

news & views

Q4

2019 - EN

Responsible, sustainable retail banking

ESBG handbook released (see page 10)

Retail Banking Conference 2019 (see page 11)

World Savings Day: Better save
than sorry (see page 7, 38, 46)

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the digital age (see page 36, 40)



WSBI



ESBG

Helping savings and retail banks thrive.

656,000

EMPLOYEES

30%

OF EU BANKING
WORKFORCE

26

MEMBERS
REPRESENTING SAVINGS AND
RETAIL BANKS IN **21 COUNTRIES**

885

SAVINGS AND
RETAIL BANKS

48,900

OFFICES AND
BRANCHES

150 million

EUROPEANS BANKED
BY ESBG MEMBERS

NEARLY **1 in 3**

EUROPEANS SERVED IN
THE **21** COUNTRIES
WHERE ESBG BANKS
ARE PRESENT

€5.3 trillion

TOTAL ASSETS

18%

OF TOTAL ASSETS
IN COUNTRIES WHERE
WE DO BUSINESS

€5.9 billion

AVERAGE ASSET SIZE PER ESBG BANK

(WELL BELOW THE AVERAGE ASSET SIZE OF BANKS IN THE 21 COUNTRIES WHERE
MEMBER BANKS DO BUSINESSES.)

Helping people, communities in complex times

By Chris De Noose, Managing Director
WSBI-ESBG

A planet in peril, economic unease and the digital divide add stress to people's lives and frays the world and local social fabric. There are calls around the globe to act by channelling massive funds to address these issues. Feedback from our members around the world makes it clear as day that savings and retail banks' long-term, community-focused business model works well. Even more, they are ideally placed to provide the financing to help the world build a sustainable future.

That said there is room for policymakers to speed up the process. Take Europe. Policymakers there should frame sustainability as more than "green", especially the often-overlooked social dimension. Consider high-impact incentives to help make sustainable solutions irresistible, especially those drawn up by SMEs. A diversified banking sector, proportionate and well-balanced rules, buttressed by subsidiarity, will help people around the globe build a sustainable, inclusive, growth-friendly future. Our socially committed savings and retail banks stand ready to help.



Inside this issue of News & Views, we talk about Europe's challenges in a new ESBG handbook. Inside the booklet, called *Serving all European Citizens*, the savings and retail banking story unfolds. Full of ideas and positions, ESBG provides ideas to address a host of pressing policy topics designed to help shape a sustainable European financial services structure and a strong European Union.

Savings and retail banks are ideally placed to provide the financing to help the world build a sustainable future.



We hope policymakers gain a better understanding of what's at stake and invite them to continue a fruitful dialogue with us.

This edition also explores WSBI statutory meetings in the U.S. capital, and efforts to help widen financial inclusion. We feature the Scale2Save programme and its new research on young people in Africa that sheds light on the need for banks to understand their lives and needs better to bring the right products to market.

Financial education, a pathway to inclusion, also features strongly. We highlight the WSBI-ESBG financial education conference held recently that looks at how to help people get the tools needed in the digital age.

Innovation forms a pillar of what makes savings and retail banks thrive. Inside this edition, you will see first-hand how SMBC innovates to help people access financial services.

We also bring news from our Latin American and Caribbean members who share their knowledge to drive digital breakthroughs.

Finally, we showcase in this last issue for 2019 our recently held retail banking conference, financial history event and this year's edition of World Savings Day celebrated by members around the world. Through all of our efforts, including financial education, we at WSBI-ESBG reinforce our values: retail, regional, and responsible. By doing so, members make their local communities, and economies better.

“Savings and retail banks’ long-term, community-focused business model works. They are ideally placed to provide the financing to help the world build a sustainable future.”

