EDITORIAL

The G20 Leaders Summit in September will be a pivotal moment, as international institutions will have to report the progress they have made on the G20’s ambitious priorities ...

A new era of international regulation
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In the wake of the economic crisis, banking and financial regulation became an international matter. Indeed, rules which apply to our credit institutions are increasingly designed by the international institutions under the auspices of the G20. In this regard, the G20 Leaders Summit on 5-6 September 2013 will be a pivotal moment, as international institutions will have to report the progress made in relation to the very ambitious G20 priorities which, in the financial area, aim to restore confidence through effective regulation.

The G20 addressing major challenges to the global economy is nothing new, but its focus on financial regulation, while understandable given everyone’s desire to prevent another financial crisis, is without precedent. Actors in the banking and financial sectors must be aware of this and voice their suggestions and concerns at an early stage, i.e. during this international phase.

This is all the more true as the regulatory framework will no longer take shape only through the adoption of principles and recommendations. Indeed, the influence of international institutions is increasingly apparent in a regulatory framework which applies to all jurisdictions that have endorsed it, and which is implemented by a regional (e.g. European Union) and/or national binding legal corpus.

Taking a closer look at current international initiatives is enlightening, for it reveals how international regulators now dare to tackle banking and financial issues by creating significant and demanding rules.

The Basel III Accord is of course at the top of this list. It was devised to address the negative effects on the economy that the activity of large, cross-border banks had produced during the financial crisis due to their excessive size, risk-taking, interconnectedness and lack of enough backstops. The impact of the accord, which imposes requirements for higher and more qualitative capital, as well as liquidity ratios, is huge, as it has to be implemented almost worldwide and applies not only to big banks but also to those small, regional and traditional banks that do not engage in complex and risky activities. And more is on the way, not only on liquidity, in the form of the net stable funding ratio (NSFR), but also on risk weighted assets, which may be revisited due to their lack of homogeneity from one institution to another. These developments are a matter of great concern because they will entail a number of changes both for clients (less lending and higher costs), and for institutions (adaptations in terms of funding and activities in particular). The proper party to contact in the event of detrimental impact resulting from inconsistent implementation is the Financial Stability Board (FSB).

Beyond the Basel III requirements, the Basel Committee has developed a set of principles for identifying global systemically important banks (G-SIBs) and domestic systemically important banks (D-SIBs) and submitting both to additional loss absorbency requirements to limit cross-border and domestic negative externalities on the global financial system and economy. Implementation is foreseen for January 2016 and will be followed by a strict peer-review process. Concerning D-SIBs, the Basel Committee has adopted a principles-based approach that will allow an appropriate degree of national discretion in the assessment and application of policy tools in order to accommodate the structural characteristics of individual jurisdictions. In short, the international prudential netting is being tightened but in a way that respects the capacity of national supervisors to adjust provisions to their domestic realities.

What could also severely impact banking institutions are banking structure reform projects currently being discussed or developed in several regions and countries: the Volcker Rule in the United States, the Vickers Report in the UK, the follow-up to the Liikanen...
Editorial

In the European Union, the proposals in the French and German legislatures. The Basel Committee closely follows these initiatives, as illustrated by its first working paper published in April that focuses on the likely implications of such initiatives for financial stability and systemic risk, banks’ business models, and the international activities of global banks. Even though this working paper gives neither a positive nor a negative opinion but rather provides different conclusions that highlight the benefits and flaws of banking structure reform, we can expect the Basel Committee to become more active in this area. Two observations come immediately to the mind of a banking industry observer: i) the timing and the necessity of such reform can be questioned, especially considering the enormous amount of legislation the banking industry will have to implement in the coming months as a reaction to the crisis; ii) serious thought must be given to the kind of banking model we want to promote in the future, particularly regarding whether a single approach makes sense worldwide, or whether the specificities of each region could be a shield in times of crisis as proved to be the case in the European Union.

Another subject of international action is the distress or failure of banking institutions, known as the recovery and resolution regimes. Their rationale: taxpayers can no longer afford to bail-out every kind of financial institution throughout the world. Although traditionally this has been addressed country-by-country, since 2010 the Basel Committee and the FSB have issued regular progress reports assessing to what extent their recommendations (e.g. Key Attributes for Effective Resolution Regimes, October 2011) have been implemented. This summer, the FSB will take the new step of revising guidance on resolution strategy and assessing the methodology of the Key Attributes. This proves that international institutions are keen to accompany developments in this area – which is crucial to restoring confidence in the banking sector – by mitigating discrepancies between jurisdictions. Such consultation intends to take into account specific banking features, thus an opportunity will be offered to savings and retail banks to reaffirm their specificities, in particular with regards to the protection schemes that they already have in place.

In addition to these already numerous initiatives, we have recently witnessed the development of a thematic approach which aims to relaunch growth worldwide. The G20 (taking the lead at international level) and the European Union (having released its Green Paper on long-term financing) point to the need for measures to foster the supply of long-term financing and improve and diversify the system of financial intermediation for long-term investment. The objectives of these initiatives are, amongst others, to generate and attract savings and channel them to the right users, to develop tools to ease access to capital for SMEs and individuals, and to generate a satisfactory return to both investors and society. The FSB and the Organisation for Economic Co-operation and Development (OECD) encourage savings and retail banks to share their ideas for regaining the confidence of investors and ensuring satisfactory access to capital. The underlying question is how to ensure that intermediation in the banking sector will remain efficient and in line with the expectations of clients/investors: we should think twice before shifting from an intermediation model to a capital markets one, in particular because deposits remain in banks’ balance sheets and the risks have to be managed and only banks are properly equipped to do so.

Finally, the entire supervisory framework is also in the sights of international institutions, as illustrated by the Core Principles for Effective Banking Supervision (October 2006), which are regularly reviewed and improved by the Basel Committee. These overarching principles are increasingly transposed into concrete rules in the areas of supervision and crisis management. The utmost vigilance is required to guarantee that the proportionality principle so crucial for savings and retail banks is respected.

It’s the dawn of a new era of international regulation. Let’s help regulators avoid the errors of the past: recall that the Basel III framework was initially designed for large, cross-border, internationally active institutions, and that this original design potentially threatened the pluralism and diversity of the European banking sector. With its members’ input, WSBI-ESBG has influenced, and continues to influence, the Basel III framework and its transposition into law in order to incorporate the interests of savings and retail banks and preserve banking sector pluralism and diversity.

Similarly, the G20 is not necessarily aware of savings and retail banks and their crucial role in the global economy, but we must make them so before they repeat the error of thinking only in terms of large, cross-border, internationally active institutions. Smaller, regionally oriented savings and retail banks comprise a major engine of the real economy. A stable, sustainable international economy can only be achieved through stable, sustainable domestic economies; and these can only be achieved through stable domestic financial systems, which cannot be achieved without savings and retail banks. Domestic financial systems are our territory. We are the crucial link between them and a healthy, stable, sustainable international economy. Therefore, what’s being debated in the Bank for International Settlements tower at Centralbahnplatz 2 in Basel is your future. Be a part of it. When our members worldwide reply to the consultations that we launch and participate in the debates that we organise, they are actively developing and strengthening WSBI-ESBG positions that will be shared with the G20 and make them aware of the importance of savings and retail banks to the pluralism and diversity of the banking sector. Let’s act together to ensure that the interests of indispensable actors in financing the real economy, such as savings and retail banks, are not left aside and that their business models are not subjected to unjustified adaptations that prevent them from playing their essential role in the economy.
SEPA migration
A referendum with 40 billion votes

You may not have taken notice yet, but a European Union-wide referendum will take place on Saturday, 1 February 2014. On that day the European payment citizen (i.e. all persons who receive and make payments on a daily basis, be it in a personal capacity or on behalf of a company or another entity) will respond to a question: Do you accept to renounce the credit transfer and (where they exist) direct debit payment instruments you are accustomed to, in favour of the two pan-European formats and rules defined by the European Commission and Parliament? Or the short version of that question: Do you accept to make and receive SEPA payments?

