, that they are mutually reinforcing and dependent on each other – and thus all need to be implemented to achieve the CMU.

The adoption of the CMU Action Plan is currently foreseen for early autumn 2020.
ESBG policy update: Bank Recovery and Resolution Directive

ASSOCIATION OPPOSES FULL ALIGNMENT OF TWO REGIMES

ESBG responded recently to the European Banking Authority consultation on own funds and eligible liabilities. Adopted in June 2019, the Bank Recovery and Resolution Directive provided new mandates to the EBA in the area of eligible liabilities, introducing new requirements of full alignment with the own funds’ regime.

In its response submitted to the EBA on 31 August, ESBG strongly argues the scope extension of these amended Regulatory Technical Standards, and also requests a proportionate, flexible and phased-in approach. In particular, the scope of the permission regime for eligible liabilities needs to be reduced and only include instruments used to fulfil minimum requirement for own funds and eligible liabilities (MREL) requirements.

ESBG calls for more proportionality in this area, as institutions that would be normally wound up and liquidated in the course of regular insolvency proceedings would be subject to seek prior permission on their eligible liabilities.

For institutions that would be resolved, the scope extension would also be extremely problematic as it would significantly increase the operational burden for issuances which are not necessary to fulfil the MREL requirements.

CONTRACTUAL RECOGNITION OF STAY POWERS UNDER BRRD: ESBG RAISES CONCERNS ABOUT RETROACTIVITY EFFECTS

ESBG in September provided feedback to the European Banking Authority consultation on contractual recognition of stay powers under the bank recovery and resolution directive (BRRD).

These Regulatory Technical Standards (RTS) support the effective application of temporary restrictions on early termination rights (resolution stays) in relation to financial contracts governed by the law of a third country. The approach taken by the EBA raises several concerns, including key mandatory elements as proposed being too detailed and rigid, which might create too much burden on market participants without further improving the level of legal certainty.

ESBG also insists on the need to address the issue of retroactivity whereby new requirements should not have any retroactive effect on contractual recognition clauses for resolution stays already implemented in existing contractual relationships, namely legacy agreements. Finally, contractual recognition clauses should be submitted to the same governing law that also applies to the financial contract it relates to, instead of being necessarily governed by the laws of an EU jurisdiction.

SEE ESBG SUBMISSION AT BIT.LY/331EQJH

SEE THE CONSULTATION RESPONSE AT BIT.LY/3081SXC
WSBI and the Global Cyber Alliance recently announced a joint effort to organise this autumn a webinar series focused on cybersecurity.

The association of savings and retail banks, with more than 80 members in some 100 countries, see cyber-attacks and incidents posing a substantial risk to the stability of the overall financial sector. Attacks have increased both in number and complexity, particularly since the start of the Covid-19 pandemic, as the financial sector is more and more dependent on digital technologies.

Identifying cyber threats properly and protecting from them is a commitment shared by every financial institution. A key success factor is a sound ICT and risk security management framework. However, there are many specific risks that require mitigation solutions, and a well-organised response and recovery plan. Cybersecurity needs to be coordinated at international level. The number of incident reporting requirements varies from country to country. For an organisation with common business infrastructure supporting operations in several countries, this means that a single incident triggers several incident reports to multiple authorities in many different countries.

**SEMINAR 1: CYBER TRANSFORMATIONS & SETTING UP A STRATEGY FOR CHANGE**

Set to be held throughout October, November and December, the series kicked off on 8 October with a plenary session. The session was held to raise awareness of the main challenges related to cybersecurity, the opportunities available to mitigate these challenges and tools available to help the financial sector reduce risk and build a cyber resilient banking culture. Designed for senior managers, the first session focused on addressing cyber risk and trust followed by a second session on cybersecurity as a transformation process.

**SEMINAR 2: CYBER TRANSFORMATIONS & OPERATIONAL CHALLENGES**

A session on 20 October aims to encompass the concerns of both smaller and larger financial institutions on cyber security – from basic cyber hygiene and digitalisation to the new challenges of the human factor and highly-disruptive cyber attacks – as they walk through the cyber transformation process. The session welcomes to attend operations managers such as chief information security officers, chief operating officers and chief security officers.

**REGIONAL SEMINARS: CYBER TRANSFORMATIONS & LEADERSHIP APPROACH**

Three regional training webinars on 5, 12 & 19 November focus on the notion of leadership through real-life inspired simulations of different crisis scenarios. Practical cyber crime cases will be identified to exercise the leadership and collaborative approach in dealing with challenges by maximising the participants’ stress resilience and reducing the risk of human error.

**WSBI-ESBG: RAISING AWARENESS ON CYBERSECURITY**

WSBI-ESBG member banks have expressed their recommendation to policymakers on how to strengthen digital resilience of the financial sector in a number of occasions. They have recently responded to the European Commission consultations on digital resilience, and on a European digital finance strategy, and they are working on a Financial Stability Board consultation on effective practices for cyber incident response and recovery. Furthermore, WSBI-ESBG is engaged in organising a number of initiatives aimed at raising awareness on cybersecurity topics.

**ABOUT GCA**

The Global Cyber Alliance is an international, cross-sector effort dedicated to eradicating cyber risk and improving our connected world. GCA was formed in September 2015 by the Manhattan District Attorney’s Office, the City of London Police, and the Center for Internet Security to unite global communities, implementing solutions to address systemic cyber risk and measuring the effect of those solutions.
WSBI members and interested financial institutions took part on 20 August in a webinar that covered implementation of the WSBI international remittances project. The 45-minute webinar provided an overview of project status and highlight advantages of participating in it.

WSBI-ESBG Head of Innovation Diederik Bruggink gave an overview of the remittances project concept – now ready for launch – and advantages compared to other global remittances providers. Technical aspects of the remittances project, especially how remittances are processed and settled, were presented by UPT Executive Vice President Bülent Şaştı.

**WSBI AND REMITTANCES: THE JOURNEY TO LOWER COSTS FOR BANKS, PEOPLE**

WSBI launched its remittances platform in late 2018 in partnership with UPT, Universal Payment Transfer, a subsidiary of Aktif Bank – the biggest privately owned investment bank in Turkey. The platform aims to deliver fair pricing and real-time international remittances to end-users.

WSBI has been actively involved in the global policy debate on setting a “fair value” framework for international remittances. The association’s work on fair remittances practices dates back to 2003 when it crafted a “Fair Value Remittances” value proposition that promotes end-to-end transparency and accountability in migrating from cash to account-based remittances. It served as input to the 2007 BIS / World Bank International Guiding Principles.

The outgrowth of that work was the WSBI Fair Value Remittance Framework, which responded to the needs from WSBI member banks and non-member financial institutions seeking to set standardised contractual terms and conditions governing their bilateral relationships. These financial institutions aimed at raising overall market efficiency, notably through greater choice and service quality for customers. These banks also look to offer customers a more ethical value proposition while boosting overall economic impact.

