G20 and locally-focused banks

Promoting Responsible and Sustainable Financial Services in the Digital Age

Tokyo, 5th June 2019

Mr. Isidro Fainé

WSBI President
Dignitaries,

Dear colleagues,

Ladies and gentlemen,

As President of the World Savings and Retail Banking Institute, I would like to welcome you all to this Conference jointly organised by the Asian Development Bank Institute (ADBI) and the (WSBI).

This is the third in a series of conferences that we started in 2017, coinciding with the G20 Meetings, choosing the country holding the G20 Presidency as the host country for our Conference.

Therefore, we held our 2017 Conference in Berlin, while last year, it was held in Buenos Aires and this year, in Tokyo, as Japan is presiding over the G20.

I am sure this event will be engaging, with policy and academic debates, which will provide an excellent occasion for knowledge sharing and to reaffirm our strong commitment to social progress for everyone.

I would like to express my gratitude to the ADBI, and especially to its Dean, Mr. Naoyuki Yoshino, for hosting this event in the vibrant city of Tokyo and the largest metropolitan area in the world.

The ADBI plays a vital role in supporting traditional locally-focused banks that contribute to local economic development.
Its Institute, complements these efforts with valuable intellectual input. We wish to thank you for your guidance and support.

It is a pleasure to open this Conference, in which prestigious speakers from all over the world will be participating. I would like to take this opportunity to thank the following people:

- Mr. Shlomo Ben-Ami, Executive Vice-President of the Toledo International Center for Peace, former Minister of Foreign Affairs of Israel and Special Advisor to several governments, one of which was to the former President of Colombia, Juan Manuel Santos.

- Mr. Shinobu Nakagawa, Director General of the Public Relations Department of the Bank of Japan.

- Mr. Tomohiro Miura, Director of the Strategy Development Division of the Financial Services Agency of Japan.

- Mr. Katsunori Nemoto, Senior Managing Director of Keidanren (The Japan Business Federation).

- Mr. Yasuyuki Kawasaki, Deputy Chairman of Sumitomo Mitsui Banking Corporation, our strong and reputable member from this host country which greatly enriches both our Institute and today’s conference.

I also wish to give a special welcome to our good friends from the Norinchukin Bank and the Shinkin Central Bank.
I would like to begin by briefly talking about the WSBI. Our Institute has over 100 members with a presence in almost 80 countries. With its unique business model that focuses on retail banking on a local and regional level.

The WSBI, which was founded in Milan in 1924, helps to create opportunities for everyone, rather than just a few.

In Japan our WSBI member is Sumitomo Mitsui Banking Corporation, a group with an extensive business network and excellent financial ratios and is fully committed to the WSBI values.

Our Organisation has a strong presence in the Asian-Pacific area, one of the world’s leading regions of economic growth, with 25 members in 17 countries and more than 1 billion customers.

In fact, Asian and Pacific countries represent around 40% of the world’s GDP and recent studies suggest that in 2050 their share of the world economy will reach more than 50% of the world’s GDP.

Japan’s economy has maintained a steady growth in the last few years. The culture of the “land of the rising sun” is based on a unique synthesis between tradition and modernity.

Its institutional environment boasts: excellent education and infrastructure systems, and dedication to its culture of effort, which have made Japan one of the world’s largest and most successful economies.
Returning to the WSBI, our main priorities for the current mandate, which the last General Assembly approved are as follows:

- Promoting financial inclusion and financial education, as well as sustainable development.
- Highlighting the importance of retail banks to regulators and policy makers, as promoters of wealth through support to individuals, families, SMEs, large companies and Institutions.
- Reinforcing our Regional Groups on 5 continents.
- Advocating and increasing the visibility of retail banks on a global scale.
- Exchanging best practices and know-how, which for us is an unbeatable model, and in line with our DNA,
- Fostering Social Welfare programmes in order to improve the poorer and weaker segments of society. Last but not least,
- Acquiring new members.

Striving to achieve these goals, we feel privileged to contribute to the G20 efforts towards global financial stability and sustainable economic growth. In this respect, the G20 has become an important forum to promote:

- global economic growth,
- international trade
- and the regulation of financial markets.
In addition to these priorities, our organisation published the New Delhi Declaration last November, during the 25th World Congress of Savings and Retail Banks, establishing five commitments:

1. Broaden financial inclusion by offering affordable products adapted to the specific needs of people, especially the unbanked and underbanked.
2. Continue efforts to open and maintain accessible, sustainable and affordable bank accounts.
3. Serve customers from all layers of society with traditional branch networks complemented by clever use of digital technology.
4. Maintain our focus on financing SMEs, the main engine of jobs and wealth creation in our communities.
5. Carry on investing financial and logistic resources in financial education, as a pathway to financial inclusion and a sustainable economy.

