G20: Making globalisation work for everyone

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Upcoming events
- 27 June – ESBG General Assembly, Brussels, Belgium
- 27 June – ESBG Retail Banking Conference, Brussels, Belgium
- 13 July – WSBI Asia-Pacific Regional Group Meeting, Da Nang, Vietnam
- 21-22 September – WSBI Business Forum, Barcelona, Spain
- 27 September – WSBI GRULAC Steering Committee meeting, Lima, Peru
- 28-29 September – WSBI Latin American and Caribbean Group (GRULAC) meeting, Lima, Peru
- 13 October – WSBI Cocktail Reception at the occasion of the World Bank/IMF Meetings, Washington, USA
- 23-24 November – WSBI General Assembly, Cape Town, South Africa

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WSBI Managing Director Chris De Noose says the right regulatory rules framework can help member banks further drive inclusive economic growth.

Recent political events highlight the need for policymakers to address pressing challenges facing citizens throughout the world. People are seeking solutions to cope with globalisation. Perhaps that is why, more than ever, the G20 process becomes even more important.

A force for shaping global financial policy, the G20 greatly impacts the 7,000 locally focused banks that make up the World Savings and Retail Banking Institute and the places where they serve. When we share our G20 messages with policymakers and stakeholders, two big themes are always conveyed.

First, we always discuss better regulation. More specifically, that any new and existing legislation should apply the principle of proportionality. In general, this principle has been well placed in the mind-set of decision makers. We find that in Europe, however, savings and retail banks, with normally less-complex models, are hit with the same post-crisis banking rules designed for globally active banks in mind. That mismatch can and should be fixed.

Second, policy should keep in mind the special role savings and retail banks play in local communities and local economies. Building on that, policymakers should see savings and retail banks as an agent to relay the benefits of globalisation at local level. A big part of that revolves around expertise in lending to the real economy, namely SMEs.

People increasingly reject globalisation

The man on the street has little connection with G20. People are, however, increasingly perceiving globalisation as a threat. We have witnessed results in UK and America as case in point.

There is a real disconnect between people and the facts about globalisation. First, it creates efficiencies and opportunities from open markets. Globalisation creates wealth and foreign currency to local economies when they buy local resources, products and services. The extra money created by this investment can be spent on education, health and infrastructure. Globalisation makes people more aware of the world around them. The good side of globalisation sets the world economy into a virtuous cycle of income and employment growth.

With all the pluses of globalisation, so much of the time we hear the minuses. People hear and see first-hand the risks and uncertainties that globalisation brings. But it doesn’t need to be that way.

That is where locally focused savings and retail banks come in. Close to the customer, and in their communities for the long haul, they are ideally placed to help people better navigate their financial future in an inter-connected world.
Local banks give citizens a chance to participate in the real economy, to start a business or expand a business and seek export markets. The Economist magazine once noted that SMEs, especially mid-sized firms, hire people regardless of the business cycle. Their approach is in contrast to large companies, who oftentimes slash payrolls when times are tough.

Despite so much upside, funding remains a challenge for SMEs, especially in developing countries. The International Finance Corporation reports that around two-thirds of SMEs in poor countries cannot borrow as much as they would like, compared with a sixth in the rich world. The credit gap in developing countries was about $1 trillion in 2011, while the credit gap for micro-enterprise was estimated at more than $300 billion.

Who is best to bridge that gap in lending? We argue that it is local banks. They know best when it comes to how local businesses work and spend a lifetime doing it. Our just-published Institutional Position to the G20 offers solutions to help narrow the gap.

Proportionality and financial market stability
Financial market stability is another pressing issue. Bank lending remains the primary source of SMEs finance, but a wave of new regulations proposed under Basel III have not helped our cause. Hastily prepared during the crisis, they lacked the right balance between mitigating risk and fostering growth.

The post-crisis rulebook needs a second look. Policymakers have to check them for balance and whether they are proportionate. For new banking rules, they must be pre-tested via detailed impact assessments that take into account the impact on smaller and less complex banks as well as the interactions between different rules. A pause is also needed on banking regulatory reforms at international level to focus more on unleashing more economic growth.

Most agree that global fora like G20 are crucial to consistent global guidelines. But those guidelines have to be set while avoiding the pitfall of one-size-fits-all. Regional and national level tweaks to rules will have to be made. Relatedly, there is real need as well for the principle of proportionality and it should be weaved into all aspects of regulation.

Infrastructure finance and SMEs finance
Like the G20, addressing infrastructure project finance is high on our policy radar as well. We acknowledge that projects to build roads, bridges and schools can no longer be financed through bank loans alone. New rules and the economic climate have shown that there is an urgent need to look beyond the traditional bank-based model. Our policy idea is straightforward: partnerships between banks and institutional investors should be incentivised to benefit from the know-how of banks and the investment capacity of institutional investors.

On diverse non-traditional bank financing instruments and channels, we see the vast majority of SMEs – normally the start-ups and smaller sized firms – sticking to their bank for financing. Alternative sources of finance such as capital market instruments in a broad sense may be useful for some SMEs in some stages of their life cycle, but should come as a complement to bank lending.

Green, sustainable finance activities are also important, especially when it comes to new products that promote areas like energy efficiency.

Thriving locally
Globalisation has proven to make the world more prosperous and move society forward, but some still feel left out. Locally focused banks can help bring those people in and more fully participate in the local economy. They can do both better with the right rules framework. But if that framework is missing, expect people to push back even more again a globalised world.
‘G20 and Locally Focused Banks’ event brings leaders together

Banking experts, policymakers explore role local banks play in a globalised world

More than 200 banking experts and policymakers from Germany and around the world explored on 9 March the role local banks play in a globalised world during a special international conference in the framework of the German G20 Presidency. Hosted by the World Savings and Retail Banking Institute (WSBI), together with the German Savings Banks Association (DSGV), the National Association of German Cooperative Banks (BVR), and the European Association of Cooperative Banks (EACB) and held at Sparkassenhaus building in Berlin, it was held under the theme G20 and Locally Focused Banks. WSBI members from Asia, Africa, and the Americas joined their fellow members from Europe at the event.

Press conference

Prior to the event, leaders from participating organisations took part in a press conference that included journalists from international and national press outlets. During the 45-minute session, participants called for better regulation for regional credit institutions like savings and locally focused retail banks.

In a press release handed out during the press gathering, the four associations called for appropriate regulation, differentiated according to risk content and size, which takes account of their importance for the economy and for society.

The DSGV, BVR, WSBI and EACB discussed the contribution made by their banks with a view to the concerns of Germany’s G20 Presidency. They requested that the right course be set at international level for the reasonable regulation of small credit institutions and institutions with simple business models. Those messages were echoed during the conference that followed.

DSGV President Georg Fahrenschon said: “We need better, differentiated regulation. Large, internationally operating banking groups need to be closely monitored as they pose a major risk of contagion. However, for traditional retail banks of a moderate size and with a simple business model, slimmed-down rules are sufficient to ensure the same level of security. For this reason, we advocate a ‘small and simple banking box’ for banking regulation.”

WSBI President Heinrich Haasis added: “The savings and retail banks that are members of the WSBI play a crucial role in sustainable economic growth in local communities. They are an important force when it comes to economic participation, whether through a local bank’s connection with households or local businesses.”
G20 event digest

A round-up of what took place during the 9 March event “G20 and Locally Focused Banks”

DSGV President Fahrenschon: A society that combines social stability, economic growth

In welcoming remarks that morning by DSGV President Georg Fahrenschon, he stressed that there has rarely been a time where the world faced such big economic imbalances and structural problems. He described European economic and monetary union as under pressure, while the United States seems tempted by isolationism and the emerging countries continue to suffer from the fluctuations of global capital flows.

Fahrenschon added that the central question for organisations such as the G20 is thus undoubtedly how they can create a sustainable growth model that combines social stability and economic dynamism. Open borders, strong and equal trade relations between countries and continents as well as constructive international cooperation are the only way a world of equal opportunities can be created. In this respect, the business model of local banks guarantees an economic diversity that contributes to social stability and economic growth. Fahrenschon noted that all over the world, local banks help people to improve their situation.

“They give people access to finance,” he reminded attendees, the majority of whom from Germany. “They help them to save and by granting credit in a responsible way, they create a positive economic cycle in their region. This is what the German savings banks have been doing for more than 200 years.”

He offered striking statistics on how locally-based savings and lending activity have created a virtuous economic cycle in every German region. German savings banks serve some 50 million people in the country out of a total population of 80 million.

They provide 40% of the loans to German businesses and manage €686 billion of household deposits. Savings banks are present throughout the Federal Republic, supporting cultural and social initiatives and giving back to the local communities they serve.

Fahrenschon wrapped up his remarks by expressing hope that the business model of local banks would be strengthened by a better regulation, more specifically by a “small and simple banking box” for local business models with a low risk profile. He concluded: “A diversity of economic structures requires a diversity of financial structures.”

WSBI President Heinrich Haasis addresses credit supply, financial inclusion and proportionate regulation: the mantra of savings and retail banks

In the conference opening address, WSBI President Heinrich Haasis outlined the three pillars of the German presidency of the G20: economic stability, a better future and taking responsibility.

Haasis stressed that one of the most important challenges for the German G20 presidency to tackle is the growing public distrust of globalisation and multilateral relations. He warned that for voters and policymakers alike, it is easier to listen to the sirens of protectionism – of splendid isolation.

“People are building more and more walls, in the real world but also in their heads,” he said, “What can local banks such as the WSBI member institutions do about this? Well, these locally anchored institutions serve 1.3 billion people and support the local economy mainly through a steady flow of credit barely affected by economic downturns. This flow of bank credit will never be overtaken by capital market financing. Market instruments are far too expensive, unreliable and complicated especially for the smaller segment of the SME market.”

Financial inclusion and financial education

The benefits of globalisation are brought to the local level through local banks, he noted. Already at the forefront of financial inclusion and financial education, these banks are ideally placed to offer basic and more sophisticated financial services and products to all segments of the population, thereby creating the basis for economic independence. Economic growth flows from this, he argued, pointing out that their specific business model guarantees a close collaboration with the local economic fabric and at the same time allows this local economic fabric to create and maintain commercial relationships with the rest of the world; focused at home while connected globally.
He concluded his remarks with a call for proportionality when it comes to banking rules: “To make sure that local banks can continue to do what they do best, proportionate regulation is needed that takes into account the specificities of local banks.”

“It cannot be that local banks have to spend most of their time, effort and financial resources in complying with regulation, instead of taking care of their customers… regulation should be adapted to their specific situation.”

**German finance minister: Too many charges for small and savings banks**

In a much anticipated speech, German Federal Minister of Finance Wolfgang Schäuble said that internationally active banks need rules that have been agreed upon by international organisations. Banks and regulators should never forget the lessons from the financial crisis, he argued, adding that that local banks and savings banks should be able to function however with rules that are adapted to their specific business model and should not bear the full regulatory burden, for example in the field of reporting.

He showed favour toward taking more into account the credit supply to SMEs in the calculation of the leverage ratio. Schäuble elaborated on the review of the financial regulation that the new U.S. administration is considering and said that the first contacts between the EU and the U.S. counterparts are under way. He closed out his talk stating that the G20 is an essential instrument for collaboration between developed and emerging countries and is essential for global cooperation.

**Bundesbank board member: Regulation should be international because financial institutions are**

Andreas Dombret, German central bank board member first addressed the complaint of local banks that they seem to bear the brunt of regulatory burden. He stressed that as a result of the financial crisis, the decision was taken to address all problems of a complex financial system without borders where crises can jump from one country to another. He agreed, however, that it should be possible to adapt international standards to the lower risk business model of savings and smaller local banks.

Regulation is indeed there to protect the economy of excessive risks, he added, saying that higher risks require more severe regulation and vice versa. “That is why local banks can opt to calculate their capital requirements according to an internal or a standard method,” he argued. “International banks, on the contrary, need to comply with additional requirements. Typical savings banks also have to report much less data to the ECB than international banks.”

Dombret admitted, however, that the crisis has led to a growing complexity of regulation, and this complexity hits the smaller banks harder. As an example, he mentioned the reporting requirements for quoted banks, which should simply not apply to smaller banks not listed. He advised, however, that proportionality does not mean no rules.

He concluded: “All kinds of banking institutions carry a certain amount of risk. To create a global playing field that is really level, regulators and supervisors should focus on the risks that the various institutions bring to the global financial system.”