To be fair, because this transition from well-known payment instruments to pan-European ones is mandated by a European Regulation, the only possible answer to the above question should be: Yes! However, the European payment citizen so far has never been given the opportunity to express directly his/her opinion with respect to SEPA (i.e. the Single Euro Payments Area). Punctual information from limited samples has often been used by the legislator to justify specific dispositions of the Regulation, yet their acceptability has not been tested on a broad scale (particularly for the new direct debit rules). Therefore, 1 February 2014 will be an important day, as per EC Regulation 260/2012 all existing credit transfers and direct debits (or some 40 billion transactions on a yearly basis – except for a few special cases) should have been replaced by the European formats. This being a Regulation, in theory the only possible outcome of that “referendum” is a 100% yes.

Such an outcome would be greeted with gratitude by the European banking industry that for many years worked relentlessly to ready the European payment infrastructure and to inform and support customers. The payments infrastructure has been tried and tested with the new formats and rules, and some countries are already seeing some decent volumes of live payment traffic conforming to them, thanks to early migrations by a number of account holders giving payment instructions in these countries. The banking industry, however, has no powers to compel customers to migrate – other than refusing, from 1 February 2014 onwards, to execute transactions submitted by customers who have not yet migrated, as provided for by the Regulation and as reiterated as recently as 14 May by the conclusions of the European Council of Finance Ministers.

Hence, considering the importance of 1 February 2014, and knowing that public administrations, corporate and most SMEs need significant advance planning to prepare for migration, one would rightfully expect the authorities who have relentlessly stressed the importance of achieving SEPA both from a political and an economic perspective to blanket the European Union’s television, billboards and magazines with advertisement campaigns – as had been done, for example, in 2001 in preparation for the introduction of the physical euro currency. Unfortunately, in spite of repeated requests by the banking industry, the big start of SEPA will hardly bring any revenue to the continent’s ad agencies. Considering both the huge number of voters, i.e. payment citizens, to convince, and the stakes, the absence of such campaigns must lead to questioning the chosen public relations strategy. Should the “referendum” result in, say, less than 90% of the credit transfer and direct debit volumes in scope to migrate to the new formats by 1 February 2014, that public relations strategy will have failed.

But, as a supporter of SEPA from Day 1 of the development of the project, we at this stage still hope that such concerns are misguided, that the European payment citizen will embrace the new rules and formats, resulting in a massive, nearly 100% “yes” response to the referendum on SEPA.

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The finalisation of the CRD Review - or the end of a seemingly never-ending story

For a long time, the cumbersome and protracted negotiations regarding the CRD Review reminded us of Michael Ende’s *The Neverending Story*. At least since November 2012 we repeatedly heard that the next trialogue session would be the last, only to discover afterward that a next “last” session had been scheduled.

As it gradually became apparent in late February and early March that the European institutions had finally forged a compromise, we could hardly believe it. But it was true – and the Council followed through by adopting the CRD Package on 27 March in the Permanent Representatives Committee (Coreper) and the Parliament set it in stone with an unusually consensual vote on 16 April.

The CRD Review – the European transposition of the internationally agreed 2010 Basel III Accords, in the form of the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV) – obliges banks to hold more and better quality capital, introduces liquidity provisions, such as the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), a leverage ratio, and adapted corporate governance rules.

Ultimately, ESBG is very pleased that pragmatism prevailed and that the specificities of the European savings and retail banks were appropriately taken into consideration in most cases, in particular with regard to capital requirements.

The proportionality principle, enabling an adequate adaptation of the rules to credit institutions’ size, complexity and the riskiness of their activities, was enshrined in the texts. This is very much welcomed by ESBG. Nevertheless, ESBG will be very attentive to the European Banking Authority’s follow-up to the provision according to which the EBA has to ensure that all regulatory and implementing technical standards follow the proportionality principle.

Concerning capital, the adjusted composition of Common Equity Tier 1 (CET1) recognises specific instruments, which are characteristic for ESBG’s members, such as Cooperative Certificates of Investment (CCIs) and certain silent participations. Other capital instruments, such as equity certificates, still need to be advocated, as they might be classified as CET1 by the national competent authority. The specificities of our members’ structures have also been taken on board, as illustrated by the recognition of indirect holdings in networks and minority interests.

Representing the European savings and retail banks, many of which consider SME lending their core activity, ESBG very much welcomes the introduction of a so-called “supporting factor” lowering the risk weighted assets (RWAs) associated with SME lending for both the standardised and the internal ratings-based approaches. However, this factor is only to be applied until further review. ESBG will put all its efforts into ensuring that this reduction will become permanent. Regarding ESBG’s demand for a raise of the cap for the SME loan category in the standardised approach, the outcome was less satisfactory.

Unfortunately, with regard to deferred tax assets, ESBG’s position does not figure in the final legislative texts. However, Member States’ discretion regarding the definition of default for mortgages was kept, which is paramount to some of our members.

ESBG is generally supportive of the provisions governing the Liquidity Coverage Ratio (LCR); the list of eligible assets was left quite open, in conformity with the Basel Committee’s January decision. However, it is unfortunate that some members’ existing system of liquidity networks has not been recognised, as ESBG advocated.

All in all, ESBG can nevertheless draw a broadly positive conclusion on the outcome of the negotiations on the CRD Review. Finally, even this “neverending-story” has an ending. Or does it? With the new challenges, such as the LCR’s observation period, the NSFR’s introduction, and the RWA framework’s revision all looming, it could as well be just a new beginning.

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Another grab at citizens’ pockets:
The financial transaction tax

After the Commission’s unsuccessful attempt to reach a common European agreement on a financial transaction tax (FTT), a coalition of willing Member States is going ahead, trying to impose this new burden in several national jurisdictions. The official justification of this legal action appears out of step with reality: according to the public declarations, the proposed tax aims “to ensure that the financial sector makes a fair and substantial contribution to public revenues”. Doubts persist when looking at its mechanism: the proposed tax rate shall be applied to both sides of a transaction and thus be charged to both buyer and seller.

Most day-to-day financial activities of ordinary citizens and businesses (e.g. insurance contracts, mortgage lending, credit card transactions, payment services, deposits, etc.) are exempt from the proposed FTT. This is supposed to protect the real economy – but is this an accurate assumption?

Most transactions are not purely the activities of credit institutions but of the private parties behind them. That they can be protected and the tax “concentrated on financial institutions” lacks a persuasive argument. The latter are subject to economic constraints and would be obliged to generate additional revenues – to raise prices – in order to pay the tax, which would affect not only the targeted businesses but all bank clients. At the end of the day, it’s the customers who will, unavoidably, pay the tax.

Although ESBG supports the initiative to “eliminate tax obstacles to all forms of cross-border economic activity, in addition to continuing the fight against harmful tax competition” according to the tax policy in the European Union “Priorities for the years ahead”, and though ESBG would support the effort “to engage in more responsible activities geared toward the real economy”, ESBG does not believe the proposed FTT can contribute to these goals.

We have seen examples where an FTT has been implemented and had an immediate detrimental effect on the market. In the 1980s, Sweden introduced a 0.5% tax on the purchase or sale of an equity security. Share prices fell by 2.2% on the day that the tax was announced. Even though the tax on fixed-income securities was considerably lower than that on equities, the impact on market trading was much more dramatic. During the first week of the tax, the volume of bond trading fell by 85%, even though the tax rate on five-year bonds was only 0.003%. The volume of futures trading fell by 98% and the options trading market essentially disappeared.

In April 1990, the fixed-income securities tax was abolished. In January 1991 the rates on the remaining taxes were cut in half and by the end of the year they were abolished completely. Once the taxes were eliminated, trading volumes returned and increased substantially in the 1990s.