By doing this, they put in practice the World Bank/BIS General Principles for International Remittance Services and work towards reaching the relevant United Nations’ Sustainable Development Goal number 10 that specifies that by 2030, the transaction costs of migrant remittances should be reduced to less than 3 per cent and remittance corridors with costs higher than five per cent should be eliminated.

**STAYING RESILIENT IN TIMES OF COVID-19**

As Covid-19 drives remittances flows to their sharpest decline in recent history, WSBI joined 36 other organisations across the globe to form the Remittance Community Task Force (RCTF), a group initiated by a UN specialised agency released in June guidelines for a coordinated response towards recovery of remittances families due to Covid-19.

Titled Remittances in Crisis: Response, Resilience, Recovery: Blueprint for action, the report from the task force, which was formed by Rome-based International Fund for Agriculture Development (IFAD), contains concrete and actionable recommendations to help spur the recovery and the resilience of one billion people: 200 million migrant workers – half of them women – and their 800 million family members who rely on remittances.

The report presents the reality faced by remittance senders in host countries and their families in lower-middle-income countries (LMIC). It identifies the crisis’ impact on continuity of remittance flows, from the lens of service providers and includes policy and regulatory issues that need to be tackled to improve the resilience of remittance markets in the face of current and upcoming shocks. The report closes with a preliminary set of 20 immediate and short-term “Measures for Action” directed to member states, private sector and civil society to consider in their response towards maintaining the flow of fast, cheap and safe remittances during the post-Covid-19 crisis.”

READ THE REPORT AT BIT.LY/3091EPS

MORE INFORMATION: CONTACT DIEDERIK BRUGGINK AT WSBI-ESBG AT DIEDERIK.BRUGGINK@WSBI-ESBG.ORG
WSBI and the Latin American Federation of Banks (FELABAN) recently joined forces to promote better financial inclusion and universal access to financial services by all segments of the population as well as favour economic development in the region.

The agreement establishes a broad, flexible and long-term inter-institutional cooperation framework in the fields and topics in which both institutions have experience, knowledge and capabilities. Both institutions will cooperate to achieve their common goals and framework cooperation agreement objectives.

FELABAN and WSBI will share knowledge on a number of fronts, including exchanging studies, technical reports and other documents; develop specific programmes or events; and participate in mutual meetings. They also aim to identify other collaboration lines in accordance with their respective working topics and activities. A memorandum of understanding outlines details of the joint cooperation.

WSBI’s cooperation with the Latin American Federation of Banks forms part of WSBI advocacy efforts to defend the business model and interests of its members in the Latin American and Caribbean region.

WSBI celebrates World Savings Day

A virtual event hosted by WSBI brought together partners, financial education and inclusion experts as well as many other interested stakeholders. It featured examples of celebrations from WSBI-ESBG membership as well as a presentation by Iona Bain, a UK-based writer, speaker and broadcaster specialising in young people and finance. The online event gathered WSBI-ESBG members and partners, marking a moment to highlight the importance of savings, especially in the context of the Covid-19 crisis. The event also featured economist and financial educator Shekinah Dare from the Centrale Bank van Curaçao who highlighted a "Money Box" Kid programme done in schools. World Savings Day partner organisation Aflatoun International also participated.

People around the world celebrated World Savings Day on 31 October. Simultaneous kick-off events by members and partners used the 2020 World Savings Day theme: “When you save a bit, big things follow!”
Time for less ideology and more pragmatism

Following the signing of the Memorandum of Understanding with FELABAN, WSBI sits down with its Secretary General Giorgio Trettenero Castro to discuss future cooperation between both associations, common challenges and FELABAN’s vision on how to mitigate Covid-19 effects in Latin America.

Back in July FELABAN and WSBI signed a Memorandum of Understanding. What benefits do you see from this cooperation? Which areas and topics, in your view, are of most importance for this cooperation?

The cooperation agreement with WSBI is of extraordinary importance for FELABAN. We share common interests in issues such as financial inclusion, financial education, the stability of the financial sector, regulation, financial supervision, the promotion of best practices in the financial and banking industry, and the promotion of sustainable finance. Savings banks and other financial institutions play an important role in finding a global solution to the Covid-19 crisis.

Benefits of this collaboration include joining forces and working together on topics that unite us. We believe, for example, that on financial inclusion and financial education we have a long way to go together. Our cooperation will focus on sharing best practices and relevant information from different countries and regions, organising webinars and joint events, as well as exchanging analysis, views and common positions on banking and financial regulation.

Why is inter-institutional cooperation important for FELABAN?

FELABAN is convinced that by collaborating with globally present organisations that share our goals and purpose, such as WSBI, we can have a greater impact on the financial sector and society.

Unity is strength, and I believe that this applies to institutional cooperation.

What are FELABAN’s main priorities, as a federation uniting banking associations in 19 countries in Latin America?

FELABAN’s priorities focus on the following strategic areas: financial education, financial inclusion, digital transformation in the region (new technologies and means of payment), cybersecurity, banking regulation and supervision, sustainable finance and of course, given the current situation, the Covid-19 impact on our economies, regulatory measures, and the financial sector’s efforts to mitigate negative effects in the region.

How did the Covid-19 pandemic affect your members and their customers in Latin America?

Both our members and their customers have cut down and adapted their activities. Banking associations and FELABAN affiliates have been teleworking; face-to-face activities are no longer taking place, while congresses, committee and technical work meetings are now held virtually. Banks have been looking at different ways to continue operating while maintaining social distancing and protecting their staff and customers.

Although customers are strongly encouraged to use existing channels (digital, mobile and agent banking), different factors, such as poverty or poor education and lack of financial literacy make it difficult for some people to access formal financial services. This continues to generate costs and burdens the economy.

What actions has FELABAN been taking to assist their members during the Covid-19 pandemic?

In order to avoid interrupting our services, we have moved everything into the virtual world. Congresses and meetings will be held virtually for the rest of 2020, including our Annual Assembly, which is an important business and networking event in the region.

Currently, we are working on a Fraud Information Control (FIC) project, which is a common solution to a new but important problem: fraud control and prevention. As digital channels are used more often, there is also a greater risk of virtual and data theft. A common response is very important for the regional banking sector.

READ THE REST OF THE STORY AT BIT.LY/2SXNDEU
The following statement by ESBG responds to the recent release of the European Commission Digital Finance Package, which includes a Digital Finance Strategy, a Retail Payments Strategy, a legislative proposal for an EU regulatory framework on crypto-assets (Markets in Crypto Assets – MiCA), and proposals for an EU regulatory framework on digital operational resilience (Digital Operational Resilience Act – DORA).

**PACKAGE PROVIDES A RESPONSIBLE INNOVATION BOOST IN PANDEMIC TIMES**

With its new Digital Finance Package, the European Commission aims to boost responsible innovation in the EU financial sector by making rules in Europe safer and more digital friendly for consumers, especially for highly innovative digital startups, while mitigating any potential risks related to investor protection, money laundering and cyber-crime.