In Europe, Dombret pleaded for a thorough reflection on the idea of a “small-banking box”. 

Wolfgang Schäuble, German Federal Minister of Finance

Andreas Dombret, German central bank board member

Focused Banks 2017 in Berlin

Wolfgang Schäuble, German Federal Minister of Finance
SME financing as a key driver for a sustainable economy

"Which organisation should represent SMEs?" asked Dr. Jürgen Heraeus, Chairman of the B20, at the beginning of the first panel (photo below, third from right). Professor Inderst of the University of Frankfurt (second from right) declared the challenges are manifold: bank versus market financing; plus new entrants such as fintechs and other startups that have special requirements. Participants agreed that it remains difficult to regulate such a diverse economic sector as the SME segment. There was a consensus, however, on SMEs being a factor that can prevent cyclicality. Another consensus reached was on the enormous influence of digitisation on the SMEs and the banks that finance them, leading Alejandro Henke (fourth from right) of Banco de la Nacion in Argentina to predict that “one day, banks might lend in bitcoin”. Matthew Gamser, chief executive of the Global SME Forum at IFC, thought that the wave of globalisation is a factor that offers unparalleled opportunities to SMEs all over the world.

Better regulation: Best for a resilient economy

In the second panel, heavyweights from both the regulatory and the banking world discussed the implementation of regulation and supervision. DSGV’s Schackmann-Fallis made a vibrant plea for proportionate regulation and said that local banks should be excluded from Basel rules. Gerhard Hofmann, representative of the European cooperative banks concurred, proposing that the European Union should make a cost/benefit analysis of the regulatory framework that banks currently have to comply with.

"Banks are already the most regulated economic sector in the world. There should be a ‘same risk, same rules’-approach", said Schackmann-Fallis, adding that fintechs and other newcomers should be regulated in the same way as banks are.

Creating a beneficial environment for financial inclusion: the role of governments and industry

The third and final panel tackled the timely and pressing question of how all citizens can be included in the financial system. Despite the great strides made in countries throughout the world, such as India, much remains to be done. Panelists discussed the need for sustainable solutions that offer a cheap, efficient and usable set of products to all users, with both bank branch access and mobile. Panelists and WSBI’s Managing Director Chris De Noose (first from left) called for concrete collaboration between governments, regulators and banks. Alfred Hannig (second from right) of AFI, the Alliance for Financial Inclusion, agreed to this and observed how digitisation creates an enormous challenge for regulators, since new areas such as cybersecurity, data protection and privacy laws enter the regulatory equation. By working together better, industry and the regulators can reach a more feasible solution.

Closing remarks: Plurality of business models counts

In his closing remarks, DSGV President Georg Fahrenschon concluded that the conference had made clear that in order to achieve more stability in the financial markets. There should exist a plurality of business models.
Shaping an interconnected world: WSBI releases institutional position to G20 decision-makers

Eight-page document calls on G20 policymakers to embrace role played by savings and retail banks in the real economy

WSBI published on 7 March its latest set of institutional positions related to G20 policy areas. The eight-page document calls on G20 policymakers to recognise and encourage the role played by savings and retail banks in the real economy and to ensure appropriate regulation for better economic growth.

On the role of savings, retail banks in local economies

WSBI members have played an essential role in providing a model that forms part of a diverse banking system that remains crucial to maintaining the stability of the financial system. Financing the real economy is a core function of WSBI members’ business model. Savings and retail banks safeguard deposits and put them to work through effective and responsible lending valued at close to €9.5 trillion. This argument was echoed by WSBI U.S. member ICBA in an opinion piece that appeared 6 March on the International Banker magazine website and is featured in this edition of News & Views.

On better regulation

1) No significant increase of capital requirements should take place; 2) a level playing field, in particular between different jurisdictions needs to be preserved and promoted; 3) pressing need for impact assessment and proportionate legislation; 4) global policies and guidelines should be tailored and adapted at regional and national level.

Why the G20 is important to WSBI, its members

The paper is an opportunity for WSBI and its members to express their concerns and submit proposals on issues relevant to savings and retail banks around the world that will be discussed in the upcoming the G20 Summit in Hamburg on 17-18 July.

The G20 is the most significant forum to discuss issues relating to global economic growth and financial market regulation in the aftermath of 2008 financial crisis. Although the G20 possesses no executive powers, nor are its decisions binding, a significant number of decisions agreed by the heads of state and government in the framework of the G20 have been implemented by its members. A series of action plans are impacting the environment in which the World Savings and Retail Banking Institute (WSBI) member banks operate. Therefore, WSBI has actively been in dialogue with the G20 implementing partners like the IMF, FSB, the World Bank, OECD and the United Nations, and taken part in consultations related to new policy initiatives, principles, or guidelines managed by the G20 partners. In addition to WSBI’s on-going contribution to global policy debate, WSBI would like to take this opportunity to highlight a number of concerns and proposals under the G20 German Presidency that merit consideration. A snapshot of WSBI’s key messages is available from the annex of its newly released WSBI Institutional Positions to the G20 paper.

A more open, transparent and consistent G20

WSBI strongly supports the G20’s open and transparent process that engages private partners to provide their consolidated interest representation and reflect their concerns in the G20 decisions. Seeking comprehensive dialogue with civil societies is also needed. In this respect, WSBI would like to highlight the excellent work done by the Business 20 (B20) – of which WSBI is a member of the B20 Financing Growth Taskforce – one of the non-government groups that the G20 engages. Indeed, a more open, transparent, coordinated and inclusive approach is needed. WSBI supports the G20 German Presidency’s emphasis on ensuring continuity and pursuing the G20 agenda, in particular, highlighting that adopted measures must be implemented and compliance monitored.

Need for WSBI to expand its engagement

Industry representatives such as WSBI can play an important role to foster regular communication and information exchange on the evolution of international regulatory and supervisory frameworks such as new initiatives or guidelines developed by the G20 implementing partners at the global level. Interaction with G20 implementing partners is an effective way to convey concerns of locally focused banks.

There is need, however, for the G20 to directly involve industry players such as WSBI in some specific G20 working groups. Those fora include the G20 International Financial Architecture Working Group and the Global Partnership for Financial Inclusion (GPFI). Through direct engagement with groups like WSBI, G20 policymakers can take better-informed measures to redirect the mandate of financial regulatory bodies toward both stability and economic growth.

See the WSBI G20 Institutional Positions to the G20 paper at http://bit.ly/2oiqUaY or by scanning this QR code.
G20 joint position paper

People and businesses alike want a certain level of reliability and predictability as a prerequisite for long-term success.

The following position paper was presented on 9 March at the 2017 German Presidency “G20 and locally Focused Banks” event in Berlin, Germany.

Stability through diversity

Germany’s G20 Presidency comes at a time of great upheaval. There have been increasing changes in recent years, not only in economies and politics, but also in society. The consequences of the financial crisis and the rapid advance of digitalisation are just two examples of this.

In such times, there is a growing need for security. People and businesses alike want a certain level of reliability and predictability as a prerequisite for long-term success. Market economies, however, stem from the market, which requires competitiveness, dynamism and creativity. There is a natural tension between these two sets of requirements.

It is therefore necessary to find a balance in order to meet the need for stability for individuals and businesses, whilst maintaining the necessary variety in ideas and flexibility.

Four regional banking associations from the Savings Bank and Cooperative Bank sector have convened this conference in Berlin to highlight the significance of regional banks for the stability of the financial system at national and international level.

Regional credit institutions support the real economy, primarily through lending to small and medium-sized enterprises and private households. In doing so, they follow a long-term strategy and shoulder responsibility for their regions.

Regional credit institutions have the necessary in-depth customer and market knowledge and the customer proximity – as well as the connection and commitment to their regions – to combine security and dynamism, reliability and competitiveness.

They represent a diversity of business models and market proximity via decentralised structures. In this way, regionally oriented banks can provide an effective and granular distribution of risks in an internationally connected economy.

Thus, it is essential that the decisions and initiatives of the German G20 presidency take sufficient account of regional credit institutions. This primarily includes:

- strengthening access to traditional bank financing for small and medium-sized businesses,
- implementing targeted regulation, oriented towards a bank’s business model, size and risk, and
- promoting models of financial inclusion and financial education.

Strengthening access to traditional bank financing for small and medium-sized businesses

Small and medium-sized enterprises represent one of Europe’s most important drivers of innovation and technology with a well-deserved international reputation. However, in order for them to remain competitive, SMEs have to reposition themselves constantly. Small and medium-sized businesses often owe their success to their specialisation and niche strategies. Local banks, such as Savings Banks and Cooperative Banks, represent diversity of business models and market proximity through decentralised structures. Thus, we are able to achieve an effective and granular distribution of risks in an internationally connected economy. Excessive regulation restricts the ability of banks to supply the real economy with credit.
Implementing targeted regulation, oriented towards a bank’s business model, size and risk

Since the financial crisis, there has been discussion at European level as to whether and how banking regulation should take account of the proportionality principle, as European banking regulation currently takes a “one size fits all” approach.

According to this approach, all institutions must meet standardised minimum requirements, which are only mitigated by the proportionality principle. We advocate better regulation; a more efficient form of regulation, geared towards a bank’s business model, size and risk profile. Smaller local banks, in particular, are hampered in their business operations by the current inflexible regulatory conditions.

Promoting models of financial inclusion and financial education

The goal must be to achieve a stable, sustainable financial system, which offers appropriate access to financial services for all households and businesses. This is the key to sustainable, worldwide economic growth.

Financial inclusion forms the basis of stable economic growth, which develops from the bottom up and in which everyone can participate. Local and regionally active banks have a long and successful history as responsible institutions which include all sections of society.

The joint position paper was released by:
- German Savings Banks Association (DSGV)
- National Association of German Cooperative Banks (BVR)
- World Savings and Retail Banking Institute (WSBI)
- European Association of Co-operative Banks (EACB)

Visit the WSBI-ESBG website at http://bit.ly/2oisM3y to read the paper or scan this QR code.

Locally rooted banks more important than ever

WSBI-ESBG Managing Director Chris De Noose gives his thoughts on the Baden-Baden G20 Finance Ministers and Central Bank Governors meeting communiqué

A communiqué released 18 March by the G20 Finance Ministers and Central Bank Governors meeting in Baden-Baden, Germany, rightly stated that any effort to further boost an efficient and inclusive global economy should also make sure it can withstand future shocks.

They see a pressing need to call on governments to pursue policies that ensure the benefits of growth are widely shared throughout the entire economy. To help achieve this, there is also need to ensure regulatory relief – a more proportionate approach to regulation for the financial sector – that takes into account the actual risks incurred by the business models. The G20 can reach its aim around greater and inclusive growth – and with greater impact – if they took this path.

It is important for G20 Finance Ministers and Central Bank Governors to recognise the crucial role locally rooted banks play in passing the benefits and positive effects of globalisation to real people. Locally anchored banks such as the savings and retail banks, in the more than 80 countries where WSBI is present, allow SMEs to act on a global scale with local financing such as household and small business loans. They create a virtuous cycle of investment and benefits where it is needed most.

People look to locally rooted banks to help allow the real economy – which includes SMEs and local households alike – to build a better future. Community focused banks help further unleash real-economy forces, which lead to more jobs, better housing and educational prospects. These same banks also allow local authorities to build and maintain infrastructure essential to keep the local communities thriving.

A diverse set of banking business models helps ensure the financial system functions in a way that gives a voice to citizens and they can be more part of the global decision-making process. Decentralised in structure, locally anchored banks provide a well-managed spread of risks in a global economy and bring the fruits of globalised world to all people.
WSBI makes further progress towards UFA 2020 goal

136 million new clients added, 236 million more accounts

WSBI President Heinrich Haasis said: “The latest data show that WSBI and its members continue to push ahead to reach its UFA 2020 goal of 1.7 billion customers and 400 million new transaction accounts by the end of 2020.”

A closer look at the data

The 2016 year-end update indicated a slower pace of growth on the client and accounts fronts. WSBI had announced this time last year robust results for the 2015 time period, even exceeding projections on its UFA 2020 commitment both in terms of total numbers of customers as well as transaction accounts.

WSBI then reported that the number of clients reached by its members was 1.55 billion, while transaction accounts reached 2.33 billion for year-end 2015.

Haasis concluded: “After analysing the data, we observe that members who harness new technologies have made real inroads. They have been able to better attract new customers and more effectively offer affordable, quality products and services that meet the needs of underserved and unbanked while boosting financial access and usage. We look to share their innovation-led success with other members, all of whom seek to do the same.”