Should the current FTT proposal come into force in several EU Member States, a severely unlevel playing field will be the consequence. Legislation is less local than ever. The financial sector and its clients outside of the FTT zone will be subject to a tax regime different from that within. This not only raises the possibility of a “drain” of financial activities to other Member States and third countries; other countries and their financial activities will unavoidably be affected by such a tax, albeit to a different extent, due to its application to both sides of the transaction. Consequently, the current attempt to introduce an FTT via enhanced cooperation – a procedure where a minimum of nine EU member states are allowed to establish advanced integration or cooperation without the involvement of the other members – appears to enforce rather than eliminate tax competition.

Moreover, in order to ensure their capital supply, credit institutions would become drastically more dependent on the European Central Bank since transactions with it are exempt from the FTT. Numerous other ways to rescue credit institutions will no doubt be explored.

A good idea is to make revenues constitute a direct resource of the EU budget. However, participating Member States should not be allowed to deduct it from their normal contribution to the EU, which would put the EU’s income on a less predictable ground and threaten to weaken European integration.

It’s not easy to predict what will happen to the FTT proposal, but just a few weeks ago, nobody would have believed that the US Foreign Account Tax Compliance Act – designed primarily to combat offshore tax evasion and recoup an estimated $100 billion in federal tax revenues lost annually – would not come into force. Recently, a FATCA repeal bill has been submitted to the US Senate and, while its future is uncertain, it has some support. Perhaps supporters of the FTT proposal can’t breathe easily yet.

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Banking Union

The lawyers will apply the political will

On 18 March a person close to the trialogue negotiations on the Single Supervisory Mechanism. He was adamant that the Irish Presidency and the European Parliament were nowhere near an agreement. The Presidency had no negotiation mandate and the Parliament was loath to give up its main claims. It was clear that my colleagues and I just had to grin and bear it.

The very next day, just after lunch, Permanent Representative of Ireland to the EU Rory Montgomery and the Parliament’s negotiating team announced the success of the negotiations.

Why the sudden turnabout? Three days earlier, in exchange for a €10 billion deal with the EU, Cyprus announced a one-off bank deposit levy of 6.7% for deposits of up to €100,000 and of 9.9% for larger deposits, accompanied by the shutdown of all of Cyprus’s banking services. “Bleak day for the Banking union”, reported the Financial Times. The hubbub of analysts and commentators echoed the sentiment: the Banking union couldn’t protect depositors as promised. It was a failure.

My sentiment was that it had become clear to trialogue negotiators that their game of chicken was over and it was time to make headlines. Technical issues were an obstacle to the Banking Union, but common will and extraordinary events made it progress.

At the origin of the Banking Union is President Von Rompuy’s report “Towards a Genuine Economic and Monetary Union”, which spurred the European Council, in June 2012, to delve deeper into unity. The rationale behind the Banking Union is to break the vicious circle between the sovereign debt crisis and the banking crisis by rebuilding trust. The Banking Union is composed of three pillars: a European Supervisor, a European Resolution Scheme and a European Deposit Insurance Scheme. The Euro Area Summit occurring in parallel with the June 2012 European Council called on the European Commission to urgently draft a proposal for an Single Supervisory Mechanism, whose aim was to use “external” supervision to buttress reliance on credit institutions. ESBG was in favour of this project, as it represented an important step toward achieving a coherent, unique supervisor befitting the Eurozone.

The following months of negotiations occurred in two steps. First came defining the positions of the institutions, a tedious process...
especially at the Council. The second step was inter-institution negotiations, which occurred in an interesting context: the Irish Presidency, because of the fragile consensus among Member States, was not allowed to negotiate with the Parliament on sensitive topics, and the Parliament, because of the special legal basis chosen for the legislative text, was not allowed to be on an equal footing, forcing it to be even more combative. Hence the negotiations appeared to be in a deadlock before the Cyprus events.

The Single Supervision Mechanism is a necessary basis for the other two pillars, but that’s not the only reason why common supervision has been dealt with first; it is the only pillar that does not imply solidarity between Member States. The Commission is now expected to issue a proposal on the Single Resolution Authority before the summer. This second pillar is meant to ensure that a failing bank can be methodically wound-up without creating major instability in the financial system and enormous costs for taxpayers. However, this mechanism may imply Member State solidarity when it comes to their resolution funds, and the Commission would be in favour of creating one single European resolution authority.

Even before it was articulated, the Single Resolution Mechanism made enemies, particularly in the person of the German Federal Minister of Finance Wolfgang Schäuble. The topic of solidarity among Member States is very sensitive to those who would add the most to the pot and Germany has demonstrated that its citizens are not keen on sharing their hard-earned money without some guarantees of getting it right. Also, Germany will have major elections in September that could threaten Angela Merkel’s government. The result of this volatile mix is Mr Schäuble’s request for a treaty change to root these bank resolution powers in the treaty.

But a treaty change, if recent history is any judge, has become a rather perilous exercise owing to growing euro-scepticism fuelled by our era of austerity. And any referendum in the countries that require one on a tool to sustain the banking sector will be rejected, no matter how well it is presented.

More “bleak days” may lie ahead for the Banking Union, but it remains an important step toward achieving coherent supervision for the Eurozone. While we might doubt the solidarity of Member States in these difficult times, we should remain confident in the commitment of Eurozone countries to delve deeper into the European project. Why? Because when push comes to shove, like it did for the Single Supervision Mechanism on 19 March, the technical issues fade away, and we hear, as French Prime Minister Léon Blum once said: “I have taken my decision, bring in the lawyers!”

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WSBI Doubling Savings Accounts Programme lays important groundwork for pro-poor outreach in the ten participating countries

Since 2009 WSBI Training & Consultancy has been implementing a microsavings programme with ten of its member banks. The recurring question in the last couple of months has been whether the projects are at a tipping point for breakthrough to quickly reach out to hundreds of thousands of low-income savers: the results of the ten participating member banks show that 1.6 million new savings accounts are now in the hands of people living under $2 a day.

At the beginning of 2013 the programme conducted a downwards adjustment of the initial planned trajectory for account take-up due to dormancy, which was not taken into consideration in the banks' proposals. The programme has asked whether WSBI members are peculiarly vulnerable to dormancy. Over-reporting data and different interpretations of account activity and dormancy seems a widespread reality in the inclusive finance world. It’s an achievement of the programme that participants have started to clean up their data and move towards a reporting scheme which measures activity rates not just in total numbers but also in ranges per monthly savings balance, thus providing a significant picture of transaction activity by income group. By doing so WSBI now knows that the programme is in fact dealing mainly with $10-15 monthly average balance savings. This is excellent news for the Programme because it confirms that members’ main customer base is comprised of small balance savers with a median deposit of less than $25.

Another question is whether small balance business can be sustainable. Assuming that providing e-payment solutions and scale can deliver sustainability, how do members get a critical mass of a million or more active savings customers? Securing government business via social grant and pension payments is one way. Looking into a so far untapped market of young “third” adults (15-25-year-olds who are neither heads of households nor spouses) who are more likely to be early adopters of new technologies is another way. The programme is furthermore supporting the view that the product price is driving the volume and that the banks have done a lot to bring down their pricing.

The programme’s steering committee discussed the above on 16 April in Brussels. Discussion was enriched by three new external committee members: Arthur Arnold (formerly of Dutch Development Bank FMO), Seema Desai (GSM Association) and Susan Johnson (University of Bath Centre for Development Studies). Tamara Cook (Bill & Melinda Gates Foundation), Antonique Koning (CGAP), Chris De Noose (WSBI-ESBG), and Johnny Rizq (formerly of Lloyds TSB) continue to serve on the committee.

One of the committee’s conclusions was that through the programme WSBI has laid important groundwork for reaching out to the poor with financial services. A tipping point for breakthrough is difficult to predict but clearly change in the project has happened in many ways given the new channels, products and pricing schemes the banks have set up in recent months through which a new customer base mainly comprised of small balance savers is created.