ESBG in late September welcomed the aims of European Commission Digital Finance Package adopted on 24 September to foster competitiveness and innovation in the European financial sector.

Both ambitious and comprehensive, the package includes Digital Finance and Retail Payments Strategies, building on the work carried out in the context of the FinTech Action Plan of 2018. It also builds on the work of the European Parliament, European Supervisory Authorities (ESAs) and other experts, as well as on a series of consultations run during the last months by the European Commission with stakeholders to which ESBG contributed on several digital finance and payments topics.

**SPECIFIC REMARKS ON INITIATIVES WITHIN THE PACKAGE**

**i. A Digital Finance Strategy:** Aimed to make Europe’s financial services more digital friendly, the strategy also seeks to ensure a level playing field among providers of financial services, be they traditional banks or technology companies: same activity, same risks, same rules, a principle of crucial importance also for ESBG. A new FinTech action plan, the Digital Finance Strategy sets the priorities for key policy development in the field, building on extensive consultations with relevant stakeholders.

ESBG had highlighted main obstacles to a full deployment of the potential of innovative technologies in the European financial sector: 1) Regulatory fragmentation; 2) Unlevel playing field; 3) EU global competitiveness; 4) Lack of digital skills. Also, ESBG had recommended EU regulators prioritise the following initiatives:

- Strengthening a European digital payment solution.
- Adapting European competition law to the reality of the digital economy, characterised by powerful digital companies (especially from the United States and China).
- Introducing rules to prevent large, vertically integrated platforms from discriminating against product and service provision by third parties.
- Investing in technological infrastructures enabling digital coverage and education, such as on digital tools, budget coaching, among others.

**ii. A Retail Payments Strategy:** In welcoming this strategy to bring safe, fast, and reliable payment services to European citizens and businesses, ESBG members are looking forward to collaborating with the Commission to further develop the European market for payments so that the European Union can fully benefit from innovation and the opportunities that come from digitalisation. The banking industry stands ready to support all the efforts aimed at reinforcing Europe’s sovereignty in payments. ESBG members also appreciate the focus on creating a level playing field and to ensure all actors providing services in the payments field will be subject to the principle “same risks, same rules”, current un-regulated entities included.

**iii. New legislation on crypto-assets:** Designed to boost innovation while preserving financial stability and protecting investors from risks, the “Regulation on
Markets in Crypto Assets’ (MiCA) will provide legal clarity and certainty for crypto-asset issuers and providers. Issuers of significant asset-backed crypto-assets — so-called global ‘stablecoins’ — would be subject to more stringent requirements, such as in terms of capital, investor rights and supervision. These proposals respond to most of the ESBG priorities and if adopted will ensure a level playing field that has been one of ESBG main demands for the last years.

iv. Legislative proposals on digital operational resilience: Called the ‘Digital Operational Resilience Act’ (DORA), aimed at closing the door to cyber-attacks and enhancing oversight of outsourced services. It seeks to ensure that all participants in the financial system have the necessary safeguards in place to mitigate cyber-attacks and other risks. In addition, DORA introduces new rules of the management of ICT third party risks, including providers such as cloud computing service providers. This is in line with the recommendation of ESBG expressed in the response to the operational resilience consultation as well as in the work resulting from the ESBG Cloud certification taskforce. DORA applies to 20 types of EU regulated financial entities. In line with what expressed by ESBG, DORA aims at preserving proportionality in operational resilience, for example dedicating a light regime for micro enterprises. Proportionality is not only applied according to the size of the company, as advanced digital testing only applies to significant firms, but also to the kind of ICT issues considered: Obligations of full ICT reporting only apply to major and serious ICT issues.

ABOUT THE DIGITAL FINANCE STRATEGY

The strategy published by the European Commission aims to make Europe’s financial services more digital-friendly and to stimulate responsible innovation and competition among financial service providers in the EU. It will reduce fragmentation in the digital single market, so that consumers can have access to financial products across borders and that Fintech start-ups scale up and grow. It will ensure that EU financial services rules are fit for the digital age and for applications such as artificial intelligence and blockchain. The objective is the promotion of data sharing and open finance, while maintaining the EU’s very high standards on privacy and data protection.

The Commission Digital Finance Strategy sets out four main priorities:
1. removing fragmentation in Digital Single market
2. adapting the regulatory framework to foster digital transformation in the EU financial sector
3. building an EU data space
4. addressing new risks

ABOUT THE RETAIL PAYMENTS STRATEGY:

Designed to bring safe, fast, and reliable payment services to European citizens and businesses, the strategy seeks to achieve a fully integrated retail payments system in the EU, with the aim to make it easier for consumers to pay in shops and make e-commerce transactions safely and conveniently and with a focus on making Instant Payments “the new normal”.

ESBG SPOTLIGHT

ESBG Spotlight explores money laundering prevention

OUTLOOK ON DEVELOPMENTS IN MONEY LAUNDERING PREVENTION AT EUROPEAN LEVEL

Stakeholders on 25 September heared from Dr. Marcus Pleyer Deputy Director General in the German Federal Ministry of Finance. Dr. Pleyer focused his talk on money laundering prevention in Europe.

The morning session included a Q&A exchange that followed his remarks.

SEE THE ESBG POSITION ON MONEY LAUNDERING AT bit.ly/3JFK9ln
Government Savings Bank in Thailand: Migrating to a digital bank

Long-established banks tend to be stubbornly set in their ways, but this is definitely not the case of Government Savings Bank. With a focus not so much on profits but on reaching out to as many customers as possible, no matter where they live – and even to those whom private banks consider too risky or unprofitable – GSB has provided invaluable support to both citizens and the government alike. With its commitment to maximizing the use of digital, especially mobile, tools, GSB has set an example that other banks, public and private, would be wise to follow.

What is the most significant way in which Government Savings Bank’s retail-banking business is superior to that of its competitors, Vitai?

Vitai: GSB (Government Savings Bank) has the largest customer base, which is one-third of the Thai population. As a state-owned bank, we offer full deposit insurance, thus we have deposits from many Thai who want to save their money for the future, especially high-net-worth individuals. We do not aim for high profits, so we do offer higher deposit interest rates and lower lending rates to help the grassroots people. In addition, we use our funding to help balance the cost of government borrowing; the savings of a few basis points can indirectly contribute to the government’s budget plan.

As a government bank, our mission is mainly to reach out to all Thai people in any location. We have most of our branches upcountry, not in the capital, which is congested with all of the commercial bank branches. We support financial inclusion for depositors and also ensure that lending is not created over the debts of people but creates a better and brighter future for them via sufficient savings from financial disciplines.

Boonson, how much of the bank’s retail-lending business is now being done via digital channels? Do you expect that such channels will provide the bulk of the bank’s personal-loan facilities in the near future?