The results were to be presented at the IMF-World Bank Spring meetings in Washington, D.C., being held in April. The report is foreseen to be available around that time on the World Bank public website.

Marching towards UFA 2020 aim

WSBI and its members announced in 2015 its UFA commitment based on members who were part of WSBI when the 2014 benchmark was set. The numeric goal reinforces WSBI’s continued engagement with its ‘Account for Everyone’ goal announced by the trade body in 2012, which it re-endorsed at the World Bank 2015 spring meetings. Based on recently updated data, members served around 1.4 billion customers as at year-end 2014, which includes providing accounts for the poor worldwide.

WSBI UFA 2020 Progress

From year-end 2014 to year-end 2016, 136 million new clients,
Total client level reached 1.57 billion, 236 million transaction accounts added,
Total number of transaction accounts through year-end 2016: 2.35 billion

Overall UFA 2020 goal

1.7 billion customers
400 million new transaction accounts
by end of 2020
“Making Small Scale Savings Work” program workshops held

Finding the business case for small-balance savings

Dozens of experts from banks in Africa met at two workshops recently convened by WSBI to help them learn more about the new WSBI-MasterCard Foundation (MCF) partnership “Making Small Scale Savings Work”.

The one-day workshops included a background session on the program and WSBI’s journey in making small scale savings work for the underserved and unbanked, along with objectives and expectations. A representative from the MCF Financial Inclusion Team also was on hand at the workshop held in Lagos, Nigeria, to explain how the foundation promotes financial inclusion through partnerships with organisations such as WSBI.

The workshops in the Nigerian metropolis, held on 5 April, preceded by one convened in Dakar, Senegal on 22 March, also gave participants a chance to explore best practice used so far and included an interactive discussion on a usable, affordable, accessible and sustainable service offer.

Member banks also presented at the events, with representatives from TPB Bank of Tanzania and PostBank Uganda addressing those at the Lagos workshop and Al Barid Bank speaking in Dakar.

Whilst WSBI continues the work with some of the Doubling Savings Accounts Program (2008-2016) partners in Uganda, Kenya and Morocco, the institute is in the process of screening new partner banks in four new program countries, Senegal, Nigeria, Mali and Ivory Coast.

WSBI Advisory Services Senior Program Manager Weselina Angelow, who led the Lagos workshop, said: “The workshops and meetings held so far are a way for the program to spread the learnings from WSBI’s Doubling Savings Accounts program and find potential partner banks in Dakar and Lagos.”

Why it’s important

Increased financial inclusion helps address poverty and helps promote social cohesion in communities as well as spur economic growth. Countries with high poverty rates coupled with financial exclusion – little or no access to basic banking services like savings accounts – can lead to low “formal”, or bank-held, savings activity.

WSBI’s Laurie Dufays, who led the Dakar workshop, said: “Banks in Sub-Saharan Africa struggle to close the gap. The lower-income segment is often misunderstood by institutions that try to serve them, and their needs are thus inadequately reflected in business models. The outcome is customer frustration, which can lead to dormant or inactive accounts – an added blow to bank costs and financial inclusion efforts.”

Changing the banking model in Sub-Saharan Africa

The program aims for high-impact results with participating banks in the region. WSBI plans to work with partners and institutions to harvest deeper insight about customers to build up more client-focused services while looking for ways to boost banks’ trust level with them. The effort also looks to embed program objectives into banks’ strategies with knock-on effects for culture change inside institutions, including a transition into continuous learning organisations.

WSBI and financial inclusion

As the largest provider of accounts for the poor worldwide, WSBI and its members look for ways to tackle the financial inclusion challenge. Active in the global policy debate on setting an enabling environment for financial inclusion, WSBI drives the member commitment to its 2012 Marrakech Declaration, which calls on members to provide ‘An Account for Everyone’. Association members also pledged to reach 1.7 billion customers and 400 million new transaction accounts by the end of 2020 as their contribution to the World Bank Group’s strategic goal of Universal Financial Access by 2020. WSBI announced last month that its members had exceeded projections on its commitment to the Universal Financial Access 2020 Goal both in terms of total numbers of customers as well as transaction accounts.

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A dozen WSBI-ESBG members took part from 27 March through 2 April in Global Money Week. An annual global celebration with local and regional events and activities, the seven days of festivities aimed to inspire children and youth to learn about money, saving, creating livelihoods, gaining employment and becoming an entrepreneur.

Initiated by Child & Youth Finance International (CYFI), with whom WSBI is a partner, Global Money Week included participation by WSBI-ESBG members Erste in Austria, Fransabank in Lebanon, NABARD in India and CECA in Spain, who were considered “leading organisations” in their respective countries, according to the Global Money Week website. In Europe, member OTP joined Erste in Hungary to celebrate, while Swedbank took part in Sweden, La Caixa in Spain and BCEE in Luxembourg. In the Americas, FEPCMAC in Pérú and Dominican Republic member APAP participated. In Africa, Finance Trust Bank of Uganda took part as did Caisse Nationale des Caisses d’Epargne in Côte d’Ivoire.

With the 2017 Global Money Week theme being ‘Learn.Save.Earn.’, organisers explained this year’s theme this way:

- **Learn:** Educating children and young people about their social and economic rights and responsibilities is key to creating a generation of capable adults who can make wise decisions for their future.
- **Save:** It is important for children and youth to build clever savings habits from an early age in order to cultivate key money-managing skills for later in life.
- **Earn:** Developing livelihoods skills or receiving entrepreneurial training supports children and young people with getting a job or building their own business and developing their careers.

**European Money Week going on now**

Global Money Week coincided with European Money Week, where ESBG members took part. Member Banque et Caisse d’Epargne de l’Etat (BCEE) of Luxembourg welcomed student groups during weeklong festivities, inviting them to its Bank Museum. It also offered four workshops for students themed around money, namely focused on the origins of money, banking, concept of savings and on spending and budgeting.

FinanceNorway organised a national contest across Norway among classes in lower secondary school, a conference for school leaders, teachers and student teachers as well as a contest among student teachers.

**Halfway point to World Savings Day**

The week-long Global Money Week is important for many WSBI-ESBG members for many reasons. First, it helps mark the mid-way point to World Savings Day, a global celebration spearheaded by WSBI and its members that occurs annually on 31 October. Second, it helps re-tell topics stressed by members during World Savings Day designed to boost public’s awareness of the importance of savings both for modern economies and for individuals alike. The savings story is told in both instances through public awareness campaigns for young people and adults alike.
A look at what’s ahead in 2017

World Savings Day

WSBI plans to make 2017 World Savings Day an even greater success. This year looks to expand the number of members participating beyond last year’s two dozen participants. WSBI has been promoting the World Savings Day among its membership in particular in countries where there is no national savings day. WSBI will continue to harness its new dedicated website, while expanding the use of social media channels such as Twitter and YouTube.

This year’s World Savings Day aims to build on last year’s theme “Grabbing Hold of Your Financial Future”, which evoked a growing desire by people throughout the world to take more control of their lives, especially when it comes to personal finances. Three new videos were produced by WSBI, including one focused on activities in countries such as Austria (see image of Sparefroh mascot on previous page), and highlighted on a new World Savings Day-dedicated microsite, through YouTube, the WSBI-ESBG webpage, Twitter and LinkedIn. Members like BelarusBank (pictured) went all out to make 2016 World Savings Day a big success.

This year’s theme and more information are scheduled to be announced and published in May on the World Savings Day website.

History of World Savings Day

More than 90 years ago, one of the largest savings banks in Italy at that time gathered 354 delegates representing approximately 7,000 branches of savings banks from 27 different countries on the occasion of its centennial anniversary. And it was at this congress that the International Savings Banks Institute (ISBI, precursor of WSBI) and the World Savings Day were born.

Since its creation, the World Savings Day honours the virtue of savings as a prerequisite for financial stability and economic growth and recognises the importance of savings banks in their role as promoters and facilitators of savings. It has been celebrated annually by WSBI members in countries such as Austria, India, Germany, Kenya, Mexico and Sri Lanka.

Learn more about World Savings Day at [www.world-savings-day.org](http://www.world-savings-day.org) or by scanning the QR code.

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<th>What:</th>
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<td>When:</td>
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<td>Participating WSBI Members in dozens of countries</td>
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Groupe BPCE, prior to the launch of its future strategic plan, unveils a plan to transform its retail banking activities

Faced with new expectations on the part of its customers and a paradigm shift in the technological environment, Groupe BPCE announced in February the launch of a retail banking transformation plan. This project represents a major step forward in the preparation of its next strategic plan for 2018-2020. It is based on three defining initiatives: a program devoted to the customer relationship model, a transformation and operational excellence plan, and an ambitious digital action plan.

Groupe BPCE boasts considerable strengths in this ongoing transformation process with 75% of its customers subscribing to online banking services at the end of 2016, 100,000 documents signed electronically every day, or applications developed for the Group’s retail banking networks downloaded nine million times.

François Pérol, Chairman of the Management Board of Groupe BPCE, said: “Prior to the preparation of its future strategic plan for 2018-2020, Groupe BPCE is boosting its momentum with the launch of a wide-ranging plan for the transformation of its retail banking activities. This plan will be based on a program designed to transform our customer relationship model to offer the promise of continuing close proximity in a digital world; on a transformation and operational excellence plan enabling us to enhance our performance in order to generate new investment capacity and to make a success of the drive currently prepared by the Group to upgrade its range of technological solutions; and on an ambitious digital action plan, which is already up and running and provided with significant resources both in France and in the international arena.”

A plan for retail banking transformation based on three defining programs:

- To transform its retail banking activities, Groupe BPCE is launching three defining initiatives: a program focused on its customer relationship model with a view to reasserting a promise of continuing close proximity while simultaneously offering greater consultancy services and high quality service both within the branch and remotely; an operational excellence plan designed to pool and simplify the Group’s structure, its IT services and processes; and an ambitious digital action plan with the aim of “keeping it simple” for the Group’s customers, employees and stakeholder communities.

- This transformation plan will go hand-in-hand with a cost-cutting drive targeting savings worth €1 billion in a full year by the end of 2020, including a new €750 million Group program (excluding Natixis) and a transformation and operational excellence plan for Natixis worth a total of €250 million. Implementing this plan will require an investment of 790 million euros, including €220 million for the Natixis plan.

- Investments for an aggregate total of €750 million over the 2017-2020 period will also be devoted to speeding up and industrialising the digital developments pursued by Groupe BPCE.

WSBI-ESBG French member revamps retail banking efforts

The retail banking transformation plan is the subject of a comprehensive and detailed presentation available at the www.groupebpce.fr/en or by clicking on the following QR code.
The second in a series of innovation workshops convened this year by WSBI, the event placed particular focus on banking in the Asian market as well as explored WSBI members’ latest innovative concepts to remain at the forefront of retail banking. Hosted by WSBI member Government Savings Bank of Thailand (GSB), the two-day event identified current innovation trends in banking and took stock of how WSBI members deal with digitisation and innovation requirements to boost the customer journey and deliver always-on service. It also highlighted new financial technology areas.

Welcomed by Mr. Maryono, President Director P.T. BTN Indonesia, President of WSBI Asia Regional Group and WSBI Managing Director Chris De Noose, workshop participants – who represent locally driven savings and retail banks mostly from Asia – looked to boost their capacities and showcase new concepts.

To tap into insights from the banking technology landscape, workshop organisers looked within WSBI membership and beyond. Discussions focused on fintech ecosystems and regulatory approaches, breakthrough technologies affecting the banking sector, setting up an innovation strategy, artificial intelligence - machine learning and data analytics, payment disruptions, payment and remittances solutions, “lifestyle banking” and e-on boarding / KYC. A mix of inspirational talks and insights on concrete solutions triggered vivid exchange.

Mr. De Noose commented. “Presentations from member banks and from speakers in the banking and technology world brought helpful ideas to tackle today’s digitisation needs.”

Following the workshop, participants visited the next day Money Expo ‘Financial Innovation 4.0’, viewing the latest financial and investment services in Thailand. That was followed by a study visit to GSB’s Pakkret Ruamjai Community Financial Institute to see how GSB’s mobile banking application MyMo is used as a channel for financial transactions and how the financial community representative links GSB business with local people to create opportunities for access to finance.