With regard to the Conference theme, the WSBI is strongly committed to promoting responsible and sustainable financial services in the digital age.

We are aware that this is a huge task and that we face challenges and obstacles as well as multiple opportunities. I am convinced that “Poverty stops where savings start”.

Financial inclusion and financial education are currently a priority in the agendas of public authorities and financial institutions.
As savings and retail banks, we have always had an active role in this field.

Promoting financial inclusion is part of our heritage and constitutes the core of our mission.

Savings, for us are sacred, but they are also a stepping stone towards the inclusion of a maximum number of people in the formal economy and in the financial system.

As an example of our commitment in this field, the WSBI gives total support to the World Bank’s Universal Financial Access 2020 Goals.

At the meeting of our General Assembly on 23rd September 2015, WSBI members pledged to reach 1.7 billion customers and add 400 million new transaction accounts by the end of 2020.

According to the latest available data from 31st December 2018, we are honored to announce that we have reached this commitment two years before the end of the programme.

The WSBI has also built partnerships with leading world-wide institutions: Together with the Bill and Melinda Gates Foundation, the WSBI encouraged the active use of savings accounts for the unbanked with 10 member banks in Asia, Africa and Latin America.
This programme helped retail and postal banks to:

- implement the technological changes needed to support new agent networks,
- implement international best practice in managing agency network risk,
- re-engineer business processes and IT systems to improve service levels.

Moreover, we at the WSBI are collaborating with the MasterCard Foundation in an initiative called “Scale2Save” to help establish the viability of small savings banks in six African countries and support them to reach scale and sustainability with low-balance accounts.

This programme is intended to develop viable business models with regional banks that create high-impact results and broaden financial inclusion in a business-sustainable way.

The WSBI is also starting an educational project with ProFuturo, underpinned by the Telefónica Foundation and the “La Caixa” Banking Foundation, to provide digital financial education and life skills from an early age in the most vulnerable environments through technology and digital platforms.

Now it is time to speak about digitalisation.

As we are all aware, we are entering the next wave of digitalisation where artificial intelligence will play an important role:

- we have gone from Connectivity to Digital Services
• from Digital Services to Big Data, and
• from Big Data to Artificial Intelligence.

We are moving towards a future of smart networks, characterised by:

• edge computing dynamics,
• virtual based systems,
• cloud-based servers and
• APIs (Application Programming Interfaces).

We need to adapt rapidly to this digital era, moving from linear thinking to exponential thinking where disruption allows us to gain scale and lower prices.

Innovation never stops. Technology is constantly evolving and is transforming the banking sector. Digitalisation lets us offer a wide range of services to our customers 24/7 without forgetting our strong culture of close and human relations.

All of this, allows for more efficiency and revenue.

Indeed, digitalisation entails a change in the business model that influences all ways of life and customers’ behaviour in financial matters. New realities have emerged: In this regard, we need to maintain and reinforce customers’ trust, because “Without trust there is no business”.

Promoting financial education is one of the key initiatives of the WSBI. I am convinced that financial education leads to financial inclusion, which
is the best way to effectively empower individuals and families, create jobs and provide welfare for society. This is part of our responsibility.

Many WSBI members excel in this field. We have successfully developed programmes addressing a broad scope of people from children and young students to entrepreneurs, families and of course, the elderly.

Small, medium and large WSBI members, aim to empower citizens of all ages through financial education by:

- Fostering their skills in financial literacy
- Helping them make informed decisions
- Making societies more inclusive
- Ensuring equitable, inclusive and quality education, while
- Promoting lifelong learning opportunities for everyone

I should point out that when it comes to ethics and good governance, I firmly believe that ethics is the lever for sustainable growth of companies.

Nowadays, we need a management model adapted to the realities of the 21st century, focusing on people while treating our employees with dignity, integrity and respect at all times.

As I always say, if I had to summarise management, I would say that it is:

- Making our people grow
- Creating a good work climate by giving them a certain degree of freedom
- Having personal challenges for everybody
• Promoting personal responsibility (Including decision taking)
• Encouraging good communication, up down, and transversally as well as
• Paying them adequately

Managers must be aware that, apart from their business responsibility, they also play an important role in society.

That is why we must always act consistently between:

• what we think,
• what we say, and what we do; while
• being honest, transparent and
• showing commitment to each of our stakeholders.

I am sure that when this is achieved, the expectations of customers and society will be fulfilled, the reputation of companies will grow and the leadership of business will be strengthened.

Turning to customers, society and sustainability.