Boonson: At this point, it is still zero, based on my definition of retail lending. Our belief is that everyone should have their own credit line; there should be no more traditional retail lending via loans origination, with many confusing products, but a pre-defined credit line for everyone. They should be able to obtain the loan amounts based on their credit line; they can put in all of their assets as collateral at the bank—it could be any type of deposit or asset class. But if they don’t have any assets, we will certainly give them an amount for their financial behaviour. The most important factor is that they should not have to pay a higher interest rate for their loan accounts and receive lower interest for their deposit accounts; they should need just one account with the bank for all purposes.

We also do not believe that anyone should get a loan for consumption; but whenever they need a loan, that money should get them a return in a surplus over their paid interest, and the surplus will be their savings for a better future. We are creating MyCredit inside our mobile-banking (MyMo) app based on this concept.
What do you consider to be Government Savings Bank’s biggest advantage as a state-owned financial institution over private banks? And what is the biggest challenge of being owned by the government, Vitai?

Vitai: Definitely, as a government organization, the main challenge is that we have to follow all bureaucratic government procurement processes, similar to any government organisation, despite the fact that we have to compete commercially with all the private banks. We turn our drawbacks into our advantages; we have to think and plan everything at least 18 months ahead to ensure the budgeting cycle is covered. With this pressure, most of the time, it brings us one or two steps ahead of all our competitors in every business, especially in the technology area.

The new app for the bank’s SME customers sounds like an exciting offering, Boonson. What are some of the key features of the app? And how does it improve upon what was previously available to SME customers?

Boonson: SMEs need an integration tool in which the bank’s relationship manager uses SUMO (Sales and Services Unit on Mobile) on a tablet as a tool to collect all the necessary information of the customer. SME customers can use our award-winning, ease-of-use mobile-banking MyMo (My Money, My Mobile) app to perform any financial transaction—ranging from salary payment to supplier payment—and receive a cost analysis as well as early warnings for their financial status. As well, our team is there to give them advice to better manage their businesses. The main problem for SMEs is always on the cost-control side; with sufficient information, we should be able to give them their peer benchmarks on the cost structure and advise them accordingly.

Estimates suggest that the under-banked and unbanked people in Thailand represent 45 and 18 percent of the population, respectively. What are some of the most significant ways in which Government Savings Bank is helping to reduce these numbers and boost financial inclusion, Vitai?

Vitai: Without sufficient earnings, people will never be able to retain any money for deposits. We created a product more than a decade ago called “People Bank” for those who are not in the payroll system but consistently own a small business; they can get funding from us—it may be considered small to many, but it is sufficient for them and comes without any collateral, which they don’t have. This is the group of people normally ignored by commercial banks. To deposit their earnings in cash, they do not have time to leave the shop to go to the bank, so we offer the service of our officers to meet them at their own place, carrying a tablet that can perform most teller transactions. We call this device SUMO (Sales and Services Unit on Mobile), which is securely online through the 4G network. From these integrated products and services, a few shop owners can now afford their kids’ education up to a bachelor’s degree or higher.

How important will robotic process automation (RPA) technology be to the bank’s digital journey over the next few years? And what would a greater reliance on robotics mean for the total number of people employed by the bank, Boonson?

Boonson: Personnel costs are higher every single year and eat up our earnings more than anything else; in addition, the pain point is always to get every staff to follow the standard operational procedure, no matter how much we train them or apply penalties based on KPIs (key performance indicators).

We need robotics, or RPA, to process the major part of the production line without getting off the standard procedure, but we still need staff to fill the checker roles for the initiation part, which is mostly data entry, and the final part, which is mainly decision or approval. The effective design of the new production line with RPA will involve the best use of people and machine complementing each other to do the job productively with better accuracy.

You have only very recently commenced your role as president and chief executive of Government Savings Bank, Vitai, after your predecessor retired in June (although you were previously chief financial officer and held other executive positions at the bank). What do you consider to be your biggest challenge in this role over the next 12 to 18 months?

Vitai: The biggest challenge is to get equality in Thailand. The rich people get the lowest interest rate, but the poor get the highest interest rate; our society cannot live like this, where the rich get richer, and the poor can only get poorer.
Their financial discipline and behaviour will determine that they will get sufficient loan amounts at a suitable rate at the bank. Most of them have very good discipline, and if they don’t, they have to go back to the unofficial financial services with extremely high interest rates.

What aspect of the bank’s digital journey is the most challenging for you specifically, Boonson? And what do you consider to be your most significant achievement to date as First Senior EVP-Technology?

Boonson: The most challenging is that all of us have totally different definitions of digital and inconsistent beliefs on how the digital world should look. Most people who talk about innovation never create any innovation in their whole lives.

All of my successes are from the simple ABCs – Aspiration, Belief and Change – to create the critical element for sustainable success, which is the business model. GSB is one of the very first that adopted revenue sharing in the area of digital, starting from mobile banking. This business model encourages partnership and the partners to bring all revenues generated and innovation to the table together.

Design thinking is another element of success, where the scope of the work will not get out of certain ranges. I have created the three most important applications:

- **MyMo (My Money, My Mobile)**, the prominent mobile-banking application for customers, with the belief that all customers should be able to view their own information, similar to bank employees, and perform all transactions, including cash.

- **SUMO (Sales and Services Unit on Mobile)**, a tool for the bank’s employees to use on tablets, which matches all the functions that they can perform with banking transactions but outside the bank premises.

- **MEMO (Modern Employee on Mobile)**, a mobile app for employees, addressing all they need from employee self-service to performance monitoring.

Vitali, one of the most impressive aspects of the bank seems to be the willingness of staff to visit customers at their premises in order to gain a deeper understanding of their respective businesses. What are some of the main advantages that the bank has realised from adopting such an approach?

Vitali: Our staff treat our customers as their own family members; we learn from them as they learn from us. We do understand their needs and cultivate the processes of digitalization and design thinking, helping us to get the right things for them at the right times.

Most bankers always talk about customer-centric, but from my observation, every banker has thinking-centric on the bank, not the customer. Customer-centric are just buzz words to look good in the public but never result in real actions. This is inevitable if the highest profit is still the top priority for commercial banks. We are the bank that the customer perceives as their family member because we support them in every aspect that we can.

One of the challenges of migrating towards a digital bank is the need to ensure that the bank staff fully understand the concept of digitisation, at the employee level and at the board-of-director and management levels, Boonson. How difficult is this challenge proving to be?

Boonson: We plan to overcome this challenge by leading them into the digital world. With complete self-service via MyMo, we will soon not allow any bank employees to obtain the service from the branch, even if they work at the branch. With this approach, we certainly believe that they can perform all their needed banking services via mobile and tell us more about what they really need on mobile and recommend the same services to our clients accordingly.

**See the online article at International Banker magazine online edition at bit.ly/3MXHWWR or at internationalbanker.com**

**DID YOU KNOW?**

Government Savings Bank recently won International Banker magazine’s “Best Innovation in Retail Banking Thailand”. 
Youth savings and spending during Covid-19: Tracking young people’s financial activity in Nigeria

Written by Mahlet Alemayehu a programme manager at L-IFT, a Scale2Save research partner organisation, the piece follows below.