Digital Disruption in Asia: Facts and Figures

Asia is digital. Internet users in the Asia-Pacific region now make up 50% of the world’s total online population. Asia is also the fastest growing digital economy in the world, with the number of internet users increasing by 27% between March 2015 and September 2016. The trend means a “modular” Asian financial-services industry is rapidly emerging as a response to digital trends and technological possibilities, with innovation on the rise among banks as well as new entrants.

WSBI and innovation

WSBI sees innovation as crucial to help its members thrive in the 21st century. As an international banking association that brings together savings and retail banks in all continents, innovation can help boost other WSBI strategic areas such as financial inclusion and sustainable finance.

Backed by some 6,000 financial institutions with total assets of US$16.7 trillion and serving more than 1.3 billion customers in some 80 countries worldwide, WSBI voices the concerns of savings and retail banks through issue advocacy, representing the interests of its members towards international policy makers and standard setters on the main regulatory and other issues that shape international retail banking policy. It also does it through best practice exchange like the workshop. That exchange includes efforts to facilitate knowledge sharing among the members through exchanges of information and experience at all levels within the organisation as well as in-house knowledge management, also with a view to identifying opportunities for business development and partnerships.

WSBI Innovation Initiatives: Workshops, conference and advocacy

The workshop is not the first initiative in WSBI’s digitisation and innovation programme work. The association has been actively participating in committees and events on the future of finance at international level, most notable through G20/B20, OECD, GFI and European policy bodies. It argues for a level-playing field and a supporting policy environment to help, not hinder, innovation in finance.

WSBI has convened other innovation-themed events this year, including the Innovation Conference and Workshop held in Brussels in January. Under the theme “Gearing up for Digitisation: Adapting Retail Banking to the Digital Age”, the event helped WSBI members, industry experts and policymakers drill deeper into how innovation disrupts banking and other economic sectors and the best strategy to bring new retail banking services and products to the market. It also helped assess how well banks have adapted to client needs.

De Noose concluded: “These digital times bring many challenges but also a wide array of opportunities. Workshop like the one held today and tomorrow can help find ways to better harness these opportunities.”

WSBI plans to hold on 21-22 September a Business Forum in Barcelona, themed Retail Banking Reimagined - Advice and Sales at the Digital Crossroads.

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Discusses role of artificial intelligence, future of branch banks

Members of the Norwegian Savings Banks have started to incorporate robotics into their banking systems. These robots are no kind of Star Wars characters, as the association’s Managing Director Ole Morten Geving (pictured) explains. They are computers taking over standardised banking procedures in an efficient and precise way. In this interview, Geving talks more about the use of artificial intelligence in the banking sector, as well as the future of bank branches, partnerships with fintechs and the importance of cybersecurity.

How have the Norwegian Savings Banks adapted their different channels to the new digital consumer?

Digital innovation is not a new phenomenon for savings banks. For two hundred years we have been innovating, changing our business model, adapting to the customers’ needs. Nowadays, we continue to do so, just at a much faster speed. So it’s a speed shift rather than a trend shift. What the Norwegian Savings Banks are doing is putting the digital agenda in the front, so the customers have the digital choice as their first choice. All the banking services can be provided online. We do differ from the bigger banks though in saying to the customer that there are actually people behind these digital services. There needs to be an easy bridge from the digital services to the personal advisor at the bank branch.

What will be the role of bank branches in the future, for instance in 5 or 10 years?

In Scandinavia the number of branches has dropped quite rapidly. There will still be the need for bank offices, however, where the clients can have personalised advice. In the future, they will be more based on advisory services and less on traditional banking services, and should offer a variety of products related to the financial life of customers.

Do you think there will always be a percentage of customers that are not digitalised?

In Norway, only 6% of the customers use only the digital channels. Therefore banks need to offer a variety of channels, both digital and physical ones to fulfil the customers’ needs.

“Artificial intelligence is more an opportunity than a threat.”

It is also particularly important for banks working with small and midsize businesses to have people in the physical branch who understand the local environment.

What part can and should local banks such as the savings banks play in a digitisation and innovation environment?

The competitive advantage of the small, local and regional savings banks is that they are in the position to combine big data with small data. They should be as good as the big banks in technology, innovation, new products, and efficiency, but they have to be exceptionally good in knowing their customers. Then they will have an advantage over those banks that either only focus on digital channels or put all their customers through call centres. Even though they have a personal service, there is nobody on the other side of the line the customer can relate to. Smaller banks will actually fill in the gaps in the market. They are hands on with SMEs and do also deliver a personal service for the household customers. There are three things that local banks need to focus on, which I call the three “Rs”: being reliable, as the customer needs to know that these banks will be there also in the future; being relevant, providing products that people actually need; and being relational, building personal relations between the bank, the employees and the customers.

What are the biggest opportunities and challenges related to artificial intelligence?

Artificial intelligence is more an opportunity than a threat. It is a tool to make the banking services more efficient and better. In several of our banks we have introduced robotics doing standardised processes in a very precise way. They are taking over boring standardised work, giving the employees the chance to have more creative and interesting work. We see that digitisation and robotics boost ‘hitpoints’ between the customers and the bank. In the old days the customer maybe would go to the bank once a week or once every two weeks. Now they are in some kind of contact with the bank almost every day. Either in mobile banking, checking their account or making payments, or watching news and advertising of their bank on Facebook. There will be more chances for the employees to increase their contacts with their customers. So robots will reduce the number of employees doing traditional banking services, but it will also open new services and new ways of contacts, which will demand people also in the future, because it generates more business opportunities.
Could you give a few examples of operations these robots can do and explain how their physical appearance is?

Their physical look is extremely boring, it’s not like Star Wars’ R2D2, and they are actually just computers. They run lending processes, such as checking and gathering information from different sources, filling out documents, all the time consuming work. They can also provide chatting services for many customers at the same time and at a high speed. There is a huge amount of services they can take over.

Are banks investing enough in cybersecurity?

Artificial intelligence is increasing safety as the number of failures and fraud is reduced. Cybersecurity is increasingly important in the banking sector as banking is all about trust. So it should be on top of everybody’s mind. We have to do the very best to secure our systems and of course be sure that our systems and robots are not taken over by somebody from outside that is hostile to the bank. There have been numerous attacks on digital security and so far we have been heading up with that, but it will be a continuous struggle.

Based on your experience, what is the best way to collaborate with fintechs?

I think we are leaving behind the idea that fintechs would turn traditional banks into an old fashioned business model. Many fintechs realise that even though they have good ideas, it is very hard to compete with the trust of the traditional banking sector and it is extremely costly to build a customer base. From a banking perspective, there is a shift in the mentality from looking at the fintechs as an aggressive competitor to looking at them as contributors. We should definitely collaborate with them, and there are numerous ways of doing so. Firstly, we need know who is developing the good new services. In Norway, a few banks have invited fintechs to work at their premises, letting them have access to the bank’s resources, helping them grow and also using their good ideas, for instance.
A historic look at banking innovation

Interview with Professor J. Carles Maixé-Altés, Universitat de La Coruña

Professor Maixé-Altés recently sat down with WSBI-ESBG to look at the history of innovation by savings and retail banks.

To start, we understand you are visiting us here at WSBI-ESBG offices as part of your research. Tell us more.

It was obvious that after a period of studying the savings and retail banking sector at a Spanish as well as international level, I would end up coming here, where a lot of information on the sector is stored. During the few weeks I spent at the WSBI-ESBG joint office, I had the opportunity to examine in more detail the role of the World Savings and Retail Banking Institute (previously called the International Savings Banks Institute) from 1945 until now.

I also study in more detail the theme of the adoption and the distribution of ICT technologies in the savings and retail banking sector as well as the cooperation between the institutions.

After having been in contact on a national level with CECA, the national confederation of Spanish savings banks and other financial institutions such as Caixabank, it was a logical step for me to acquire more information on an international level. That is the reason why I contacted WSBI and why I could access an archive that is a goldmine for researchers.

Who were the pioneers in Europe when it came to adoption of information technology and how did these pioneers implement ICT in their institutions?

The Nordic countries, the Germans and, surprisingly, a few of the Spanish savings banks started the evolution. They were interested in automation of back and front office processes with the help of computers. That started in the 1950s with the first generation computers, and accelerated in the sixties with second and third generation computers (mainframes). In the second half of the decade, the teleprocessing networks were highly important and the banks started establishing links between the head office and the branches by means of a combination of computers and telephone lines. In the 1970s, we need to mention the role of the EFT, the Electronic Fund Transfers, as well as the “Cash Dispensers” – only to withdraw money – the first bank cards and, a little bit later, ATMs – Automated Teller Machines offering more services than just the withdrawal of money.

It is important to mention the highly intense collaboration among Spanish savings banks. That stimulated new initiatives in the field of ICT, projects where organisations of various countries worked together. That cooperation later also extended to the negotiations with the equipment manufacturers, the manufacturers of the computers. In these early days, the savings banks needed to use a specific software, developed by their own IT-people. That meant that the technicians of the savings banks worked “hand in hand” with the technology firms. Thanks to that collaboration, they obtained competitive advantages in the retail banking sector, compared to the commercial banks.

Finally, just before the internet era (middle of the 1990s), “Home banking” and “Bank by Telephone” gained a lot of importance. Banks started to use a three-fold channel with video, text and telephone. A lot of European savings banks used the advantages of the networks of teleprocessing and the clearing networks, two big drivers of the development before the internet.

And finally, we arrive at the current time, where we have a big choice of possibilities in technology and communication, which we need to manage and use to the maximum to increase profitability and efficiency.

What does WSBI mean for you?

From my point of view, WSBI is like a “hub” to use the terminology of information networks. It is an institution where various contributions come together. It is a place where synergies can be exchanged, not only at a technical level but also on a practical level with groups that are specialised in various areas of retail banking and technology. It also has the advantage of having direct contact with the institutions in many different countries and with experts of the technological and banking sectors, as well as various organisations, universities and public institutions.

This organisation makes it possible to gain access to the international sector of retail banking. It is like a watchtower that gives you a broad overview of the sector. In other words it is like the centre of a knowledge network.

Why should one carry out these kind of historical investigations?

Studying the trends in a certain sector of economic activity at a certain moment of its history can help a lot to understand the current situation of the sector. It is probably the most efficient way to understand the crisis that we have experienced and it allows us to construct our future on a solid basis. WSBI has always dedicated a lot of attention to the study of history of the savings and retail banks. On 27 May of last year, for example, it organised a Financial History Workshop on the theme “Savings in a world without interest?” where you talked about the causes, the impact and consequences of low interest rates on savings and retail banks from a historic point of view.
What are the main aspects of the research that you are doing?
What are your objectives?

The core of my research is the study of the processes of introduction and distribution of ICT in the savings and retail banking sector. In short, the analysis of the long evolution that has transformed these banks into service-oriented companies.

Another research to be conducted – and where it is necessary to involve new researchers – is the study of the work of WSBI in developing countries (Asia, Latin America, and Africa). There are various areas of investigation such as the training of executives, the design of products and financial education.

Finally a central theme that needs to be researched is the role of WSBI in the politics aimed at decreasing the level of financial exclusion. A great example of this is the WSBI programme “Making small-scale savings work”. This initiative tries to decrease the distance between the different social groups. There is an extremely long evolution that started in the 1970s and over time, WSBI has participated in various development programmes under the auspices of the United Nations and the EU. This is an area that remains to be researched.

What are the main objectives of your research?

To study the role of technological change in the retail banking sector, from the diversification –mainly the 1980s and 1990s – to the specialisation of services and of the human resources, all this with the objective to increase efficiency of the management of the electronic channels. Also, to be able to evaluate, from a historical point of view the determining factors of the current crisis in retail banking and to consider the possible solutions for the future.

What main advantages does digital revolution provide for the retail banking sector?

It increased the access to banking products for many companies – in particular SMEs – and for citizens in general. It also forced the savings banks to re-invent themselves, to look for new business areas and to improve their interaction with the society.

ICT is an important asset to improve the relationship with the client. They make access to products and services much easier and allow for a more individual contact with the client. On the other hand, with ICT comes also a higher level of competition from within and from outside the sector. Many of these competitors put forward their client proximity, a traditional advantage of the savings banks.

About Professor Maixé-Altés

J. Carles Maixé-Altés is a professor in the Department of Applied Economics at the University of La Coruña. Professor Maixé-Altés is specialised in bank and financial history with a particular interest in savings banks. In more recent years, he also focused on the study of the introduction and the dissemination of ICT in the retail banking sector.