Leveraging the best practices of the whole WSBI membership and identifying the champions in access to finance will further nourish the programme’s work. The next programme CEO workshop in Berlin on 12 June will look into producing rapid uptake of customers and providing the opportunity to exchange best practices with the wider WSBI membership during WSBI General Assembly events and panel sessions succeeding the workshop.

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Global Forum on Remittances describes a vibrant market with transformational power

The 20-23 May Global Forum on Remittances, organised jointly by the World Bank and IFAD (International Fund for Agricultural Development, a United Nations agency) in Bangkok, attracted 350 delegates from 64 countries representing governments and central banks, international agencies, payment service and other providers, NGOs and donor organisations. The programme and the debate were articulated around three themes: remittances and development, remittance markets and innovations, and financial literacy and investment models – and their quality kept the delegates riveted for three days. The conference showed that remittances are transforming the rural space profoundly: on one side, remittances (the counterparty of human labour export, whose direct costs should also be addressed) can be viewed as the index of failure in agricultural development; on the other – beyond sustaining families and communities – they create investment opportunities that are less risky than traditional agricultural investment, which is dependent on weather and world market prices.

Not even counting domestic remittances, the $400 billion in annual cross-border remittances is the sum of nearly 1.5 billion cash-in and 1.5 billion cash out transactions (as cash-to-cash still reigns). Better data now exist about the size of remittance corridors and pricing comparison databases have been built by authorities and are regularly updated, and the five principles for international remittances formulated by the Bank for International Settlements and World Bank in 2007 are gradually gaining acceptance. However, the G20 commitment to bring down the cost of remittances by 5% (in absolute terms) by 2014 will not be met in all corridors (a matter Australia might pick up during its G20 presidency next year). There is evidence (especially in Asia, specifically, Indonesia, South Korea, Malaysia, the Philippines, and Sri Lanka) that governments can play a decisive role in dramatically increasing the volume of remittances flowing through the “formal system”, thus fostering financial inclusion. Today, corridors may shift quickly and emigration countries become immigration countries; South-South migration is ever more a reality; and it is readily apparent that remittances can change lives (one-third of Asian countries are now donors to international organisations).

More, however, needs to be done to better harness the potential of technology (this is a must for going the last mile in rural areas), remove regulatory roadblocks (including disproportionate anti-money laundering rules) and achieve interoperability between providers (and get rid of long-term exclusivity arrangements). The market is generally dominated by remittance service providers of all sizes (yet many are multi-country) and it is they who, in the absence of interest by banks and under price pressure for remittance transactions, are beginning to explore opportunities for cross-selling (savings, loans and insurance products). Even though marginal today in terms of transaction volumes, most providers have mobile and pre-paid solutions up their sleeves. Speaking at the conference, WSBI gained attention by stressing the challenge at both macro- and micro-levels of managing more cash during the transition to account-based payments. Delegates were also reminded that the savings of diasporas equal the annual remittance flow and that a range of mechanisms (apart from the famous “diaspora bonds”, such as direct investment and community lending) exist to plough them back into the countries of origin.

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HFC/Airtel Ghana: using mobile phone records to market financial inclusion products

A WSBI project, funded by the Bill & Melinda Gates Foundation, that brings together WSBI member HFC Bank, Ghana, with MNO (mobile network operator) Airtel, commenced in April to explore the feasibility of using call detail records to develop behaviour and propensity models for marketing bank savings and life insurance products.

Following an international tender, WSBI awarded a contract to Cignifi Inc. (http://www.cignifi.com) to conduct the related data analytics, deploying its behaviour-based scoring platform to identify potential customers for savings products based on their mobile phone usage.

The aim of the project is to identify and design innovative marketing approaches that lead to greater financial inclusion. Cignifi will create marketing and response scores for savings products using billions of detailed phone data records, anonymised so as to protect customer confidentiality. WSBI will act as facilitator and overall project manager. The project will demonstrate how mobile phone-based scores may be employed by banks to promote financial inclusion products – specifically savings and insurance – in their target markets.

The pilot is anticipated to prove innovative marketing concepts of potential interest to WSBI member banks in all parts of the world in partnering with MNOs, providing them with insight on a new technology that can support better customer segmentation and more targeted marketing. For MNOs the benefits will include opportunities to enter long-term relationships with financial institutions and their customers, including the development of non-financial services (such as loyalty offerings) linked to savings and insurance.

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WSBI-ESBG supporting the Development Bank of the Seychelles (DBS)

WSBI-ESBG, as part of a consortium led by the Belgian Bankers Academy, has since February been involved in a technical assistance project that aims to assist the DBS in (a) implementing a credit line from the European Investment Bank (EIB) for start-ups and micro-, small and medium-sized enterprises (MSMEs), and (b) translating this fairly new mandate into a market proposition and a sustainable business model. The project focuses on improving three main operational areas, i.e. credit risk management (including credit scoring), treasury/asset and liability management, and corporate governance and internal controls.

By implementing this project, WSBI-ESBG puts into practice one of its members’ key tenets: provide funding to enterprises in all stages of their development, which in turn leads to new employment opportunities and economic growth. Lessons learned on MSME finance during this project will be categorised and, it is hoped, made available for the benefit of WSBI members elsewhere.

Furthermore, not only is the DBS assignment the second EIB-funded technical assistance project that has been won this year (WSBI-ESBG is also involved in an EIB-funded microfinance project in Haiti), several of our members have also been working with the JEREMIE programme. The Joint European Resources for Micro to Medium Enterprises is an initiative managed by the European Investment Fund whereby Eu Member States can use Eu structural funds to finance SMEs in their countries.

As regards project progress, the inception report was produced at the end of March and subsequently approved by the EIB. This report includes detailed planning for the remainder of the project, which is expected to be completed in February 2014. The report strongly advocates an approach whereby the consortium’s experts work closely with DBS staff. The goal is to equip the employees with the skills to implement DBS’s new mandate sustainably.

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2013
ESBG
50TH ANNIVERSARY CELEBRATIONS

GALA DINNER (INVITATION ONLY)
Celebrating 50 Years of Service to the Real Economy
Royal Museum of Fine Arts of Belgium, Brussels
29 October

2013 RETAIL BANKING CONFERENCE
Retail Banking: Key to Unlocking the Full Potential of Europe’s Real Economy
The Hotel, Brussels
30 October
Did you know that the birth of the European Savings Banks Group is inextricably linked to the birth of the European Union? Officially created on 23 April 1963 as the European Economic Community Savings Banks Group, it was the brainchild of German Savings Banks Association President Fritz Butschkau. He had served on the European Economic and Social Committee since its very first meeting in 1959 and felt it was imperative for Europe’s national savings banks associations to work more closely together.

Fifty years on, ESBG is celebrating a half-century of service to the savings and retail banking sector in Europe. This is not just a celebration of our first 50 years but also of our vision for the next 50 years and beyond: a future in which ESBG will continue to promote the interests of savings and retail banking and its crucial role in fuelling the real economy.

This makes the 2013 ESBG Retail Banking Conference extra special. And we are indeed planning an extra special event.

Get ready for something different. First, on 29 October in the beautiful and historic setting of the Royal Museum of Fine Arts of Belgium, ESBG will host a Gala Dinner for ESBG members, national financial authorities, and EU and international financial institution stakeholders. This will be a proud celebration of ESBG’s past contribution to the retail banking sector and thus its part in what became the European Union, with a high-level keynote speaker and, of course, a scrumptious menu.

Then on 30 October, the Retail Banking Conference will be a bold step into the future, reflecting ESBG’s position as the retail banking sector’s leading forward-looking organisation. Three conference sessions will feature high-level officials and experts exchanging views, delivering candid keynote speeches, and voicing specific ideas regarding the rapidly changing bank environment in Europe. Moreover, bankers will have the chance to react directly to policymakers.

Thus the conference will bring together European and international policymakers, regulators and financial institution representatives as well as high-ranking professionals with a variety of backgrounds and views on the future of the European retail banking sector.