This article is part of NextBillion.net series “Enterprise in the Time of Coronavirus,” which explores how the business and development sectors are responding to the pandemic.

Last year I was part of a team that conducted a financial diaries study of young people in Morocco, Nigeria and Senegal as part of comprehensive research on “Young People in Africa” that was conducted on behalf of the Scale2Save programme – a partnership between WSBI and Mastercard foundation. The team has produced a detail report on our findings, but we also wanted to share some of what we learned in a more accessible format, and explore the implications in light of Covid-19. This is the second of three NextBillion articles coming out of that study.

It makes sense to assume that income is correlated with savings: In weeks when you earn money, you are more likely to save – and the more you earn the more you are likely to save. We asked 117 young people living in the market town of Uromi and in Benin City in Nigeria to keep a record of their savings in “saving diaries.” We then collected data from those saving diaries, and interviewed the young people once every week over a three-month period. The data we gathered confirmed this assumption. But young people participating in the study also received financial support from family members and, of course, spent money. The diaries data give us the opportunity to unpack the relationship between income, spending, support and saving, to see what young people did with the money they earned and the money they were given. Did they only save when they earned money, or did they also save some of the support money they were given? How did the source of money, earnings or support affect their spending? And how might a financial service provider use this information to inform how they serve young people?

The findings from this research also help us understand what may be going on during the COVID-19 crisis. This data can also help financial service providers anticipate how young people will need to use their accounts, and determine what other services they may need.

THE RELATIONSHIP BETWEEN INCOME, FINANCIAL SUPPORT AND SAVING

Let’s look at the relationship between saving on the one hand, and both earned income and support received on the other. We need to look at these together, because we know from the first article in this series that young people received less support from others in weeks when they earned money. The graph below shows how much young people saved during weeks when they earned money (the yellow bars), compared to weeks when they did not earn (the grey bars). But we split these weeks out between those when they received support from someone else (the top yellow bar and the top grey bar), and those when they did not (the bottom bars). What we see is that when young people in Nigeria earned money, they saved—both yellow bars are longer than both grey bars. (Note: The relationships among variables described in this article have all been tested using various statistical techniques – including correlation and linear regression controlling for respondent characteristics – to ensure that the differences across various types of transactions are statistically valid.)

Due to COVID-19 and the resulting lockdown – and even now, when Nigeria has partially opened up – we can safely assume that most young people are now, in most weeks, in the bottom bar: neither earning nor receiving support.

Figure 1: Earned income, support and net saving
This situation is likely to continue for weeks on end, since many young people have structurally lost all livelihood options, even after lockdown, and their parents have quite likely lost substantial parts of their livelihoods too. In normal times, income, savings and support patterns fluctuate from week to week, as different members of the family may have earnings during a given week, while others do not. This makes it much easier for young people to manage normal hard times—either excess earnings from others will flow to them, or excess income from surplus weeks can flow to a shortfall week. Now, they face persistent shortfalls—and other family members are all simultaneously hit.

We also see that in weeks when young people did not earn income and received no support, they dipped into their savings—they had “negative” savings, which means they took money from their savings. In those no-income weeks when they did receive support, they put a little aside for savings—but only one-tenth of what they put aside when they did earn income. Finally, we see that young adults (25-30 years old) saved less in weeks when they earned money AND received support. This seems paradoxical, but it is not. If they could have saved, they would not have received support.

Likely, they received the support because their obligations for expenditures had peaked and their income fell short to meet their obligations.

Turning now to spending, we see that young people spent more when they earned income—the yellow bars are longer than the grey bars. They also spent more when they received support in weeks when they did not earn income—the top grey bar is longer than the lower grey bar. Finally, consistent with the savings pattern, they spent more when they earned income and did not receive support—the bottom yellow bar is longer than the top yellow bar—because they were less likely to receive support in weeks when they earned more money.

**THE IMPACT OF INCOME AND FINANCIAL SUPPORT ON SPENDING**

One of the takeaways from these complex interactions among earning, support, saving and spending is that there is no relationship between spending and saving—young people do not save by spending less, they save by earning more. What this means for financial service providers looking to capture young people’s savings is that they should focus on capturing those savings at times when young people are earning—to use the language of behavioural economics, they need a “just in time” savings product that captures savings right at the time when young people have cash in their pockets. Some of this can be done through marketing and messaging that focuses on getting young people to put money aside in weeks when they earn income. This needs to be married to a service delivery system that makes access to a savings account easy and convenient for young people to use “just in time.” It also might require real time data-tracking that predicts when a young person may have cash in their pocket to save.

The COVID-19 pandemic will make it more likely that young people will only save when they start earning again, because any discretionary spending they might have had—which they may have been able to cut back on to save—will have been taken away by the economic consequences of the pandemic. At the same time, saving will become more important to young people and their families, as a way to help them weather the subsequent phases of COVID-19 that are gradually unfolding and are likely to last the next 18 months or more. Financial service providers can play a vital role in strengthening the resilience of young people in the face of these challenges by offering the types of appropriate savings services and products described in this article. It may sound counter-intuitive, but the COVID-19 crisis might be the right moment to ramp up innovation and outreach around savings services.

Mahlet Alemayehu is a Programme Manager at L-IFT, a Scale2Save research partner organisation.

As COVID-19 has severely limited travel and made it harder for people to visit bank branches, the quest for digital financial inclusion has become more important than ever. Many developing countries with strong cash cultures are now receiving support from governments as they take action to accelerate the move from cash to digital. During the last few months, governments have set up government-to-person (G2P) payments to send much-needed financial support to low-income families and small businesses, outside of the usual social protection mechanisms. This growing interest and need on the part of governments to invest in digital payment channels is providing a unique opportunity to advance digital financial inclusion.

**Taking Advantage of the Opportunity in Morocco**

Scale2Save’s project in Morocco, in partnership with Al Barid Bank and its payment institution subsidiary Barid Cash, has taken advantage of this opportunity to further our work digitizing G2P payments and developing a mobile payment ecosystem.

After strict lock-down measures imposed in March began to impact the economy, the Moroccan government released an emergency fund aimed at supporting low-income people. Grants ranged from $90 to $130 per month depending on household size and were disbursed in April and May. Beneficiaries could collect their grants in cash at any financial service provider (FSP) within the country.

With its large network of payment points within the country, Barid Cash became one of the disbursement centers where beneficiaries could receive their payments. As G2P recipients visited Barid Cash outlets to collect their grants, the FSP tried to incentivize them to open mobile payment accounts and thus shift from cash to account-based government transfers. Barid Cash used several methods to encourage the opening of mobile payment accounts, including:

**Waiving the Costs on Mobile Payment Accounts for G2P Beneficiaries.**

Adding useful services such as water and electricity payments and mobile top-ups. Conducting an information campaign to highlight the advantages of mobile payment accounts, which include quicker access to funds, avoiding queues at payment points and the “stay safe at home” advantage of digital transfers over cash.
Accessibility got a big boost when the Moroccan Central Bank, Bank Al-Maghrib, temporarily simplified account opening procedures during the pandemic, allowing anyone to open a basic payment account, capped at $555, without going to the branch. Based on a client’s phone number and digitized national ID card, the new rules deferred KYC (know-your-customer) regulations when a basic account opens.