He has published various books and articles in specialised magazines. His most recent publications are the book Innovación y compromiso social. 60 años de informatización y crecimiento (“La Caixa” 1950-2011); the book Technological Innovation in Retail Finance, International Historical Perspectives, edited with Bernardo Batiz-Lazo and Paul Thomes (London-New York, Routledge, 2011) and the article Managing Technological Change by Committee: Adoption of Computers in Spanish and British Savings Banks (circa 1960-1988), Revista de Historia Industrial, 47-3, 2011 (with B. Batiz-Lazo).

He was born in Tarragona and obtained a Master’s degree in Modern and Contemporary History and in Economic Sciences at the University of Barcelona, where he also obtained a doctorate in Economic History (cum laude) in 1992.
Rapidly changing financial services landscape requires relentless innovation from the banking sector

At this year’s WSBI-ESBG innovation conference in Brussels, we set out to explore the theme “Gearing up for Digitisation: Adapting Retail Banking to the Digital Age”.

What we learned during the event was that for many of us, especially locally focused retail and savings banks, gearing up for innovation is an abstract journey, requiring careful thought on what building out a digital world – digitisation – means. It was clear from conference presenters and debate that it will affect, and likely transform, all levels of society.

But what does digitisation mean? Digitisation can be defined as the mass adoption of connected digital services within society complemented by the transformation of sourcing, manufacturing and production, delivery, and the related processes. Definition stated, it must be stressed that digitisation comes hand-in-hand with the expectation of, and growing demand for, immediacy: the need for “now”. That means shorter response times, faster transaction completion and payment. Speed matters most.

Meeting such expectation and demand has, and will continue to have, a deep impact far beyond the systems and firms striving to provide “always-on”, real-time results. In parallel, digitisation – mainly due to the spread of mobile devices – boosts participation by all, both at political and economic levels. That means people are more connected, engaged in the world around them – from expressing their choice at election time to what shoes they will buy.

Banks and the digital wave

Banks are not immune to the digital wave now sweeping the sector. In fact, digitisation in the financial sector is nothing new. For example, the dematerialisation of trading instruments has existed for some time. That said, the digital journey is moving forward at breakneck pace.

A high level of digitisation has been reached in infrastructure. One example is straight through processing – STP. Yet these infrastructures are now ripe for a new round of investment to fully support transaction immediacy.

Digitisation has also been achieved in back office areas too. Yet here again, these are ripe for re-investment, in order to, among other things, migrate platforms to new technology. Re-investing can also transform quickly new types of interfaces.

More critically, re-investment can deploy processes that take full use of data mining and cope efficiently with a wave of regulatory compliance burden. A 2012 report highlights the opportunity to raise levels of automation in banks’ back offices. That can be done by preventing customers from using paper, by digitising work flows, by automating or supporting decision making. Automation in the back office also means using IT solutions to manage residual operations that must be carried out manually.

The payoff is real: with productivity and customer service raised by levels of more than 50% well within reach.

Digital transformation and the customer

The customer-facing area is probably the one spot where the digital impact is most visible. Banks have for many years harnessed digital channels to “outsource” routine tasks to customers. With wide access to mobile tools like apps, the trend started with PC banking has sped up and client visits to bank branches has morphed into a rare, precious moment. As branches and related staff costs make up about two-thirds of the total retail cost base of larger banks, their senior leaders are casting a careful eye on branches numbers and staff functions.

Innovation by banks, start-ups and mature companies

So in this rapidly changing financial services landscape, relentless innovation is the needed response from the banking sector. On the provider side, incumbents like banks – which are both regulated and supervised – compete with start-ups, who carry a lot less baggage, and who usually focus on providing a single service or set of services. Another type of provider falls under the “mature companies” category. Sometimes large in size and from outside the financial sector, they too are hopping on board the financial services train or through intermediation services through what they offer. The GAFAs – anchored by American tech giants Google, Apple, Facebook, and Amazon – are good examples.

Innovation is applied by these three categories of providers to customer relationships, the “back office”, and infrastructures such as clearing and settlement. Financial technology can be launched in two modes in any of the just mentioned segments. The first is “incremental” mode, where essentially the new technology is applied to enhance the convenience or streamline existing products and services without changing two things. It does not alter most of the value chain nor the business model – at least not in the short-term. The second mode is what we term “transformational”, where the application of new technology radically changes how a product or service is defined, produced and/or distributed.

Chris De Noose on digitisation

Chris De Noose
The application mode of financial technology – either incremental or transformational – is not the appanage of any single category of providers. Incumbents do take at times a transformational approach to areas like processes and infrastructures whilst start-ups, for example, may take just a step-by-step approach. “Step by step” means making and bringing to market slightly evolved products and services.

**Questions needing answers**

Sometimes the best way to tackle innovation is by first asking questions. First, we should answer the question: “How does innovation disrupt the banking and other economic sectors?” The second is: “What is the best strategy to bring new retail banking services and products to the market?” And third, “How well have banks adapted to the clients’ needs? Any finally, “What more can be done?”

Answers don’t come easy, but they do surface. They come from the courage to think critically about the future of banking.

Answers come when we open up and exchange views and listen to those around us who bring their experience to the table.

Our first-ever WSBI Innovation Workshop held on 25 January in Brussels did just that and we foresee this in upcoming workshops later this year, including 12-23 May in Bangkok. The Innovation Conference that followed was another forum to discuss the future of banking.

At its core, the future is about who is going to innovate best. To use Steve Jobs of Apple’s ice hockey analogy, “skate to where the puck is going to be, not to where it has been.” That means bringing ideas and research to market creatively, anticipating the future. It’s not easy. But when it works, it moves banking forward: better connected clients, more robust backroom operations and smarter products and services.

We can’t do it alone. Policymakers and regulators have an important role. A dialogue with them can help create a framework that helps, not hinders innovation.
Digital technology brings opportunities for inclusive finance

Insights from Postal Savings Bank of China President Lv Jiajin

How has digital technology been able to boost the development of inclusive finance?

In many ways. We define inclusive finance as being able to provide all-round services for various groups from different strata of society. It is important to determine what inclusiveness means in-house, which then determines the inclusive finance a bank sets out to achieve.

We see inclusive finance having three major features: high risk, high cost and low income, which make commercial banks less motivated to develop it. Despite this, the advancement of digital technology such as mobile internet, big data, cloud computing and smart terminals has eliminated time and space constraints, and offered new approaches to the delivery of inclusive financial services.

First, comprehensive coverage of services: Traditional financial institutions have to increase their coverage by establishing physical outlets, a move incurring and held back by high cost. That means they usually concentrate their outlets in populous and commercially developed regions, laying the undeveloped areas aside.

Extensive use of digital technology has overcome this drawback. So in regions without bank outlets or ATMs, customers now can have their access to financial services they need and complete non-cash transactions by using terminals like computers or mobile phones, in which way financial services become immediately accessible to more customers.

Second, evenly distributed customer groups: Commercial banks usually operate following the “Pareto Principle”. They focus on providing services to large companies and urban high-income people, thus leaving small and micro-sized enterprises and rural residents in the long-tailed market not getting offered financial services they want. The development of digital technology has greatly driven down the marginal cost in the long-tailed market.

On the one hand, by utilising internet technology, banks can expand their presence to every corner of the world and take in every penny from different segments of the society, thus achieving the “many a pickle makes a mickle”-effect, meaning many small amounts accumulate to make a large amount. On the other hand, they can optimise resource allocation based on big data analysis, realise precision marketing in the well-segmented market, extend credit to people who really need it, and meet their personalised needs for financial services.

Third, digitalised risk control: Information asymmetry is the root cause for the high-risk of inclusive financial services. Small and micro-sized enterprises or low-income people lack effective collateral, it is difficult for commercial banks to identify their sources of repayment, thus posing high risk. However, by applying cloud computing and big data technologies, commercial banks can analyse data streams and information streams in daily transactions and then effectively evaluate customers’ credit rating and status, which significantly enhances their risk identification capability and credit approval efficiency, and makes it possible for small and micro-sized enterprises and low-income groups to get financial services they need.

Fourth, markedly reduced transaction cost: Instead of visiting physical outlets, with wider use of digital technology, both suppliers and demanders of funds can complete such processes as information search, pricing and trade on online platforms, which can partially substitute physical outlets and occupy less personnel and equipment, significantly lowering operation cost of commercial banks. As a result, customers can receive financial services at a lower price, and financial inclusion progresses further. Experience has shown that digitalised and internet-based operation of traditional banking activities contribute remarkably to the reduction of operation cost of the banking industry. For example, in China, per counter transaction now costs about RMB4 (equivalent to around US$0.62), while each transaction via mobile banking costs less than RMB0.6 (equivalent to around US$0.09).

How do you apply digital technology in PSBC?

PSBC was established in 2007. Today we have about 40,000 physical outlets, covering 98% of counties in China, and have the most banking outlets and the widest coverage among all financial institutions there. By the end of June 2016, our asset size reached RMB7.98 trillion, ranking fifth among Chinese commercial banks. We ranked 22nd place and 39th place among the Top 1,000 World Banks by the British magazine The Banker in terms of total assets and tier-1 capital respectively. Since being established, PSBC has been committed to serving agriculture-related businesses, serving communities and serving medium and small-sized enterprises. Inspired by the social responsibility of “reaching all urban and rural areas and bringing benefits to the people”, we have given full play to the advantage of extensive urban and rural coverage and huge capital size. We also take an active part in exploring a commercially sustainable path for the development of inclusive finance.
It can be said that we are an early pioneer in the promotion of inclusive finance across China.

Our work in inclusive finance shows two obvious features. First, we have wide physical coverage of financial services. Besides the 40,000 brick-and-mortar outlets, we have 150,000 self-service devices and 100,000 ATM outlets distributed in rural areas and other places nationwide since the end of September 2016. Among the physical outlets, nearly 30,000 of them are located in rural areas, and in some remote and poor areas, we are a major financial service provider for local farmers and herders.

Second, we have a more extensive beneficiaries of funds. By the end of September 2016, petty loans granted by PSBC amounted to around RMB1.2 trillion, and benefited more than nine million customers. Small and micro-sized enterprise loans totalled around RMB2.3 trillion, and went to nearly 12 million enterprises.

Based on experience from our efforts over the years, the demand for inclusive finance is characterised by services that are short term, small amount, high frequency and urgent, associated with high cost and high risk. Digital technology helps us put in place mass marketing, precise management, independent operation and systematic risk control while making services accessible at more places and for longer time at markedly lowered cost. These areas always pose a challenge for commercial inclusive finance. We have explored this aspect quite a bit.

**Could you give examples of how you applied technology to improve your financial inclusion aim?**

First, we vigorously constructed an open and collaborative Internet-based financial service platform. The parent company of PSBC is China Post Group. With its subsidiaries engaged in businesses such as express logistics, e-commerce and postal finance, the group has an inherent advantage of integrated three flows, that is, logistic flow, information flow and capital flow. Constructing an internet finance-based cloud platform was seen as an opportunity. We developed a characteristic Internet-based credit development model with the group’s dominant resources in “Internet Finance Plus” that was driven by product innovation and data analysis. Constructing an internet finance-based cloud platform was seen as an opportunity. We developed a characteristic Internet-based credit development model with the group’s dominant resources in “Internet Finance Plus” that was driven by product innovation and data analysis. For example, relying on big data and cloud platform technology as well as shared information and data resources, we introduced a whole-process online “E-loan” financing model that enabled loan application and repayment extension all completed online. So far with the model, we can handle these items within five minutes, credit funds in one minute, and allow online loan applications to be completed around the clock. The use of new technologies helped us enhance the loan operation efficiency and reduce the cost of financial services.

Second, we worked hard to develop an efficient credit approval and risk management system. At the front end, we sufficiently utilise internet technology to promote mobile integrated terminals and provide professional, standard and streamlined financial services for farmers, stores and small and medium-sized enterprises. In the middle range, we actively explore the “credit factory mode” and expand cooperation with third-party big data credit companies to introduce customer identity authenticity certification, blacklist query, anti-fraud inquiries, historical overdue verification and other multi-dimensional information into the retail risk control model. A more comprehensive and complete credit risk mode was set up, with a view to effectively identifying bad customers and minimising the loss incurred by credit risk.