Chris De Noose, Managing Director, WSBI-ESBG



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Bridging the financial inclusion gender gap

Bankers from throughout Asia take convened on 27-28 November in Phnom Penh for the WSBI Regional Group meeting. Hosted by Cambodia Postbank, the two-day meeting focused on financial inclusion and gender gap issues. Participants looked at ways policy, technology and financial education can help bridge the gap and financially empower women. WSBI Managing Director Chris De Noose provided opening remarks during the first session on Day 1. He was joined Neak Oknha, Pung Kheav Se, chairman of the board, Cambodia Postbank (CPBank) and H.E. Neav Chanthana, deputy governor of National Bank of Cambodia, who also addressed the audience of bankers from the region, government officials and other stakeholders. Session 2 on Wednesday looked at how efforts towards an ecosystem designed around financial inclusion for women. Session 3 focused on ways to customize financial products and services for women. A final session on Day 1 tackled ways to empower women in the global supply chain through financial education. ●

Site visits: CPB Branch, building projects

Day 2 brought the WSBI Asia-Pacific Group statutory meetings as well as study visits. Attendees were provided an option to visit CPBank SSK branch, Wat Phnom in central Phnom Penh City – the ancient birthplace of the city – and a visit to visit Olympia and Koh Pich Construction property projects. ●

Serving all European citizens: Helmut Schleweis on EU banking policy



By Helmut Schleweis, president of ESBG and the German Savings Banks Association (DSGV)

Europe faces challenging times: a rapidly progressing climate change and difficult hurdles for economic and social stability. We face a world turning away from multilateralism. At the same time, rapid technological changes offer opportunities, but digital disruptions cause for many people to fear being left behind. Taken together, these fundamental forces give profound reasons for defending the values of European integration and to stabilise and develop the European Union. Only by being united we will be able to defend our European way of life.

Savings and retail banks play an important role in holding strong to European values. With local roots, they have always contributed to build a stable society at times of profound change. Standing for the financial, economic and social participation of all, the nearly 900 savings and retail banks work together within the European Savings and Retail Banking Group – ESBG – to provide financial services to 150 million people in the European Union. They hold more than €1 trillion in corporate

loans to feed the real economy, the lion's share of these loans to small and medium-sized enterprises. They employ more than 650,000 skilled people in 21 countries in Europe. Savings and retail banks make a substantial contribution to EU growth, stability and prosperity by weaving into the local and regional fabric.

Together, they form a major source of finance for people, households and families, small and medium-sized enterprises, community institutions and local infrastructure. A cornerstone of a properly functioning economic engine, they ensure modern banking services serve big cities, rural areas, and everywhere in between. Doing so fuels competition throughout Europe, which benefits people and fosters more equitable living conditions that bridge the urban-rural divide. By offering a broad range of financial education, they have provided Europeans assistance for decades – especially to young people – so that they can obtain better understanding of financial issues and take advantage of opportunities in an open Europe.

Rapid technological changes offer opportunities, but digital disruptions cause for many people to fear being left behind.

WSBI-ESBG PODCAST

Episode #9 is the first in a series of podcasts on the ESBG handbook officially released in November. With a new European Commission in place, ESBG's newly released handbook outlines the savings and retail bank story and how to help Europeans prosper in the coming years. Sebastian Stodulka, who heads up our regulatory affairs department at ESBG, talks about the handbook. Part 2 highlights World Savings Day, with events taking place around the world, including Morocco, El Salvador, Dominican Republic, Thailand and The Netherlands. Part 3 looks at the Retail Banking Conference in Brussels. The 10th podcast produced by WSBI-ESBG, each episode looks at the world of savings and retail banks in some 80 countries around the globe, including 26 members in 21 European countries. Hear the podcast on YouTube at bit.ly/2qdkkFn



Better save than sorry

NETHERLANDS CENTRAL BANK PRESIDENT KLAAS KNOT SHARES HIS THOUGHTS ON WORLD SAVINGS DAY IN REMARKS TO THE AFLATOUN GLOBAL SOCIAL AND FINANCIAL SKILLS CONFERENCE IN AMSTERDAM

According to the De Nederlandsche Bank, World Savings Day – celebrated on 31 October – has a special significance for Prof. Knot. He shares how saving contributes to stability in the financial sector. Aflatoun was a WSBI's 2019 World Savings Day partner in the Netherlands.