Finally, the conference will conclude with an exclusive invitation-only lunch accompanied by keynote speeches and an exchange of views between high-level officials.

You are not only warmly invited but strongly encouraged to attend and share this watershed moment in the history of ESBG.
Key to Unlocking the Full Potential of Europe’s Real Economy

Session 1

“Caught between a (Northern) Rock and Cyprus: a new banking environment?” will address the need to fundamentally adapt the sector’s business model. But how exactly should it be changed? By finding the right balance between proportionate regulation and supervision particularly for those institutions that survived the financial crisis? By supervising each and every move bankers make? By separating those activities which are essential for the financing of the economy from purely speculative activities? Leading policymakers will provide their vision on how the banking environment should evolve.

Keynote speeches & Exchange of views

Session 2

“Long-term financing of the economy” will ask: What are the obstacles to banks’ financing investment projects? Impact of additional requirements on capital and liquidity, accounting and tax measures? How can banks finance SMEs and long-term infrastructure projects (transport infrastructure, hospitals, schools) that improve life in society in a sustainable way? Who are the players in financing the economy? Only banks, or also other financial market players and if yes under which conditions? Should banks adapt their business models to align their financing possibilities to the financing needs of society?

Panel discussions

Session 3

“Bankers react to policymakers” won’t be a traditional panel, per se, but a series of short, dynamic debates between two persons, one from the policy world, the other from the banking world. The debates will address a wide array of topics: banking structure reform, retail banking activities (mortgage, retail package), payments, and prudential consequences for bank balance sheets.

Exchange of views
ESBG 50th Anniversary Celebrations

GENERAL INFORMATION

29 October
GALA DINNER (INVITATION ONLY)
Celebrating 50 Years of Service to the Real Economy
Royal Museum of Fine Arts of Belgium, Brussels

30 October 8.30-13.00
2013 RETAIL BANKING CONFERENCE
Retail Banking: Key to Unlocking the Full Potential of Europe’s Real Economy
The Hotel, Boulevard de Waterloo 38, 1000 Brussels

HOW TO REGISTER
Registration is compulsory prior to the event. Seats are limited, early registration is encouraged.
To register please send an email to esbg@emcnet.eu.

PRACTICALITIES
• Attendance is free of charge.
• A unique occasion for networking with public authorities and senior representatives from the industry.
• Translation into French & German will be provided.

CONFERENCE SECRETARIAT
The conference is organised by ESBG
Contact: dirk.smet@savings-banks.com
Tel: +32 2 211 11 90

With the support of Emcnet
Contact: christian.hawkins@emcnet.eu
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30 October 13.00-15.15
2013 RETAIL BANKING CONFERENCE LUNCH – ATTENDANCE BY INVITATION ONLY
Keynote speech and exchange of views.
Financial education is more relevant than ever in the current European socio-economic context of increasing precariousness in the living conditions of the population and their ability to manage money and plan for the future. The behaviour of citizens, households, and businesses is impacted by such factors as the decrease in public funding, the future of social security and pensions and alarmingly rising unemployment rates, especially among youth. Financial education constitutes a proficient way to contribute to the prevention of future financial imbalances that have negative consequences for citizens. It can empower citizens with adequate knowledge so they can navigate a society with an increasing number of payment facilities and tools which, if not handled wisely, can lead to impulse buying. ESBG and its members recognise the importance of promoting financial education at European level and have traditionally carried out and continue to carry out a wide range of initiatives with the aim not only of preventing social and economic exclusion, but also of contributing to providing citizens with better knowledge of financial issues, which will enable them to make informed choices.

Against this background ESBG organised on 19 March a workshop entitled: “ESBG and Financial Education: Renewing Efforts”. The purpose of the workshop was to reflect on the need to continue with financial education efforts by financial institutions, in the wider current socio-economic context. To attain this objective, discussions focused on a number of relevant aspects in this field. Regarding the introduction of financial education at an early age, panel discussions evidenced the importance of financial literacy efforts, especially for children and young adults. Providing youth with the right tools to address the challenge of finance seems to be the way forward, and notably through the integration of financial education in the school curricula. In this respect, savings banks will continue to provide their support to increase children and youth financial capabilities through various initiatives, but also support movements such as Child and Youth Finance International. Financial education also plays an important role in empowering people to save in times of crisis. Discussions proved the importance of teaching people and households how to save and build assets in a lifelong learning process, leading to an increase in their economic security. Financial education thus fosters the resilience of citizens, consumers and households to withstand unpredictable events during their lifetime.

Educating households about money matters and private finance and empowering citizens has always been at the core of savings banks activities under their social responsibility and their commitment to finance the real economy and avoid speculation. Discussion focused on the responsibilities and actors involved in the provision of financial education; it was claimed that all key actors (including financial institutions) in society need to assume their responsibility by joining forces to strengthen the financial capability of consumers.

Financial education is thus needed to complement consumer protection policies or regulation and adequate supervision. It is needed because it is a tool that empowers citizens and households contributing to reach a more inclusive society. Savings banks will continue with their activities in this field.

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Social dialogue in the banking sector

Since the economic and financial crisis emerged, industrial relations in Europe have deteriorated due to differing responses of Member States, resulting in unfavourable conditions for sectoral social dialogue, particularly in some Central and Eastern European countries. There is a current need to improve industrial relations and enhance dialogue between employers and trade unions.

In 2013, ESBG’s social dialogue activities are particularly dynamic as a result of the approval by the Commission of the joint project “Life Long Learning: Follow up of the joint declaration and promotion of the EU sectoral social dialogue”. The project’s core objectives are to act upon the joint declaration on lifelong learning (LLL) agreed between social partners in the banking sector (three EU credit sector associations and Uni Europa Finance), and integrate Eastern European countries into the European social dialogue. For this purpose, ESBG and the social partners seek to exchange experiences on LLL practices in the banking sector in new EU Member States, by holding a series of workshops in Zagreb, Bucharest and Sofia, as well as discussions, consultations, negotiations and joint actions undertaken by the social partner organisations representing the two sides of the banking industry. The first activities appear quite encouraging: social partners have expressed great interest in meeting and speaking with each other, and exciting experiences have been shared at workshops in Eastern Europe.

For example, during the Bucharest workshop, social partner affiliated members recognised that difficult industrial relations, the challenges of establishing a social dialogue nationally, and differences between companies demand an improved capacity to negotiate and generate agreements in order to achieve a transparent dialogue between employer and employee. Meanwhile, the models of companies which have developed LLL and social dialogue good practices may serve as an example for others. For instance, WSBI-ESBG member Bancpost (Romania), characterised by its model of good practices based on training programmes and qualifications, believes a well trained workforce is vital for the competitiveness of companies and the employability of workers.

Historically, savings banks have been distinguished for their commitment to society and the improvement of living and employment conditions by supporting economic and social development in their countries. In this sense, ESBG and its members must continue to promote and actively participate in social dialogue in the banking sector at European level, especially in difficult times, when the reinforcement and strengthening of industrial relations in Europe is indispensable.

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Financial Inclusion Research Conference, Harvard Kennedy School

On 1 March, WSBI participated in a conference organised by the SWIFT Institute, which was founded in 2012 to extend understanding of current practice and future needs in global financial services, with a particular focus on transaction banking; and to act as a catalyst for bringing the SWIFT community and academics together to explore ideas, share knowledge and extend mutual understanding.

At this conference, financial industry leaders and academics explored how to bridge the gap between the unbanked and the banking sector. WSBI participated as a discussant to a paper presented by the World Bank relating to an audit study of the quality of financial services in Mexico, which aimed to understand the quality of information and products offered to potential low-income customers. Study authors trained “mystery shoppers” who had visited multiple financial institutions in Mexico, looking for both credit and savings products. On the face of it, the results appeared to make uncomfortable reading for banks, suggesting that bank staff provide little information voluntarily and, when probed, most appear misinformed about key characteristics of the products and clients are rarely offered the most adequate products for their needs. However, in response, WSBI commented that mandatory legislation intended to improve financial inclusion – as has been enacted in Mexico and elsewhere – rarely delivers breakthrough. There is no proven correlation between the existence of a legal obligation to provide access and the number of account holders in any given country. Further, it was stated that breakthrough will only come when banks begin to recognise the market potential of delivering sustainable financial services to the unbanked “poor”. Papers presented at the conference may be found on http://www.swiftinstitute.org/papers.