**A DIP AND THEN A SIGNIFICANT INCREASE**

When the crisis first hit Morocco in March, client enrollment rates for Barid Cash suffered from the effects of the lockdown and lack of branch visits, going down 36 percent in March, compared to the average of January and February. But the digital account narrative soon flipped. In April, the client enrollment rate jumped suddenly by more than 80 percent compared to March, and May experienced a similar growth rate. The spike in uptake came from the COVID-19 emergency funds released in April and May, as well as the measures taken by Barid Cash to persuade customers to open a payment account. The average client enrollment rate for April and May showed a 62 percent increase compared to the average of the pre-crisis period of January and February.

Clients also need a reason to switch to digital. Barid Cash paid attention to what their customers needed and used a mix of measures that met these needs to encourage the opening of mobile payment accounts.

In the end, circumstances also played an important role in building trust and confidence in a new service. For many lower income people, a digital payment account came at just the right time, when lockdown measures were making it very difficult to withdraw cash. Customers can now use these accounts going forward to access their money more quickly, send and receive funds and pay bills. We believe that these convenient features will encourage people to use their accounts more actively, thus helping to boost their economic resilience.

Weselina Angelow and Céline Stevens, WSBI

**LESSONS FOR BUILDING A DIGITAL PAYMENT ECOSYSTEM**

From this experience, we have learned that agility is key. Barid Cash was able to act fast to become a key disbursement point for COVID-19 funds, and took advantage of this position to bring more clients into the mobile payment ecosystem. Bank Al-Maghrib served as a key enabler here, having decided to ease KYC requirements for remote opening of low balance accounts for the entire sector. There is hope that this measure is not temporary.

WSBI’s Scale2Save programme will hold its annual peer exchange on 21-23 October through a virtual workshop. Designed for Scale2Save partners, it will focus on programme aims, project activities and learning from research and work on the ground.

The four-hour kick-off plenary on Day 1 explores savings in times of shocks like Covid-19, setting the scene, with keynote speeches, an expert “fireside chat” as well as an open hearing. Day 2 builds on the plenary and features four sessions, including one for executives on managing change during Covid-19. Project team members take part in three successive sessions to solve agent network challenges faced during the pandemic, how to make better use of internal customer data, and a delves into the digital customer journey – transitioning away from traditional savings practices. The third and final day provides a wrap-up, with feedback from Day 2 working groups and caps off with a Scale2Save outlook for 2021.
David Rutere needed help as he navigated how to pay for a double-major in mathematics and economics from The University of Nairobi. “I faced financial constraints that greatly hindered realizing my educational and investment goals. Although I was on campus, I struggled to pay for my fees and meet daily needs.”

In 2016, he attended one of the financial literacy sessions on campus organized by Postbank, a Scale2Save partner and government-owned postal savings bank primarily engaged in the mobilization of savings for national development. “The PostBank-led sessions equipped me with life skills,” he said, “and inculcated a saving culture within me. Many will say that savings without a source of revenue is impossible, however, I think that savings from miscellaneous expenses IS possible to do and wonderful to achieve.

Through the programme, I learned how to save, budget, set financial goals and how to invest.”

The lessons learned paid off for David. In 2016, he opened a savings account and signed a three-year saving contract, where he committed to save KSh150 (US$.50) a day. He saved 150 shillings every day consistently for three years and on maturity of the funds in 2019 he amassed in hand to invest KSh180,000, roughly equal to US$1,800.

“Immediately, I invested in horticultural farming where I began back in my rural home in Embu by constructing a greenhouse worth KSh200,000. A short while later, I started farming capsicum, a common type of pepper,” he added.

Rutere views the venture as a way to realise food security in the country, thereby contributing to the UN sustainable development goals, namely SDG1 on eradicating poverty as well as SDG2 on ending hunger, achieving food security and promoting sustainable agriculture. Similarly, his efforts also contribute to the “big four” agenda of the Kenyan government on improving livelihoods by ensuring food security in the country.

He shared: “I am now a proud, self-employed student because of my simple savings. I have a monthly income of KSh40,000 ($USD400) that enables me to fully pay for my school fees at the university and cater to my daily upkeep.”

**WHY KENYAN YOUTH MATTER**

According to the 2019 Kenya national census, three-fourths of its 47.6 million population are children and youth, with youth aged 18 to 34 years of age making up 29% of Kenya’s populace.

The youth age bracket offers a huge potential to be a force to build a positive economic future for the country, both collectively and as individual agents of progress and change. With youth unemployment in Kenya standing at a staggering 22 per cent according to 2018 ILO estimates, there is need to constantly equip youth with entrepreneurship and life skills to help them navigate through this challenge.

**POSTBANK KENYA, FINANCIAL LITERACY, AND YOUTH**

Postbank Kenya has been on the forefront in running financial literacy programmes for both in-school and out-of-school youth. Students in universities and colleges become empowered through sessions on financial literacy, entrepreneurship skills and enhancing soft skills in the workplace. For those out of school, the programme equips youth with entrepreneurial skills to start and run small businesses in line with their interests and passions.

Since the onset of these initiatives, youths have been able to set financial goals and work towards them. There has also been an attitude change in youth entering the job market and informal sector. Most of the youths involved in the Post Bank effort have been able to set up small businesses ranging from agri-business and online stores to BODA BODA operations, which provide bicycle and motorcycle taxis commonly found in East Africa. Similarly, the savings habits of the youth that have been involved in the programme have proven encouraging.

Postbank Kenya continues to visit sectors where youth are employed to impart financial literacy. A case in point is Kitui County, east of capital Nairobi, where youth like David Rutere have now started saving for their financial goals after such training.
PAYING IT FORWARD

David advises youth on the need to gain entrepreneurship skills: “There was a time when all you needed to succeed was the ability to read and write English, and thereafter, a university degree, followed by a masters and Ph.D. That has now changed, however, as we are now in the era of skills and what matters is the skill set especially needed in the digital era.”

On savings, David views saving at personal level as an obligation, not a privilege, of every responsible citizen with a clearly articulated vision and desire to invest. “Set realistic goals and maximize the opportunities presented. Soon enough, you’ll have a successful story to tell. Let’s realign our priorities and discipline ourselves to savings that will help us realise our dreams.”

International Youth Day on 12 August presented an opportunity for Scale2Save partners like PostBank in Kenya to showcase their stories. That includes how partners serve and empower youth and young people through their projects. Project partner share stories from real people who benefit from their efforts to raise awareness around the need to mobilise savings among – and strengthen the resilience of – low-income populations, which includes financially excluded youth and young people.