I am convinced that excellence must be the goal we pursue when providing service for our customers and maintaining a relationship with all our stakeholders.

Our branches will be more competitive if they are fully customer centric.

We should offer our clients not only the best products on the market, but the best service that is perceived in good and honest treatment.
To make a long story short: never forget that “a banker prospers when customers prosper”.

Proximity to our customers is also applied to small and medium-sized businesses, one of the most valuable segments we cover. They are essential for the overall economy and they are the largest source of employment.

We are keenly aware of their entrepreneurial capacity, honesty, and solvency.
We have all the means to follow their evolution and we know how we must treat each of them at all times.
The aging population has also become a major factor. It is transforming our society and has a deep impact on banking. Life expectancy is increasing worldwide.

As a result, savings are becoming more and more important to prepare for the ageing of the population.
However, since the financial crisis, we have been facing a low-interest-rate environment, which disincentivises savings and makes it even more difficult to cover pension gaps.

The aging population and demographic changes present another emerging challenge for world economic growth and social security.

Social security retirement schemes, as well as personal savings and investments, should serve as sources of income during retirement.
However, finding the right balance is not easy.

As you know, financial inclusion not only affects young people but also the elderly. With this in mind, one of the challenges ahead of us is to make sure that there is no financial exclusion of the elderly by providing them with digital financial literacy and the best service in our branches.

How to attain profitability, proportionality and a level playing field:

Achieving profitability while fighting financial exclusion is possible, although this task has not been easy in recent years.

Besides the low interest rate environment, the regulatory framework has changed significantly.

The WSBI advocates for proportionality and better banking regulation, not the “one-size-fits-all” solutions.

We believe that policy makers should consider:

- the bank’s size,
- complexity,
- nature of activities and
- business model in order to adopt new and appropriate legislation.

We also persist in our efforts to remind regulators of the importance of a level playing field with regard to access to data and digital financial services, to ensure consumer protection and financial stability.
My next point is about Sustainable Finance:

Sustainability is about ensuring that the commitment to meet the United Nations Sustainable Development Goals by 2030 is not an empty pledge. Meeting these goals will require continual effort and the involvement of all parties.

Indeed, sustainable finance is crucial to the communities that we serve. Working for a sustainable future, particularly in terms of tackling climate change and strengthening social cohesion, is a priority for citizens, businesses and local communities in our towns and regions.

In this context, WSBI members have a special role to play due to:

- our presence in remote areas,
- being close to the people, and
- focussing our work on SME and household lending.

On the other hand, implementing policies to ensure compliance with the Paris Agreement COP21 and the United Nations Sustainable Development Goals has become a major priority for policy makers.

The WSBI is an Associate Member of the United Nations Environment Programme – Finance Initiative, and we cooperate with Institutions in the development and implementation of the Principles for Responsible Banking. The WSBI also participates in various Task Forces, working closely with International Regulators in the field of sustainability and offering a model of responsible and sustainable banking.
Consequently, WSBI members commit to investing responsibly by considering environmental, social and governance values in the decision-making process, to engage in socially responsible endeavours that bring real benefits to our society.

Ladies and gentlemen, before ending my speech, I would like to reiterate the importance of locally-focused banking on a global scale. Our retail banks have a regional presence and a responsible commitment to society they make a substantial contribution towards:

- inclusive growth
- sustainable growth and
- prosperity.

We are deeply rooted in every corner of the world to serve the financial needs of people as Angela Merkel said in Hamburg at the Annual Convention of the German Savings Banks.

We participate in communities by helping reduce inequalities and providing citizens with opportunities to improve their well-being.

I think it is worth mentioning that the combined welfare budget that WSBI members annually devote to social and health-care projects amounts to almost 2 billion dollars.

Our regionally focused and grass-roots oriented banking approach allows us to balance the need for financial sustainability and a return to society, while financing the real economy and fostering social progress.
We are aware that success does not come alone but is built day by day, which requires constant and patient dedication, effort hard work and cooperation.

In this sense, I would like to remind you of the words of Henry Ford when he said:

- Coming together is a beginning,
- Staying together is progress, and
- Working together is success.

In my opinion, the time has come when we are obliged to give of ourselves and demonstrate to society and the authorities of each country with projects and facts, that solutions to our big problems exist and they are within our reach.

We just need to discover them and give them life; life to continue offering a positive social impact, while providing all our fellow citizens with:

- The hope of a job,
- The opportunity of feeling useful, and
- Enough energy to forge with their daily effort:
  - a life of meaning
  - a family, and
  - a more just and equal society.

If we do this, we will not only accomplish the objectives of the G20, but we will also feel fulfilled as professionals and as people.

THANK YOU