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European Stock Market Learning
Financial education put in practice

Recent societal developments have demonstrated that financial education is more important than ever. The European Stock Market Training Programme is part of the savings banks’ collective efforts to create socially responsible initiatives that favour adolescents. The programme is coordinated by ESBG and currently involves France, Germany, Italy, Luxembourg, and Sweden and their respective savings banks. Savings banks from other Member States are in the queue to join this instructive and entertaining activity.

This unique, pan-European financial education initiative is tailored to teams of pupils and students aged 14 to 19. The programme consists of a ten-week Internet simulation of managing a virtual securities portfolio by using stock exchange indexes of participating countries. The primary goal is to familiarise students with the functioning of the stock market.

Additionally, the programme is highly valued by the participating schools as a key tool that helps adolescents understand economics and financial markets, gain experience in portfolio investment, and oversee prudent and suitable financial risk through a “learning by doing” process. The use of the Internet contributes to making financial education more appealing and the teamwork element teaches students to make strategic decisions as a group.

In recent decades, the initiative has expanded tremendously and now reaches more than 250,000 students each year.

A European award ceremony is traditionally organised for the national winning teams each year to emphasise the European spirit of the competition and the bridges that can be built between schools and students from different countries. This year’s ceremony was held at the Kalkscheune in Berlin on 12 April, followed by a dinner and party for students, teachers and savings banks’ representatives. In 2014, it will be hosted by La Caixa Foundation in Barcelona.

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Knowledge Marketplace

Development banks
Engine of economic development

Interview with Jorge Estefan Chidiac, Managing Director, BANSEFI; GRULAC Chairman, 2012-2015

What was the main challenge when you took office as Managing Director of BANSEFI? What are the next steps?

The main challenge for BANSEFI (Banco del Ahorro Nacional y Servicios Financieros), a national credit institution and development bank, continues to be the financial inclusion of the low-income population. Only 36% of adults use formal savings services. If we include access to formal credit services, this percentage rises to 48%. Moreover, 60% of adults do not use bank branches and only 38% use cash machines.

To encourage the formalisation of economic activities and promote regional development, we must forge ahead on the financial inclusion of those who do not use formal financial services. Sustainable economic growth requires both saving and effective channels for converting this saving to investment. Families need savings and credit to build their assets and address their needs at each life stage. This can be achieved through efficient and reliable financial services.

BANSEFI, the state instrument for providing direct financial services, supports the savings and loan sector – predominantly Savings and Loan Cooperative Companies (SCAPs), but also Popular Financial Companies (SOFIPOs) (open joint stock microlenders) and Community Financial Companies (SORINCOs) (rural joint stock lenders) – by coordinating efforts and leading a policy of financial inclusion of the poorest. BANSEFI and the sector have specific products for this population, such as no-fee, low-transaction accounts, micro-insurance and savings incentives. BANSEFI also operates the federal government's largest welfare benefit distribution network. Every two months, it serves 7.5 million beneficiaries, of whom 6.5 million are now 98% “bancarised” and have increased competition to improve the terms of access to financial services.

BANSEFI will work to consolidate its role as the financial instrument of Mexico’s social welfare policy, to increase the use and variety of available financial services and to optimise the geographic coverage and deployment of service networks, and it will continue to support the strengthening and expansion of the savings and loan sector.

BANSEFI will also go beyond its traditional focus to retail saving and other financial services. With this shift, BANSEFI will be able to grant loans to individuals primarily when there are still no financial intermediaries available in the market to serve specific segments of the population.

How is the agent banking model coming along?

In 2012 BANSEFI oversaw the licensing of 202 banking agents through the Diconsa community stores (Diconsa is a majority government-owned company established to overcome food poverty by supplying staples in rural areas). BANSEFI has launched a pilot project with Pemex petrol stations and another with businesses affiliated with Barared, a Mexican company whose affiliates are primarily independently owned corner shops. Thanks to BANSEFI’s efforts, 320 businesses have been licensed by Mexico’s National Banking and Securities Commission (CNBV) to operate as banking agents in 23 of the 32 federal entities.

What strategies have you developed to financially include the low-income population and the unserved in the Mexican formal financial system?

In 2002, BANSEFI launched the L@Red de la Gente®, a commercial network that savings and loan sector intermediaries can join on a voluntary basis. This network:

- encourages financial inclusion to bring financial services to those excluded from the formal banking system, thereby serving the needs of the neediest;
- promotes saving;
- offers comprehensive financial products and services on competitive terms, in order to serve more people;
- reduces costs, shares risks and enhances the operations of savings and loan sector intermediaries by boosting the transaction banking component of financial service operations, thereby facilitating increased penetration.

Furthermore, by working with geographically distributed savings and loan companies, including in very poor areas, we create local wealth and improve the quality of life by encouraging saving, access to credit and other financial services that promote the development of productive activities.

In March, L@Red de la Gente® had 258 members representing a total of 2,397 branch banks that provide comprehensive financial services to at least six million Mexicans in 978 municipalities in Mexico’s 32 federal entities.

1 L@Red de la Gente® and its slogan “El Valor de la Cercanía” are registered trademarks in Mexico and the United States of America. They may not be reproduced or distributed without the permission of the administering Trustee.
BANSEFI also promotes the orderly expansion of microfinance intermediaries through its Programme of Technical Assistance to Rural Microfinance (PATMIR), which offers specialised technical assistance to savings and loan companies to expand their services to poor rural areas. Although the programme works by promoting saving, it also provides technical assistance for companies to develop specialised products and services in this market segment with a view to achieving comprehensive financial inclusion. The goal of the next phase (2012-2014) is to bring 825,000 new financial service users into the sector, but we are reviewing the feasibility of widening that scope to as many as one million new users.

Alongside banking agents, BANSEFI has built up a large network for distributing government benefits, with more than 15,000 points of delivery that we are working on turning into banking agencies offering account holders a safe place to deposit money, make withdrawals, check their balances and make service payments. To that end, we are implementing a strategy to provide a banking infrastructure for localities without commercial banks by means of BANSEFI-contracted networks.

BANSEFI won second place for a financial inclusion initiative in the “Improving the Delivery of Public Services” category of the United Nations Public Service Awards. The project’s goal was to financially include 6.5 million families receiving welfare benefits, which are deposited in their bank accounts, and to establish banking agents, thereby fulfilling its mandate of promoting financial inclusion and improving public service delivery by reducing transaction costs, primarily for poor rural families.

Since 2009, BANSEFI has been implementing an adult financial education strategy, initially focusing on its own clients and the savings and loan sector. The strategy is based on educator training, education targeting populations with high marginalisation indexes, training materials, and educational resources such as books, cartoon clips and a website. It has strengthened the financial inclusion of the most vulnerable and improved financial and money management habits on the basis of six subjects: Financial Planning, Financial Services, Managing Credit, Saving, Money Transfer and Insurance.

What is the role in the Mexican financial system of the cajas (savings banks) under BANSEFI’s scrutiny?

One of BANSEFI’S primary objectives is to channel financial and technical assistance to encourage saving and promote the healthy development of the savings and loan sector. This strategy has two main prongs:

- Coordinating assistance to strengthen and expand the sector in a regulated environment, by strengthening financial indicators; improving intermediary operating capacities; supporting expansion to under-served areas; and promoting financial education among the sector’s target population.