The campaign matters because interest exists within governments, NGOs and international bodies to learn more about how financial institutions address the needs of youth, young people and young adults. For example, financial inclusion features in eight of the 17 UN Sustainable Development Goals. This year’s International Youth Day theme, “Youth Engagement for Global Action”, seeks to highlight ways in which engagement of young people at local, national and global levels enriches national and multilateral institutions and processes, the UN says. It also draws lessons on how their representation and engagement in formal institutional politics can be boosted.

WSBI, Scale2Save and youth research
WSBI’s Scale2Save programme conducts research on youth and young people in Africa. To learn more visit the Scale2Save website.
Nigeria can best be described demographically as a youth country, with a rich culture of young people who are agile and highly ambitious, however, that youthful population faces a lot of financial insecurity, expensive educational degrees, and unemployment. Given this, FCMB saw vast opportunities with this population and, developed in 2016 the “Flexx” programme. The goal was to make financial matters – and understanding concepts around them – as interesting as possible, addressing the uncertainties of the future with a sound financial and investment knowledge that will impact people’s futures.

YOUNGER MARKET GROWS IN IMPORTANCE

A report published in 2018 by EFINA, a financial sector development organisation, shows that the youth segment defined by them – between the age of 18-35 – numbered 56.7 million, with only 21.5 million having a bank account. That means 62% had no bank account and 38.7% were financially excluded. FCMB knows this youth segment cannot be ignored, and aim to attract young people to FCMB.

YEATNSERS AND YOUNG ADULTS: THE “FUTURE” LOOKING SOMEDAY FOR A PLACE TO BANK THEIR MONEY

Teenagers and youth adults today, but eventually, they become valuable and active members of the economy and digital world. To be able to attract them to FCMB, the microfinance bank had to come up with the “Flexx” programme that presents the bank in the right way, with a youthful brand identity and by taking part in driving financial Inclusion by becoming a more friendly and accessible bank.

To succeed in a market that will be dominated by Millennials and Gen Z-ers, FCMB had to be more “sociable” and seen as approachable. Knowing this group of people were digital natives, FCMB had to go in deep and meet them on their turf – in cyberspace.

FINANCIAL INCLUSION

Scale2Save: Serving young people at partner FCMB in Nigeria

SCALE2SAVE PARTNER EMPOWERS YOUTH THROUGH FINANCIAL EDUCATION PROGRAMME

FCMB’s Executive Director, Retail Banking, Mr Olu Akanmu said: “It’s always best to keep up with the times by targeting a younger, more technologically savvy demographic that can bring many benefits to FCMB. Those benefits include an active drive for innovation, the "humanisation" of banking procedures and operations and the goodwill of a growing market.”

YOUTH UNDERSTAND THE VALUE OF MONEY, WILL TRY TO SAVE IT

Gaining consciousness just at the time when the financial crisis struck, and seeing the effects of the economic downturn everywhere – loss of jobs and university degrees hanging in the balance – money became a prime concern for this generation of FCMB customers. Given the situation, FCMB sees a unique opportunity to help reach out and be seen as a partner to help them navigate through their financial woes.

First, in addressing the needs of financial inclusion, FCMB had to remove the barriers to entry and opening a bank account. FCMB developed the Easy Account, which enables youth to have a basic entry bank account with just their mobile phone number. They then had to ensure youths understand simple money matters, so a digital savings platform built by FCMB enables them to save towards a goal and plan on a daily, weekly or monthly basis. The aim is to let youth inculcate healthy savings and investment habits.

And lastly, a digital zone was created to constantly keep them engage with contents that are germane to them.
Scale2Save leads SEEP seminar

WSBI’s Scale2Save programme earned recently selection among 80 quality submissions to participate in the 2020 SEEP Annual Conference being held online 26-30 October. Selected from some 80 entries by the conference approvals committee, the session titled “Provider-led approaches for scalable and sustainable digital solutions for savings groups” convenes through a “Learning Space” format called “Focus15s”.

Scale2Save experts will give inspiring 15-minute-length solo presentations like a Ted Talk, with individual “Focus15s” linked by a shared theme, topic or trend. Each group of three presentations take place in a one-hour time block, followed by 15 minutes of moderated Q&A with presenters. The Scale2Save Focus15s form part of the “Savings Groups at the Frontlines of COVID-19” stream, which explores how best to support savings groups and their members during the crisis, and how to effectively engage them in community-level response efforts.

LEARN MORE: SEEP ANNUAL CONFERENCE AT SEEPANNUALCONFERENCE.ORG

YOUTHS HAVE PUSHED FCMB TO INNOVATE AHEAD OF COMPETITORS

FCMB have been catering to the youths who are more technology-proficient than their predecessors, through various digital engagement which include the following:

- Flexx zone with over 130,000 visits and Flexx Mobile App with 17,329 users.
- Dare to Dream talent hunt in 10 campuses and over 15,000 participants in the three-year span.
- Flexx your creativity that had close to 20,000 digital reaches; this was a digital showcasing of their creative art.
- Flexxtern in partnership with Lagos State Government, corporate and SMEs, providing internship opportunities to youth in structured organisations.
- YEEP- Youth Entrepreneurship Programme for National Youth Service Corps (NYSC), with the participation of over 20,000 corps members in the last two years.
- Youth Entrepreneurship Masterclass which has provided the opportunity for young entrepreneurship to acquire more knowledge and mentorship in various field.
- National Youth Service Corps (NYSC) camp engagement in at least 20 states for the last four years reaching more than 300,000 corps members in orientation camps.
- Weekly campus activation to engage young people in different institution of learning on the need to save during and after school. This provides an opportunity for financial inclusion and enlightenment.

FLEXXTERN MEET AND GREET

LEARN MORE: SEEP ANNUAL CONFERENCE AT SEEPANNUALCONFERENCE.ORG
Sustainable finance in Peru: WSBI member takes winning approach

WSBI MEMBER FEPCMAC TAKES WINNING APPROACH, TAKES HOME AWARD FOR COUNTRY’S FIRST-EVER “GREEN” MICROCREDIT SCHEME

Peruvian locally focused savings and credit banks’ sustainable finance efforts recently gained “green” accolades on the international stage. They recently won a Latin America Green Award for an innovative microcredit programme.

Those banks, under their federation banner FEPCMAC, a WSBI member, were one of the winners of the Latin America Green Awards 2020 announced on 22 August. Among 2540 projects submitted for consideration from organisations in 25 countries, Ecoahorro rose to the top, taking home the sustainable finance category award.

FEPCMAC’S WINNING FORMULA: ‘ECO-SAVINGS, YOUR SMART CREDIT’

Called “cajas municipales” in Spanish, the Peruvian savings and credit banks, or CMAC, looked locally to solve global societal problems. They launched in March 2019 the country’s first-ever “green” microcredits scheme. Branded “Ecoahorro, tu crédito inteligente”, or “Eco-saving, your smart credit” in English, the project deploys two business lines. First, a line for financing photovoltaic solar panels – with and without connection to a grid. The second line lends microcredits for light-vehicle electromobility such as fully electric cars and light trucks. To ensure momentum from day one, the programme first forged commercial alliances with select suppliers to “generate” a green portfolio for the CMAC system.