At the back end, with data mining and analysis technologies, we are able to harness a centralised integration and sharing of all kinds of information within and outside of the PSBC, to ensure risks can be identified, warned and disposed of as early as possible. For example, we piloted in July 2014 a program of providing financial service with mobile smart terminals in Fujian, Hebei, Beijing and other places. A loan officer, only with the help of a mobile smart terminal (PAD), can complete information entry and collection such as field survey, photo taking, online check, credit inquiries and other processes, we have put in place a “grand channel” management system where electronic channels and physical network are interconnected with each other and offline physical banking and online virtual banking are developed in a balanced manner. By the end of September 2016, our e-banking users exceeded 177 million, and mobile banking users approached 125 million. So far, more than 70% of our businesses are finished via e-channels, which has significantly reduced the operation cost, and promoted the transformation of physical outlets from what we call “transaction accounting centres” to “marketing service centres”.

Third, we strove to build the online and offline integrated network of financial services. In recent years, we have prioritised the e-banking development, and integrated such electronic channels as personal online banking and mobile banking into an online trading services platform offering a full array of products and good user experience. In the meantime, relying on the offline marketing service platform with sophisticated equipment and streamlined processes, we have put in place a “grand channel” management system where electronic channels and physical network are interconnected with each other and offline physical banking and online virtual banking are developed in a balanced manner. By the end of September 2016, our e-banking users exceeded 177 million, and mobile banking users approached 125 million. So far, more than 70% of our businesses are finished via e-channels, which has significantly reduced the operation cost, and promoted the transformation of physical outlets from what we call “transaction accounting centres” to “marketing service centres”.

**Innovation Corner**
What is needed for China to better tap into digital technology in promoting the development of inclusive finance and contributing to the realisation of commercial sustainability of inclusive finance?

First, strengthen infrastructure build-out to make the internet more accessible in rural areas. Information network construction is an important public infrastructure project. It is suggested that government sectors divert more investments to construction of rural informatisation, step up the efforts to construct the infrastructure of information networks in rural areas, and, at the same time, provide certain financial subsidies or cost reduction to reduce the cost of farmers using the internet, and provide favourable “hardware” conditions for expanding the coverage of inclusive finance.

Second, establish data sharing mechanisms, and improve the credit reporting system across Chinese society. Credit identification is critical for substituting collaterals, reducing risk and cost of inclusive finance, and solving problem of information asymmetry. Government sectors are expected to introduce unified data standards and formats as soon as possible to facilitate normalised data fusion, break “information islands” among data resource departments, integrate credit information resources scattered in financial institutions, judiciary, industry and commerce, taxation, public utilities and other departments, form a unified information sharing platform, lay a solid foundation for a society-wide credit reporting system, and enhance the risk control capability of commercial banks with big data.

Third, promote the regulatory improvements, and maintain the rights and interests of inclusive financial customers. Information exchange in the digital age has gone beyond the boundaries of industries and fields, which blurs the bounds of finance and non-finance and thus increases the difficulty of financial supervision. Meanwhile, weak and flawed regulation also poses great risks for low-income people who are poor in financial knowledge reserve and risk identification. A regulatory system keeping pace with the advancement of off-line physical outlets and online virtual channels and physical networks, and side-by-side advancement of e-commerce is critical for substituting collaterals, reducing risk and cost of inclusive finance, and solving problem of information asymmetry. Government sectors are expected to introduce unified data standards and formats as soon as possible to facilitate normalised data fusion, break “information islands” among data resource departments, integrate credit information resources scattered in financial institutions, judiciary, industry and commerce, taxation, public utilities and other departments, form a unified information sharing platform, lay a solid foundation for a society-wide credit reporting system, and enhance the risk control capability of commercial banks with big data.

Any final thoughts?

First, digital technology is comprehensively transforming all professions and sectors, and commercial banks play an important role in applying and innovating given current state of technology. And finally, PSBC will, as always, continue to explore and find new and better ways to develop inclusive finance in China and even throughout the world.

About PSBC

Postal Savings Bank of China (PSBC) is a leading large retail bank in China. It strategically focuses on providing financial services to communities, small and medium-sized companies and “agriculture, rural areas and farmers” and is committed to meeting the financial needs of the most promising customers during China’s economic transformation. Meanwhile, PSBC also actively supports large customers and large projects, making tremendous contributions to China’s economic development.

PSBC has approximately 40,000 outlets and over 500 million retail customers. It boasts superior asset quality and significant growth potential. At present, it has established an all-around e-banking system, integrating online banking, mobile banking, self-service banking, telephone banking, television banking and “micro-banking”, forming a financial service framework that features interconnection between electronic channels and physical networks, and side-by-side advancement of off-line physical outlets and online virtual banks. In 2015, PSBC introduced 10 domestic and overseas strategic investors to further improve its comprehensive strength. In 2016, PSBC completed a successful IPO on Hong Kong Stock Exchange, perfectly accomplishing its three-step plan of “shareholding system reform, introducing strategic investment and IPO”, and formally entered the international capital market. It ranked 22nd in terms of total assets among the “Top 1,000 World Banks 2016”.

About Lv Jiajin

He has been appointed as Executive Director and President of Postal Savings Bank of China Co., Ltd. (formerly known as Postal Savings Bank of China Limited) since January 2013. He also served as Executive Director and Vice President from March 2007. He served as a Deputy Chief and the Chief at the Henan Postal Savings and Remittance Bureau, the Chief of the Henan Xinxiang Municipal Post Bureau, a deputy chief of the Henan Post Bureau, a Deputy Chief of the Liaoning Post Bureau, a deputy director general at the Postal Savings and Remittance Bureau of the State Post Bureau. Mr. Lv currently serves as a Deputy Chairman of the China Banking Association, a standing director of the China Finance 40 Forum, a master supervisor at the PBC School of Finance, University of Tsinghua and a doctoral supervisor of Southwestern University of Finance and Economics. Mr. Lv graduated from Southwestern University of Finance and Economics and obtained a doctor’s degree in finance. He is a senior economist and has been entitled to special government allowance granted by the State Council.

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CEO of newest ESBG member LOPI presents association, discusses main challenges, opportunities for sector in Danish market as well as future plans

Denmark is one of the countries in Europe with the highest rate of use of debit and credit cards. According to the hub Payments Cards & Mobile, more than 73% of all payments in the country are non-cash. This percentage is expected to get even higher since Danish local banks launched last month a digital wallet for Dankort, the country’s national debit card. The Dankort wallet allows consumers to make contactless mobile payments, which works on Iphone and Android.

“At a time with negative interest rates in the Danish Central Bank, the top lines of our member banks are under pressure, because of an increasing deposit surplus. At the same time consumers and businesses are taking the opportunity to repay their loans instead of demanding new ones”, said Jan Kondrup, CEO of the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark. He explained that the situation drives their member banks “to deliver even more valuable services and higher quality to the customers, and invest a lot in digitalisation, automation and new payment systems to be better and more effective.”

The association, known as Lokale Pengeinstitutter, or LOPI, in Denmark, was the latest to join the European Savings and Retail Banking Group (ESBG), having been confirmed as a member in July last year. LOPI has more than 60 local member banks in Denmark, The Faroe Islands, and Greenland that provide services in about 500 branches and have a total of about 8,000 employees. In addition to challenges and opportunities due to the low interest rate environment, Kondrup also spoke to ESBG in an interview about the main concerns of the sector in Denmark, the best ways to keep the customer’s trust, and what LOPI expects from their ESBG membership.

Next steps towards digitisation

After the launch of the digital wallet, Danish banks are now planning to incorporate robotics and more automation into their banking systems, which would help improve standardized procedures and help the staff focus more on servicing the customers and less on paper work and administration. “We are working with new IT systems and trying to make the banks more automated. Now we begin to see robots handling data on the back office of the branches,” Kondrup stated.

This increase in process automation will however not affect the customer’s experience of being a well-known person in the bank. There will be no call centres replacing the personal contact between bank staff and customers, which Kondrup believes to be one of the keys for keeping the customer’s trust for a locally based retail bank. “It makes local banks and savings banks in Denmark unique. Our member banks are very close to their customers, and they are very visible outside the major cities”, he highlighted, adding that “We see that many big banks are closing branches, but our members are not.”

Main challenges for the sector

Kondrup cited the low interest rates in Europe and especially in Denmark as the main current difficulty to overcome. The Danish central bank, Nationalbanken, has imposed since 8 January 2016 a toll on 0,65% on the banks’ deposits. “That is not the usual way to run a bank”, Kondrup commented. Even so, Kondrup says, the small and medium sized banks within LOPI have shown fine results in their annual reports for 2016, because loan impairments have declined and banks now experience a historically high inflow of new customers from other banks.

At the same time, he is glad that the economy has been growing over the last years, even if the GDP growth has been around 1%. “If we look at the annual results they are definitely fine, because even though demand for new loans is weak, we are not in a financial crisis anymore.” Another challenge is all the new regulation European banks have to deal with and the lack of proportionality in the banking sector.
The principle of proportionality strives to avoid one-size-fits-all legislation, stressing that balanced regulation adjusted to the size, complexity, business model, and cross-border activity of financial institutions should be ensured. “It is highly important for us to have proportionality so the large and the small banks are not treated the same way and disproportionate obligations are avoided,” Kondrup stated.

Expectations regarding ESBG membership

Regarding LOPI’s experience with ESBG so far and the association’s future expectations, Kondrup stressed that both ESBG and LOPI share the same interests. “We need to push for proportionality and we need to be very quick and proactive regarding new regulations. It’s not enough just to sit and wait, we need to speak to the regulators and politicians in Brussels,” he commented.

Kondrup added that he and his colleagues have attended events organised by ESBG and read communication materials from the EU-policy-focused association on an ongoing basis to keep informed on policy and industry developments.

Learn more about LOPI at
www.lokalepengeinstitutter.dk
WSBI African Members gather in Kampala

Group meets under theme “Leadership in a digitally changing world”

The 23st WSBI Africa Regional Group Meeting took place on 2-3 March in Kampala, Uganda, under the theme “Leadership in a digitally changing world”.

The meeting aimed at following up on the decisions taken during the last regional meeting held in May 2016, in Madagascar, and deliberating on the main issues pertaining to the region.

Postbank Uganda (PBU) CEO Stephen Mukweli opened the two-day meeting and was followed by Africa Regional Group Chairman Sabasaba Moshingi, the chief executive of Tpb Bank (formerly Tanzania Postal Bank).

WSBI Managing Director Chris De Noose also addressed the group on digitisation and banking regulation, saying: “We believe that regulators must also ‘go with the flow’ and learn to understand technology better in order to adapt quickly and intelligently to the new circumstances.”

Members exchanged views on topics such as:

- the financial sector situation in Uganda, effective leadership when referring the impact of the new digital wave towards some institutions;
- technology regulation of financial related activities;
- the measures to take to prevent fraud in a digital banking environment, the changing needs of customers thanks to the larger access to technology; and
- the different areas of expertise needed when organisations adopt digital strategies.

Inside WSBI: Africa Regional Group

Representing 42 financial institutions from 27 countries, the WSBI Africa Regional Group brings together members in the region to keep close exchange on specific issues and to promote the exchange of best practices and create business cooperation opportunities. Group members meet at least once a year at annual regional group meetings. Those meetings serve as a platform for exchange of experiences among members and also provide potential members or other interested international or regional organisations to appreciate what savings banks and the WSBI stand for.

Cooperation between WSBI members in the African Regional Group ranges from contact building and exchanges of information to the development of concrete business opportunities, at bilateral or multilateral level. For example, members host training workshops for other members, delivered by WSBI sign business cooperation memoranda of understanding, exchange expertise and enter into reciprocal business partnerships. Training and sharing opportunities often fall alongside regional group meetings.

CONTACT
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Community bankers from the Independent Community Bankers of America® (ICBA) on 9 March met with U.S. President Donald Trump and other senior officials at the White House to discuss how to unleash the full economic potential of community banks by passing targeted regulatory relief.

The ICBA community bankers in attendance were:

- ICBA Chairman Rebeca Romero Rainey, chairman and CEO of Centinel Bank of Taos, N.M.,
- ICBA Chairman-Elect R. Scott Heitkamp, president and CEO of ValueBank Texas in Corpus Christi, Texas, and
- ICBA Vice Chairman Timothy K. Zimmerman, president and CEO of Standard Bank in Monroeville, Pa.

In the meeting with President Trump, Treasury Secretary Steven Mnuchin, National Economic Council Chairman Gary Cohn and Small Business Administration chief Linda McMahon at the White House as part of the 2017 ICBA Capital Summit (see image above). In an exclusive meeting with ICBA leadership bankers, Trump said the administration is focused on addressing regulatory burdens to help community banks lend to small businesses.