- Strengthening BANSEFI as the sector’s development bank, by encouraging microfinance companies that are already, or in the process of being, licensed to operate as a network; and creating a specialised financial service offer for the sector in order to help intermediaries increase their business volume, income and profitability.

From 2003 to 2012, microfinance intermediaries demonstrated considerable dynamism: the number of members and customers of microfinance companies rose from 1.8 million to 8.2 million. Already licensed companies serve more than three-quarters of these members and customers. The sector’s assets and deposit capture have more than doubled its contribution to gross domestic product. More important, the sector BANSEFI serves is present in a considerable number of municipalities and reaches areas and market segments that commercial banks do not.

How did the global financial crisis affect BANSEFI and the cajas, and how did you respond?

The Mexican financial system and the savings and loan sector in particular have continued to grow despite the crisis. In fact, from 2009 to 2012, the financial indicators of the licensed savings and loan cooperatives improved: the average non-performing loan index went from 8.92 to 6.00, and the capitalisation index from 161.02 to 249.35. The sector’s regional market focus makes it less sensitive to international crises.

Throughout the global crisis, BANSEFI fulfilled the purpose for which it was established. In 2008-2009, BANSEFI reported a rise in account numbers and profits. Even 2009, a particularly difficult financial year, saw the opening of more than one million accounts. Net deposit capture rose 74.7% from 2009 to March 2013, with a net capture of 12,577 pesos for the current period, while the number of accounts increased from 4.8 million to 12.8 million, or 174% over 2009. These results are due in part to the benefit distribution service, which recorded a 140% increase in the amount distributed from 2009 to 2012, accompanied by a...
90% increase in the number of programme beneficiaries. The solid financial health of Mexican financial intermediaries is partially explained by the loan portfolios of Mexican commercial banks, which are financed by local deposits rather than foreign capital.

What does your membership in the WSBI network contribute to your institution?

WSBI membership gives BANSEFI a chance to show its experience as a leading bank in financial inclusion in Mexico and to learn about other cases that can enhance the crafting of financial service initiatives. This international exchange of experiences creates a degree of international cooperation in bilateral and multilateral arenas where BANSEFI can both offer and receive assistance. Agreements resulting from the exchange of successful, innovative practices in the forums organised by WSBI and its members lay the groundwork for implementing actions to support and encourage the population’s access to financial services. Furthermore, collaboration with WSBI gives BANSEFI an opportunity for contact with political leaders, multilateral international institutions, NGOs and banking groups that share our vision of providing financial services to the entire population as a tool for development.

The fallout of the financial and economic crisis is relentlessly affecting the performance of banks all over the world, especially in more mature markets. Though on the bullish side, financial markets are still volatile, banks are subject to major uncertainty, and their customers’ trust and loyalty is still very low.

Retail banks that have developed a universal banking model seem to have done better than their competitors. Strategies to deal with the market revolve around several policies that create a foundation for achieving growth and profitability: a customer centric policy, multichannel clients, standardised operating models, cautious risk management, innovation, capital management and governance. How are retail and savings banks doing in these areas? What are they doing to maintain profitability and build or rebuild customer confidence?

These are topics that participants in the next International ESBG Summer Forum, 18-21 September in Volterra, Italy, will discuss in a relaxed environment with peers from other European and worldwide savings and retail banks.

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WSBI participates in Caisse Nationale des Caisses d’Epargne (Côte d’Ivoire) microfinance workshop

Financial inclusion is an important issue in Côte d’Ivoire, where the banking rate is only 14.2% (source: Trésor Public de Côte d’Ivoire). Microfinance institutions (MFIs), with a network (as of 31/12/2011) of 72 institutions and over 860,000 clients, have positioned themselves in the Côte d’Ivoire market as reliable links to financial inclusion. Nevertheless, the sector faces institutional, operational and structural challenges exacerbated by the post-election crisis.

The CNCE mission to improve access to financial services for the poor justifies its intention to develop a win-win partnership with MFIs and become an important player in financial inclusion. The idea is to create and lead a platform on microfinance in Côte d’Ivoire.

In this context, CNCE organised a workshop in April 2013 on the topic of “CNCE financing and supporting the microfinance sector in Côte d’Ivoire”. The key question of the seminar was: What should be CNCE’s intervention strategy in the Côte d’Ivoire microfinance market?

Main workshop objectives were:
- To explain the reasons for CNCE strategic positioning in microfinance sector.
- To define operational prerequisites and a framework for CNCE intervention in the microfinance sector.

Participants included the Côte D’Ivoire Ministry of Economics and Finance, Association of Professionals in the Non-banking Financial Sector, WSBI, United Nations Development Programme, Agence Française de Développement, Oikocredit (a worldwide social investor), Afrique Emergence & Investment and CNCE Management.

Hélène Dollo, Head of Microfinance in the Ministry of Economics and Finance, presented the national microfinance strategy addressing weak governance, an inefficient internal control system and feeble regulatory framework to monitor and supervise the sector.

The Association of Professionals in the Non-banking Financial Sector exposed and classified the issues inherent to microfinance according to their priority in the industry. Oikocredit’s Francophone West Africa Region Manager Mariam Dao Gabala and Afrique Emergence & Investment Managing Director Fahan Bamba cited the lack of awareness of microfinance activities as a key hindrance to building trust and developing links between banks and MFIs.

Finally, WSBI presented “The Gears of the Microfinance Sector’s Development”, underlining its achievements in microfinance and financial inclusion, such as:

- A proposal to develop the application of prudential norms for microfinance activities in a regulatory framework enabling savings banks to better deliver financial services to clients in a context of fair competition with respect to the principle “same business, same risks, same rules”.
- A call to define a global strategy at national and regional levels as part of a long-term poverty alleviation scheme.
- The 2012 adoption by WSBI members of The Marrakech Declaration to provide “an account for everyone”.
- Financial education activities on microfinance and retail banking conducted in the WSBI network.
- Collaboration with partners to promote best practices and exchange knowledge on financial inclusion: Consultative Group to Assist the Poor, G20, European Microfinance Platform, Microcredit Summit, Child & Youth Finance, Alliance for Financial Inclusion, Universal Postal Union, and Better than Cash Alliance.
- Endorsement of the Convergences 2015 “Global Appeal for Responsible Microfinance” (originally launched in 2011 as the “Paris Appeal for Responsible Microfinance”).

The workshop’s second part was a senior management brainstorming session dedicated to defining operational prerequisites and a framework for CNCE intervention in the microfinance sector. Participants provided their opinions on the type and level of intervention, and created and tasked committees to follow up on direct refinancing of MFIs, agent banking and non-financial products.

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Fatoumata Camara, WSBI. Thérèse Amichia, Assistant Director for Promoting Deposits and Products, CNCE and colleague.
19th WSBI Africa Regional Group meeting
Innovation in products and delivery channels to face the competition in Africa

At the kind invitation of HFC Bank Ghana, more than 40 delegates representing WSBI Africa members and external stakeholders attended April’s meeting in Accra. Bank of Ghana Deputy Governor Millison Narh, WSBI Managing Director Chris De Noose, and HFC Bank Ghana Managing Director and Africa Regional Group Chair Asare Akuffo opened the meeting, which focused on “Innovation in products and delivery channels to face the competition”.

Discussion first covered WSBI achievements and priorities on financial inclusion and retail banking activities, G20 priorities, consultancy and training, and corporate social activities including the WSBI Charter for Responsible Business and its related CSR Report. Mr De Noose introduced key points of the new WSBI Strategy 2020 and analysed implications for WSBI members.

Discussion next focused on:

- Enhancing efficiency in retail banking: as this is the top priority for African members, they were delighted to hear Tanzania Postal Bank (TPB) share its experience of lowering the cost-income ratio and cost per account and transactions, and Kenya Post Office Savings Bank (KPOSB) impart its know-how on improving business processes and customer services.

- Successful business partnerships within WSBI: KPOSB and Lesotho PostBank (LPB) shared their experience of fruitful collaboration on the implementation of POS, and La Banque Postale du Gabon presented the framework of its partnership on institutional reform with Al Barid Bank Morocco.