WHY THE LATIN AMERICA GREEN AWARDS MATTER

The international award further encourages municipal savings banks in Peru to lead the process of implementing a public policy on environmental protection within the segment of clients they serve, and to be agents of change towards green MSMEs.

The winners of each of ten categories within the Latin America Green Awards align with the Sustainable Development Goals. They were selected by a specialised jury composed of Marcela Ponce from the International Finance Corporation, Bancolombia’s Franco Piza, Conservation International’s Luis Suárez and Iván González de Alba, representing the United Nations Development Programme. Granted since, 2013, this award, seeks to promote international visibility for the replicability and scalability of winning projects.

WSBI MEMBERS, UN SUSTAINABLE DEVELOPMENT GOALS

Members of WSBI, which represents savings and retail banks in some 80 countries, continue to align with the United Nations Sustainable Development Goals, or SDGs, adopted by UN member states in 2015. Like Peruvian cajas municipals, many WSBI members offer green microcredits. In line with WSBI’s members’ efforts and with the values the association supports, this small-scale form of financing proves its worth through big impact for low-income clients. Schemes like green microfinance further help sustainability efforts gain momentum in public policy circles and communities on the ground.

WSBI MEMBERS TAKE SUSTAINABLE APPROACH TO BANKING

WSBI members balance the need for financial sustainability and a return to society. As businesses that invest responsibly, savings and retail banks drive their efforts through environmental, social, governance and ethical values woven into financial analysis and decision-making.

FEPCMAC, PART OF BIGGER INTERNATIONAL PROJECT

FEPCMAC designed the eco-driven financial product thanks to support from GIZ – the German Agency for International Cooperation. GIZ helped through its project called Financial Mechanisms for a Low-Carbon Development (FinanCC Peru), in contribution to the NDC Partnership – a body that works directly with national governments, international groups, civil society, researchers, and the private sector to fast-track climate and development action.
Swiss-based Observatoire de la Finance calls for candidates to apply for the Prize Ethics and Trust in Finance for a Sustainable Future. The competition invites people under the age of 35 working in or studying finance to reimagine how financial institutions can provide a meaningful response to the changing needs of the communities in which they operate. How together with their stakeholders, they can balance the desire for growth, security, and stability for the postpandemic world.

The Ethics and Trust in Finance Prize promotes new ways of thinking about the big challenges facing the global economy and strives to work with inspiring minds and behaviours from across the financial and academic ecosystems to conceive of new models and shape better practices that strengthen the foundations upon which we build our world.

**WHY THE PRIZE MATTERS**

The launch of the 8th edition of the global prize will encourage candidates to reflect on the role of ethics to help shape a more sustainable and resilient financial system for the future. Such intellectual effort is made all the more necessary and urgent by the recurring financial crises in the last decades, the mounting challenge of climate change and the current pandemic which has already triggered considerable financial stress and may plunge the world in a major economic and social crisis. The subjects of ethics and trust in finance have a pivotal role to play in bringing about a positive change in our future, post-pandemic world. We look forward to exploring bright new ideas from a diverse group of brilliant people.

**WHO CAN PARTICIPATE**

The competition invites young professionals and academics under 35 years of age to submit unpublished papers:

- maximum of 5000 words;
- analytical or practical topics;
- rigorous argumentation;
- innovative approach; and
- clear conclusions.

An international jury comprising of prominent experts in finance and ethics will designate in autumn 2021 one or more prize winners and allocate the sum of US$20,000 between them.

FOR MORE INFORMATION, GO TO BIT.LY/2G2WADL

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**ESBG Retail Banking Conference 2020 preview**

The European Savings and Retail Banking Group invites you to virtually take part in this year’s Retail Banking Conference, set to take place on Wednesday, 28 October. The half-day event will bring together EU policymakers, C-Suite bankers, and financial sector experts to hear from those shaping the EU financial future.

Discussions will focus on three main themes: Sustainable finance, digital finance as well as Covid-19 and the EU financial sector.

The can’t-miss event speaker line-up includes officials from the European Central Bank, European Commission, European Parliament, European Investment Bank, European Banking Authority, European Securities and Markets Authority, and Basel Committee on Banking Supervision. They join ESBG member savings and retail bank leaders and policy experts for an in-depth exchange on public policy shaping retail banking.

Event line up:

- Helmut Schleweis, ESBG President, President of German Savings Banks Association (DSGV), who sets the stage with welcoming remarks
- Andrea Enria, Chair of the Supervisory Board of the European Central Bank, who provides a keynote address.
- A panel titled “Covid-19 and the banking sector” features Martin Merlin, Director, Bank and Insurance,
MEMBER SPOTLIGHT

Grupo Financiero Atlántida launches operations in Ecuador

WSBI member Grupo Financiero Atlántida (GFA) announced recently it is now present in Ecuador, where it will be known as Grupo Sur Atlántida and will operate under the names of Atlántida Casa de Valores, Fiduciaria Atlántida, Atlántida Advisors and Reditum Inteligencia de Mercados. With this launch the Group aims to provide comprehensive financial solutions to the Ecuadorian market.

The announcement was made through a videoconference with the presence of the senior executives of Grupo Sur Atlántida, headed by its President Guillermo Bueso, Executive Vice President Octavio Sánchez and the President of the Board of Directors of Banco Atlántida, José Faustino Lainez, among others.

Group’s operations in Ecuador began in July through four entities that make up the company called Grupo Sur Atlántida and which are focused on the stock market, fund and trust management, financial advisory and stock market intelligence.

With more than 107 years of experience, Grupo Financiero Atlántida continues at a firm pace its expansion process with the purpose of diversifying the Group’s investments, expanding its presence under a philosophy of integrity, quality and innovation in all the services it offers.

Through the growth it has had in recent years, Atlántida reaffirms its commitment to the economies of the countries in which it invests to contribute to their development.

At the opening of the event, Guillermo Bueso, President of the Group, said that the purpose of the Group in each country is to offer a wide range of financial services to their clients.

“Ecuador is a nation where we have great entrepreneurs and enterprises that need the support of companies like Grupo Atlántida to be able to grow, boost their activities and have more opportunities for everyone,” added the Executive President of Atlántida Casa de Valores, Manfred Hohenleitner.

EXPANSION BASED ON YEARS OF EXPERIENCE

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FOR MORE INFORMATION VISIT: SURATLANTIDA.COM
Micro savings, maximum impact.

Objective
1 million more people banked

Investment
$16 million

Geographic Scope
6 countries in Africa

Projects
12 innovative models

Timeframe
6 years
September 2016 to August 2022

Stay up-to-date with the latest news on WSBI and the Scale2Save programme.

WSBI and Mastercard Foundation collaborate to establish the viability of small-balance savings in six African countries.

Learn more about Scale2Save at
www.wsbi-esbg.org/KnowledgeSharing/scale2save

@Scale2Save