They also discussed ICBA’s Plan for Prosperity, a pro-growth platform to eliminate onerous regulatory burdens on community banks that inhibit lending and innovation. The comprehensive platform includes provisions to cut regulatory red tape, improve access to capital, strengthen accountability in bank exams, incentivise credit in rural America and more.

“The nation’s community bankers are committed to serving local consumers and small businesses and fostering economic and job growth from the ground up,” Romero Rainey said. “However, one-size-fits-all regulations are imposing unnecessary burdens on community banks that stifle lending and growth in local communities. ICBA looks forward to continuing to work with President Trump, his administration and Congress to advance common-sense regulatory relief that will support communities nationwide.”

More information on how community banks power local economies and create jobs is available in ICBA’s new “Community Banking: Know the Difference” video.

**ICBA meets again with White House**

More than 100 ICBA community bankers and staff met on 3 May with President Donald Trump, Vice President Mike Pence, National Economic Council Director Gary Cohn and Small Business Administration chief Linda McMahon at the White House as part of the 2017 ICBA Capital Summit (see image above). In an exclusive meeting with ICBA leadership bankers, Trump said that the administration is focused on addressing regulatory burdens to help community banks lend to small businesses.

Camden R. Fine  
CEO and President

R. Scott Heitkamp  
Chairman
R. Scott Heitkamp, president and CEO of ValueBank Texas of Corpus Christi, Texas, became chairman of the Independent Community Bankers of America® (ICBA - a WSBI member) on 18 March.

Mr Heitkamp rallied community bankers gathered that day at the ICBA Community Banking LIVE®2017 national convention in San Antonio, Texas, by reminding them that they are difference makers in their communities.

“As community bankers, we are different. We honour and keep our commitments. We stay steady in our principles and our values, because our industry is built on values,” Heitkamp said. “I even have the word ‘value’ in my bank name: ValueBank Texas.”

In reinforcing his message that community bankers are difference makers, Heitkamp cited an example of a Small Business Administration loan he made to help a local entrepreneur finance a bakery. After only three years, she’s paid off her loan, is employing local residents, and is making a real name for her business, he said.

“That one loan, one idea, one community bank decision was a real difference maker for the entrepreneur and for our community,” he said.

Heitkamp also encouraged community banks to embrace the “new normal” and the role of technology to help address the needs of their customers while continuing to fight for meaningful regulatory reform. “The future is bright for community banking,” he said. “And while we look to the future, we must never lose sight of what we stand for.”

In his remarks, Heitkamp also urged community bankers to seize the opportunity to start a conversation with policymakers, explain the vital role community banks serve in the nation’s economy, and discuss why tiered and proportional regulatory relief is necessary so that community banks can focus on what they do best serving their customers and communities.

FACTS ABOUT ICBA

One Mission: To create and promote an environment where community banks flourish.

The Independent Community Bankers of America®, the voice for more than 5,800 U.S. community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education and high-quality products and services.

Facts about community banks in the United States

- 52,000 locations nationwide
- Employ 760,000 Americans,
- Hold $4.7 trillion in assets, $3.7 trillion in deposits, and $3.2 trillion in loans to consumers, small businesses, and the agricultural community.

“We must stop this overzealous regulatory environment and put some common-sense practices back into the regulators who examine our banks,” Heitkamp said. “It is time that our lawmakers and regulators do what is right for this country. ICBA’s Plan for Prosperity is a great place to start.”

Heitkamp closed by asking community bankers to continue to be difference makers for ICBA, their communities, their banks and the community banking industry.

Download the ICBA’s Plan for Prosperity at http://bit.ly/2n7eYJ7 or scan the QR code
WSBI Asian members refine regional group working programme

Focus placed on remittances, rural finance

WSBI Asian members gathered on 27 January on the sidelines of the Innovation Conference to refine the working programme of the two Working Groups that were set up in April 2016 in Tokyo.

The Working Group on Remittance is led by Bank Simpanan Nasional Malaysia (BSN) and the tie-up with WSBI members in Indonesia, Thailand and Vietnam is under the progress. As regards to Working Group on Rural Financial Inclusion, WSBI highlighted its analysis on members’ state of play in rural financial inclusion. They concluded that a big gap remains in the region when it comes to borrowing from a formal financial institution, although the rate of access to an account varies from country to country.

The Working Group on Rural Financial Inclusion will continue sharing best practices, bringing new innovative solutions and ideas that could potentially solve members’ challenges in rural financial inclusion. ‘Benchmark’ members in rural financial inclusion such as BSN and State Bank of India have also showed their willingness to share their knowledge and provide advice to other members.

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Asia-Pacific Regional Group

The WSBI Africa Regional Group brings together the members in the region to keep close exchange on specific issues and create business cooperation opportunities. Representing 23 financial institutions from 16 countries, group members meet at least once a year at annual regional group meetings. Those meetings serve as a platform for exchange of experiences among members and also provide potential members or other interested international or regional organisations to appreciate what savings banks and the WSBI stand for. Cooperation between WSBI members in the African Regional Group ranges from contact building and exchanges of information to the development of concrete business opportunities, at bilateral or multilateral level. For example, members host training workshops for other members delivered by WSBI, sign business cooperation memoranda of understanding, exchange expertise and enter into reciprocal business partnerships. Training and sharing opportunities often fall alongside regional group meetings.

Next meeting: 13 July in Da Nang, Vietnam
Doing financial inclusion in a meaningful way

*WSBI Advisory Services on mission to help banks help people create a better financial future*

Just one year ago, WSBI joined up with partners CaixaBank of Spain and Germany’s Savings Banks Foundation for International Cooperation (SBFIC) to create WSBI Advisory Services, a new not-for-profit consultancy company aimed at improving retail banking worldwide. The company opened its doors for work in September 2016.

**On the leap to 21st century banking**

I signed up four months later to lead the WSBI Advisory Services team. It was made clear from day one by the company’s president, Heinrich Haasis – who is also WSBI President and Chairman of the Board of SBFIC – that the new organisation’s aim was to drive retail banks around the world to better navigate a host of challenges, especially digitisation, sustainable banking and financial inclusion. Expertise within WSBI Advisory Services would help retail banks make the needed leap to 21st-century banking, strengthening locally focused retail banking in both developed and developing countries.

Working with WSBI Managing Director Chris De Noose, who serves as chairman of the newly formed consultancy’s executive committee, we have pursued this goal. We have looked for ways to better tackle banks’ 21st century business needs. Those needs include digitisation and payments, institutional reform of state-owned banks including corporate governance and change management, as well as housing and green finance. We conducted a landscape analysis to see how we could help banks harness better digitisation to help them bring more people out of financial exclusion and offering them access to formal financial services. Crucial for this is offering needs-based financial services that could be relevant and meaningful to people. That approach assures uptake of the products and therefore sustainable financial inclusion for both users and institutions.

Under this perspective, it is encouraging for us to see the progress made by WSBI member savings and retail banks towards their Universal Financial Access 2020 pledge. Recently updated, WSBI noticed that members who harness new technologies have made real inroads. Those financial institutions have been able to better attract new customers and more effectively offer affordable, high-quality products and services that meet the needs of the underserved and unbanked, while boosting financial access and usage.

The latest data show that WSBI and their members continue to push ahead to reach its UFA 2020 goal of 1.7 billion customers and 400 million new transaction accounts by the end of 2020 (see related story on page 12). WSBI members added 136 million new clients as of 31 December 2016 from the UFA commitment starting point set at year-end 2014. WSBI members, who are present in some 80 countries worldwide, had 1.57 billion clients as of year-end 2016. Relatedly, the number of new transaction accounts provided by WSBI through 2016 stood at 2.35 billion, up 236 million based on the end-of-2014 benchmark.

From those figures, we are more convinced than ever of the big upside in learning from and re-applying innovation-led success on the ground with those who could benefit most, like locally focused banks and regulated microfinance institutions. Here we see a role for the WSBI Advisory Services to strengthen successful models and help multiply them with other financial institutions.

**Sharing the story**

When we look at our field of play, we notice first that WSBI is really delivering on the financial inclusion front. WSBI Advisory Services builds on this previous work done by WSBI in financial sector development in more than 70 countries. Their most recent success was the WSBI Doubling Savings Accounts Program supported with funding from the Bill & Melinda Gates Foundation. To date WSBI continues this work through the MasterCard Foundation-supported Making Small Scale Savings Work program. At WSBI Advisory Services, we participate in this program, putting our effort in identifying and strengthening methodologies in different country settings, which can make small-scale savings relevant for users and financial institutions.

Helping improve peoples’ financial lives – and with this, their overall wellbeing – is a compelling story to tell. WSBI Advisory Services is set up to contribute to this overall objective as its main raison d’être – to help banks help people create a better financial life for themselves. At WSBI Advisory Services we want to participate in strengthening awareness of the efforts and advances in this field and inform people through outreach that stays true to that “red thread” message, weaved into all of our communication through channels like our website – wsbi-as.org – and regular news features. We aim to keep donors, experts, our staff, WSBI colleagues and members, and the consultant world in the loop and share our story with them, and would enjoy to keep them plugged in and interested in our work. The expertise of all of us, joined up with efforts and projects, can help build the future of banking and contribute to the goal of an account for everyone.
Financial inclusion: the road ahead relies on innovation

We see a lot of work ahead to address financial inclusion. Despite great progress made worldwide, more than 2 billion adults remain without an account. Hundreds of millions more now own an account according to the latest data from the World Bank. But more accounts are not enough. People must use their account and use it regularly. That’s where meaningful innovation can really play a role. Banks need to have a strategy and business model developed, based on client’s needs and relevance for their financial lives, and put this strategy to use on the ground, in branches and through online and mobile channels.

Sometimes this means starting from scratch and sometimes it is about tweaking what they already have in place. People-focused product design is needed, along with close-to-customer service, to make it meaningful and easy for people to call on, logon or tap through to use banking services.

For many banks that means embracing change management. We can help steer them to take the right approaches and coach them along the sustainable banking journey, strengthening also their internal capacities and strategic vision to be ready to offer ever more innovative, inclusive financial services in their field of action. We want to seize the challenge. We see a real chance to help financial institutions to contribute in a successful way to meaningful and sustainable financial inclusion.

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Learn more about WSBI Advisory Services by visiting www.wsbi-as.org or by scanning this QR code.
Statement by ESBG on the 60th Anniversary of Treaties of Rome signing

EU heads of state and governments and the presidents of the EU institutions came together on 27 March in Rome to mark an important anniversary: 60 years since the signing of the Treaties of Rome, which led to the construction of modern-day Europe.

The European project without any doubt has become during six decades the most prominent contribution to peace, liberty and growing prosperity that Europe has ever witnessed. Losing these perspectives could easily end in severely damaging our prospects to develop and thrive.

Yet, Europe is at a crossroads. The summit therefore was not only a chance to look back at the great strides made during that period, but provides EU leaders a moment to think hard about the next direction for Europe. Some of that forward-looking work is already mapped out, notably in the European Commission White Paper on the Future of Europe adopted on 1 March. It draws a picture of what Europe could look like in 2025.

Europe’s savings and retail banks are convinced that a thriving Europe requires vision and action. For ESBG members, who serve one-third of all EU citizens and provide a half a trillion euros in loans to small and medium-sized businesses, Europe must ensure its banking system of tomorrow remains diverse and serves people at local level, whether in person, online or via mobile links. And to do that, policymakers must continue the drive for better regulation.

Better regulation is achieved when the principle of proportionality is applied. For banking that means existing and future rules should take into account an institution’s size, business model and risk profile. Those rules must be carefully measured to assess whether benefits outweigh costs for society. If they fall short, it’s back to the drawing board or scrap it.

The Commission’s capital and resolution package, published last November, made proportionality a common thread throughout legislative proposals. This is an important first step and should be an opportunity to enshrine the principle into all future legislative initiatives.

Closely bound with proportionality is subsidiarity – placing decision-making at the lowest feasible level. Vast majorities in EU Member States prove that European citizens expect Europe to act where answers to our challenges can only or best be given at European level. But recent political events in Europe show as well that citizens expect decisions to be made as closely as possible to them.

Thus the motto of the European Union – “Unity in Diversity” – still seems to give the best orientation for which road to take.

The Treaties of Rome 60 years on: vision and action for a thriving Europe
WSBI-ESBG position paper highlights need for green, social finance and role of savings and locally oriented retail banks

In autumn 2016, WSBI-ESBG and its members developed a position paper on sustainable finance, highlighting the important role that savings and locally focused retail banks can play in providing green financing opportunities and the interest this topic has generated among international and EU policy makers.