- The mobile banking solution: discussions confirmed members’ interest in innovative distribution channels and their potential to expand financial inclusion. PostBank Uganda (PBU) and Pride Microfinance Limited, based in Kampala, shared their experiences on mobile banking and identified regulation as the main challenge to developing agency banking. The Moroccan IT firms NCRM and Saphir Systems introduced a mobile banking solution.

Finally, the Africa Working Groups reframed their focuses around institutional reform, innovation and technology, and financial inclusion and corporate social responsibility:

- Working Group 1: Institutional Reform
  Chair: Postefinances Senegal
  Members: Kenya Post Office Savings Bank, Uganda Finance Trust, La Banque Postale du Gabon, People’s Own Savings Bank of Zimbabwe.

- Working Group 2: Innovation and Technology
  Chair: Tanzania Postal Bank

- Working Group 3: Financial Inclusion & Corporate Social Responsibility
  Chair: Pride Microfinance Limited (Uganda)

WSBI defined the terms of reference for these topics and is coordinating communication between members.

The meeting’s second day addressed financial inclusion best practices in Africa, with input from the Bank of Ghana and the Alliance for Financial Inclusion. Lastly, the Solvay Brussels School of Economics and Management explored the potential of Islamic finance to drive business growth in retail banking.

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When responsibility becomes a core business

The word “responsible” attached to “business”, “banking” or “finance” is appearing more often recently in the titles of forums and events, such as the Global Forum on Responsible Business Conduct (OECD), the Responsible Finance Forum (BMZ and GIZ GmbH), and the International Forum on Responsible Banking and Finance (IBDE International Business and Diplomatic Exchange).

Do these events indicate the sector’s increasing awareness of ethics and of the need to maintain ethical standards? If this is so, it is interesting to note that already in 2008 WSBI-ESBG set up a Charter in Responsible Business summarising the principles and values of savings banks worldwide. The Charter represents savings banks’ commitment to society and represents decades of assuming a responsible attitude toward the provision of banking services to communities. Thus savings banks embedded corporate social responsibility (CSR) in their business practices long before it appeared on the agenda of international organisations.

Today CSR is part of the Europe 2020 Strategy: the EU supports CSR as a way to enhance customer trust and to shape the kind of competitiveness model Europe needs. The European Parliament is also taking a position towards CSR, commending the work of some business schools to promote CSR, and calling for ways to mainstream CSR into management education for all.

Here again WSBI-ESBG is ahead of the movement, with its Online Executive Master Degree in Responsible Banking, set up by WSBI in partnership with the Instituto de Estudios Bursátiles and in association with London School of Economics Executive Education. The Master is an extension of the WSBI-ESBG Charter in Responsible Business and propagates the values of the savings banks’ stakeholder business model. It sheds light on how bankers can strike a better balance between risk, return and responsibility – another version of the famous three “r”s: retail, regional and responsible.

The Master rethinks all banking activity, draws lessons from the crisis and asks – and answers – how to do things differently in order to restore customers’ confidence. The Master humbly contributes to building a new culture in line with society’s requirements as regards sustainability.

The first edition of the Master started on 19 March and those banks which did not participate in the first round are currently reviewing the programme, which can be adapted to internal needs in order to match banks’ existing offer and be in line with their CSR strategy.

What difference can the Master make? It allows you to translate responsible business principles into the bank’s day to day work. It has been designed in the aftermath of a long enduring crisis, in a never before experienced socio-economic context, and responds to today’s pressing needs. Every single bank – even those which did rather well during the crisis – can contribute to regaining the trust of their customers and the general public, increase its share of the customer wallet, grow its business in a highly regulated and competitive market characterised by new and independent entrants, position itself to proactively manage risks, reduce risk management costs, and, last but not least, position itself as a partner in the development of the community and its wealth.

Next step? Contact WSBI today.

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Online Executive Master Degree in Responsible Banking
MAY - OCTOBER 2013
TRAINING PROGRAMMES

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TRAINING WORKSHOP FEES FOR TWO DAYS IN BRUSSELS

€ 550 pp including
- the costs of the expert, course, material, lunches, and taxes
- excluding trip and accommodation of participants

LOCALLY
+/- € 6,000 for a group of minimum 10 persons
- including expert and his accommodation, travel

ESBG Marketing Network visits BCEE’s award winning High Tech Branch

Banque et Caisse d’Epargne de l’Etat (BCEE) in Luxembourg has received the Public Award of the 2013 Accenture BeLux Innovation Awards for its new High Tech Branch situated in the Luxembourg Belle Etoile shopping centre. On the occasion of their last meeting in April, the members of the ESBG Marketing Network had the opportunity to familiarise themselves with the high tech features of the branch, including the Microsoft Surface table and the Kinect for Windows outside touch-wall, and exchange experiences on innovative concepts for the branch of the future.

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WSBI participates in the IDB/IIC annual meetings and presents its activities to 20 prospective members

On 14-17 March, the Boards of Governors of the Inter-American Development Bank (IDB) and the Inter-American Investment Corporation (IIC) held their annual meetings in Panama City. The event gathered top economic leaders from the IDB/IIC 48 member countries, plus representatives of multilateral financial institutions, development agencies, and private banks.

Apart from the institutional agenda, discussions covered the economic challenges facing Latin America and the Caribbean, from biodiversity and broadband availability to logistics and infrastructure needs.

During the meetings, the IDB launched its 2013 MacroEconomic Report on “Rethinking Reforms: How Latin America and the Caribbean Can Escape Suppressed World Growth” and announced the winners of the third annual beyondBanking awards. IIC launched its $80 Million Initiative for SME Development, which aims to improve SME corporate governance in the region.

WSBI seized the opportunity to meet relevant stakeholders and prospective members. WSBI activities and initiatives were presented to about 20 Latin American financial institutions.

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100th anniversary of Government Savings Bank, Thailand

His Majesty King Vajiravudh (Rama VI) introduced savings services to Thailand in 1913. The main purpose was to educate Thais about banking services and to promote the habit of saving. King Rama VI issued an act, effective 1 April 1913, to formally set up the Savings Office, which has been operated by the Royal Treasury since then.

In 1929, the Savings Office was transferred to the Post and Telegraph Department and gained public favour. After the Second World War, the government foresaw the benefits of savings as well as the important role that the Savings Office would play in developing the country. Therefore, the Savings Office was set up as a legal entity to be operated independently under the supervision of the Board of Directors appointed by the Finance Minister under the Government Savings Bank Act B.E. 2489 (1946) and the Savings Office was renamed the Government Savings Bank (GSB) on 1 April 1947.

At present, GSB is a legal entity and state enterprise which operates as a financial institution guaranteed by the government under the supervision of the Ministry of Finance.

On 1 April GSB celebrated its 100th anniversary. Chairman of the Board of Directors Chujira Kongkaew, President and CEO Woravit Chailimpamontri, GSB Directors, executives, officers and employees all joined around the royal statue of King Rama VI at GSB’s head office to pay homage to the bank’s founder.

GSB offered several anniversary souvenirs:
- customers who deposited at least 200 baht on 1 April received a coin-shaped savings box;
- commemorative postage stamps and books;
- Phra Pairee Pinat amulets;
- the first 100 customers served by GSB branches all over the country (970 branches) on 1 April received a Premium Savings Certificate worth 100 baht.

Other celebratory activities included:
- 31 March-1 April GSB hosted “Praying over the Century”, when 50 senior monks joined the ceremony;
- 2 April launch of a new Thai Royal Anthem (Sansern Phra Barami) at the Major Cineplex Group Public Co., Ltd;
- 5 April redeeming and saving 101 cows and buffalos to celebrate His Majesty the King and Her Majesty the Queen;
- 26 April and 10 May thank you parties for employees, customers, alliances, Ministry of Finance officials, and stakeholders.

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Make each stroke count