Behind climate challenges lies economic competition in the energy sector. Since 2009, the game changer is the decrease in the profitability of oil production versus the increase in profitability of sustainable energy which will lead to a low-carbon – and therefore greener – economy. The increase in renewable energies, including at micro-level (such as households), and in energy efficiency has led to a “massification” of the market which attracts investors. Banks are seen as pivotal in this evolution.

Why it’s important

Climate change is a real concern around the world, and there are many ways that we can contribute to protecting our planet. By giving bank customers incentives to invest in energy efficient and green projects, households will play a vital role in decarbonisation. Savings and retail banks are deeply rooted locally and benefit from the trust of their clients, holding a fiduciary responsibility. As a bank’s role is to assess and analyse the risks in order to grant credits, its proximity to its clients, in particular households and SMEs, entails that local banks are best placed to accompany green development. The role of local banks should be promoted towards SMEs, in particular through the strengthening of refinancing and guarantee tools.

Committed to promoting sustainable financing

Locally focused ESBG members are committed to promoting sustainable financing and urge G20 leaders to integrate retail and local banks within the international negotiation on aspects of financing, in particular due to their role in households and SME financing. WSBI-ESBG believes that local banks should be included in the international negotiations on sustainable finance; a dedicated task force or at least a specific session should be dedicated to them in order to benefit from their decades of expertise in this area.

Financial education and financial inclusion

Financial education and financial inclusion are two further initiatives in which Europe’s savings and retail banks are heavily involved. Savings and retail banks have financially inclusive business models, and provide low-cost services to everyone. Local banks also work within their regions, talking at schools and local events in order to give information on the kinds of products available and the importance of saving money for the future.

A role for locally based financing

In the financial area, the investment strategy on for financial products did not consider local financing. International activities target investment banking and project infrastructure; they unfortunately forget about the local banks. ESBG calls for a bottom-up approach which focuses more on the energy market, where households and SMEs are key players. These customers can have a significant impact on the green economy and giving them access to credit is the daily business of local banks – financial markets being a useful complement, for instance, in the case of large SMEs.

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Read the paper at http://bit.ly/2opfIGt or by scanning this QR code.
ESBG, UEAPME and UNI Europa Finance sent on 13 March a joint letter to the European Commission and members of the European Parliament calling for an impact assessment of EU legislation on banks’ ability to lend to households and SMEs, which in turn fosters growth and jobs.

The trio argue in the letter that proportionately higher compliance costs that locally focused banks are facing will have a direct effect on SMEs and their employees. By applying the principle of proportionality to some areas of the Commission’s capital requirements package review (CRR II and CRD V), such as reporting and disclosure, the SME Supporting Factor, the counterparty credit risk (CCR) and corporate governance, households and SME lending would benefit from a greater pool of capital available for lending. The Commission and Parliament should consider less-burdensome disclosure requirements for smaller, less-complex financial institutions, extending the scope of the SME Supporting Factor, revisiting the approaches to CCR, and adopting a pragmatic approach on corporate governance, for example regarding the high-level committees.

**Savings and retail banks and SME lending**

Savings and retail banks are driven to convert deposits from local communities into loans that finance the real economy. ESBG member savings and retail banks lend to one in three EU-based SMEs, worth more than €500 billion – roughly the value of Sweden’s economic gross domestic product. At Member State level, ESBG member the German Savings Banks Association (DSGV) accounts for 42.6 per cent of the market share amongst SMEs in Germany. In France, ESBG member Groupe BPCE is the top bank for SMEs within the hexagone, with a 38 per cent market share. In Spain, around 60 per cent of small and medium-sized enterprises are customers of ESBG member CECAs member banks.

New EU Consumer Finance Action Plan

Wide use of prior, genuine impact assessments needed when implementing it

ESBG welcomed in March the publication by the European Commission of the Consumer Financial Services Action Plan, in particular the intent to privilege whenever possible dialogue with industry, examination and exploration of market situations, and voluntary approaches, over legislative action. This would acknowledge the significant consumer protection framework already in place, enlargement of which would only burden society with costs at a time when strengthening the competitiveness of European economies is paramount. To add impetus to this approach, ESBG would suggest that when implementing this action plan the European Commission makes wide use of prior, genuine impact assessments, for which the input of stakeholders would be sought.

EU regulation on electronic identification and trust services for electronic transactions in the internal market (eIDAS)

It is a commendable objective within the plan to facilitate the cross-border use of electronic identification based on eIDAS, a fundamental requirement to build the Digital Single Market. The deployment of eIDAS would be accelerated by ensuring that the private sector may participate at a par with the public sector.

The European Commission has made clear its intention to ease switching for consumers while improving comparison websites. This intention is welcomed so long as it does not open the door for unfair practices which could distort competition. This same remark applies also to the Commission’s resolve to facilitate cross-border loans and tackle the problem of over-indebtedness.

Consumer protection

With respect to the planned examination of national consumer protection legislation, the ESBG would like to warn against attempts of over-harmonisation. Due to the varying legal cultures and consumer behaviour across different Member States, this could (if implemented) result in adverse effects on consumers and economies as whole. On the other hand, it might be difficult to reach a consensus on such legislation for reasons stated. A similar comment applies also to the potential introduction of common creditworthiness assessment standards. One will quickly find out how diverse deeply rooted practices with regard to this exist in different Member States. At the latest, this will be apparent when the proposed legislation attempting to apply a one-size-fits-all approach encounters strict opposition from different sides.

Distance selling requirements

Finally, with regard to possibly amending the distance selling requirements contained in the Mortgage Credit Directive (MCD) and Consumer Credit Directive (CCD), any changes made should not amount to more than fine tuning as the implementing legislation is still relatively recent (especially in relation to the MCD), meaning that new amendments to relatively new rules could, as a consequence, present a shock to consumers.

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New 50 euro banknote released

More security features protect them from counterfeiting

The new €50, the fourth banknote in the Europa series, started circulating on 4 April, the European Central Bank announced on release day.

**Security features include watermark, portrait window**

Marking a further step towards making euro banknotes even more resistant to counterfeiting, its security features include a portrait window near the top of the hologram which becomes transparent when looked at against the light. The window reveals a portrait of Europa, a figure from Greek mythology, which is visible on both sides of the note. The same portrait is also visible in the watermark, alongside the emerald number, which displays an effect of the light moving up and down when the note is tilted. The note also includes raised print for the visually impaired.

**Survey on cash use**

“Even in this digital age, cash remains essential in our economy,” Mario Draghi, President of the ECB said. “A soon-to-be-published survey on cash use, carried out on behalf of the ECB, shows that over three-quarters of all payments at points-of-sale in the euro area are made in cash. In terms of transaction values, that’s slightly more than half.”

Respondents were asked to note all payments made at points-of-sale, such as supermarkets, shops for durable goods, bars, restaurants and street markets. The ECB survey covered 17 countries. National studies with similar methodology were conducted by the national central banks in Germany and the Netherlands.

**€50 note most widely used euro banknote**

The €50 is the most widely used euro banknote denomination. With over 9 billion of them in circulation, they account for 46% of all euro banknotes. The €50 banknotes of the first series will remain legal tender and continue to circulate alongside the new notes and will be gradually withdrawn from circulation.

New €100 and €200 banknotes will be issued at the beginning of 2019.

WSBI-ESBG informs its members of the new currency via a partnership with the European Central Bank’s *Our Money* programme.

Learn more about the new €50 note at [www.new-euro-banknotes.eu/](http://www.new-euro-banknotes.eu/) or by scanning the following QR code.
Locally focused, customer-driven savings and retail banks are embracing the digital wave sweeping the financial sector, according to industry experts who took part on 26-27 January in the WSBI Innovation Conference in Brussels. The two-day event brought together WSBI-ESBG members to show how they are harnessing digitalisation to better serve their customers. They joined more than 200 policymakers, stakeholders, technology experts attending the conference to exchange best practices and to discuss the need for innovation-friendly public policy.

Under the theme “Gearing up for Digitisation: Adapting Retail Banking to the Digital Age”, the event showcased the innovation-savvy of members from a dozen countries in Asia, Europe, and the Americas as well as insight from fintechs.

Day 1: Transforming a bank to the digital ‘New Normal’

The first day kicked off with opening remarks from WSBI-ESBG Managing Director Chris De Noose, who noted: “A rapidly changing financial services landscape requires relentless innovation from the banking sector.” CaixaBank Deputy Chairman Antonio Massanell provided real-world examples of what is most important when transforming a bank to the digital ‘New Normal’.

Following Mr De Noose’s remarks (see related opinion piece on page 29), the first panel looked at how innovation disrupts other economic sectors. A keynote speech followed by member CaixaBank’s Deputy Chairman Antonio Massanell, who chairs the WSBI-ESBG High Level Group on Digitalisation & Innovation. The morning ended with a look at retail banking products and services in the digital age with a mix of member banks and fintechs.

The afternoon sessions explored revamping banks’ back-office with banking technology and larger tech-related firms. Next was a panel on cyber-security defence with experts from organisations that focus on behavioural biometrics and anti-phishing. The final Day 1 panel, “Happiness is a journey, not the destination” included three WSBI-ESBG members banks who showed how banks can offer a seamless integration of new and traditional distribution channels for all customers.
Day 2: Best practices

Following the regulatory policy-focused morning address by Mr Oettinger, attendees enjoyed a hard-hitting panel that explored the future of the bank branch. A series of best practices from four WSBI-ESBG members from three continents illustrated how their branches have evolved with digital-led change. A second panel followed, looking at how new technologies can address the financial inclusion challenge. WSBI-ESBG members joined a microfinance analytics firm and an expert from the World Bank Group’s International Finance Corporation.
EU’s Oettinger sees future for digital-savvy banks

EU policymaker says banks must embrace digital wave

EU Commissioner Günther Oettinger urged banks on Day 2 of the innovation conference to continue to stay on the journey to embrace innovation. Speaking to an audience during the second day of the two-day WSBI Innovation Conference in Brussels, Oettinger echoed sentiments by conference participants that locally focused, customer-driven savings and retail banks face challenges as the digital wave sweeping the financial sector.

Mr. Oettinger, who had recently completed a two-year role leading the EU executive body’s digital agenda, also addressed policy around digitisation in the financial sector. He noted that the legislative framework should enable innovation while minimising risk and should also ensure a level playing field among financial services providers that includes banks, fintechs and other mature companies seeking to enter the market.

That same morning, WSBI President Heinrich Haasis addressed the conference, saying: “Digitisation changes the way we look at banking. As the ‘digital wave’ sweeps the planet, old ways of client contact are being replaced by ‘quick touch’ apps. Face-to-face, ‘high-touch’ customer service is the future.”

Learn more about the conference at www.wsbi-esbg.org/events/innovation or by scanning this QR code.

(left to right): Caixabank Deputy Chairman Antonio Massanell, WSBI President Heinrich Haasis, EU Commissioner Günther Oettinger and WSBI-ESBG Managing Director Chris De Roose take moment to further discuss the policy framework needed to help banking innovation thrive.
Preview:
Retail Banking Conference 2017

Explores proportionality and sustainability as pillars of growth

WSBI recently announced in March that the 2017 Retail Banking Conference will be held on 27 June in Brussels at The Hotel.

The one-day conference includes three panels that will touch on:

- Anchoring trust and adjusting regulation for a growing economy;
- Sourcing local banks for a sustainable future; and
- Policy implications of automation.

Summer School Finance for budding bankers this August

Hochschule der Sparkassen-Finanzgruppe now accepting applications

Students and young professionals from around the world are invited to take part in the Hochschule der Sparkassen-Finanzgruppe-led Summer School Finance programme. Specifically designed for those with a strong interest in the European and international financial markets and who want to improve their command of Business English for financial services and banking regulation, it takes place in Bonn Germany from 3-30 August 2017.

The application deadline is May 31, 2017. The fee for the four-week program is €3,200. Price includes all courses and excursions, local accommodation, health insurance, public transport, breakfast and all meals during social events. Arrival and departure flights are excluded.

About the Hochschule der Sparkassen-Finanzgruppe

Since 2003 the Hochschule der Sparkassen-Finanzgruppe – University of Applied Sciences – Bonn (University of the Savings Banks Finance Group) offers performance-oriented employees of financial institutions the opportunity to obtain an internationally recognised academic degree in parallel to their vocational training or professional activity.

For further information about the undergraduate and graduate degree programs: www.s-hochschule.de