It is my pleasure to be here with you all on this special day: October 31st. Today marks a very special day for many young people. Because it is of course Halloween. This evening, children will dress up in scary masks and costumes to go out trick or treating. But for many people, young and old, the idea of saving for the future can also be scary. Fortunately, today is not only about Halloween; it is also World Savings Day! An annual event created to dispel these fears, and to increase awareness of the importance of saving. Professor Filippo Ravizza established this initiative ninety-five years ago. During the first International Savings Bank Congress, in Italy in 1924. Of course, he could not have known how this day would come to be eclipsed by the popularity of Halloween. Yet teaching people to be careful with their money is as important today as ever.

World Savings Day obviously has a very special significance for me too. Because when people save, it helps me do my job. All three of my jobs, in fact. Because saving contributes to financial stability. And this stability helps me as President of De Nederlandsche Bank, it helps me as a member of the Governing Council of the European Central Bank (ECB) and it helps me as vice-chair of the Financial Stability Board (FSB).

Today's message is "Better save than sorry". I want to discuss why it is so important for people to save. And why we should promote this. I also want to make it clear that both financial and digital literacy are key. And what we can do to nurture these skills among young people.



KLAAS KNOT, PRESIDENT, NETHERLANDS CENTRAL BANK

Saving by people all over the world is important from a micro and macro perspective. But let me start by emphasizing the importance of saving from a micro-economic perspective.

If people save money, they have a buffer for unforeseen circumstances. In many cases, taking out insurance is impossible or undesirable. If people save money, it safeguards their independence. They can choose their own path in life, and take control over decisions. Moreover, saving provides a stepping stone for achieving life goals. Whether it is becoming a homeowner, or travelling around the world. There are also other motives. For example, the possibility to leave something behind for your children, to build up a pension, or to have a stable pattern of consumption.

So even when interest rates are low and saving becomes less attractive, there are still many reasons to keep putting money aside. Especially if you want to remain independent and be sure of achieving your goals.

Each year the Nederlandsche Bank conducts a survey of Dutch households. The survey shows that saving money to earn interest is not a significant factor in deciding to save. In fact of the 16 reasons given, it is almost at the bottom of the list, at number 15. The foremost reason for putting money aside is: "to have enough money in your bank account to be sure of meeting your financial liabilities".

However, when taken together, the savings behaviour of individuals around the world also has far-reaching implications from a macroeconomic perspective. And therefore, far-reaching implications for me and the work I do.

When people around the world save money, this contributes to global financial stability. When people save more it naturally means they have to borrow less. This makes them less vulnerable to interest rate fluctuations, house price fluctuations and other shocks such as unemployment. When people save, this is also beneficial for long-term growth, because banks have funds to finance capital investments. →

And if people save via pension funds, these funds can reinvest money in stocks, which oils the wheels of business.

At the same time, it is important to realize that it is also possible to save too much! It is sometimes better for people if they consume a bit more now, and save a bit less for later. A country as a whole can also save excessively. This can have an adverse impact on imports and trading partners. But, since most of such cases can be traced back to excessive corporate savings, and not individual savings, I will not dwell on this macro perspective any further here.

WE NEED TO IMPROVE FINANCIAL LITERACY

If we want to encourage people to save, we need to improve financial literacy. That is why we need people like you. Educational professionals who can improve the financial skills and knowledge of people all around the world.

Enhancing financial literacy is only possible with the right sort of financial education. Which is why we need to start with young people. Because what's learnt in the cradle is carried to the grave. It is important that schools put effort into improving financial knowledge and highlighting the importance of saving. This is especially true for children from disadvantaged backgrounds. Because these children are less likely to learn financial skills from their parents.

Even in prosperous countries like the Netherlands we need to improve financial skills and knowledge.

Four out of ten Dutch children between twelve and eighteen say they never learned how to handle money at school.

Dutch teachers have also highlighted the lack of attention to financial literacy at schools. They advise updating study materials to better prepare children for their financial future. And to teach children financial skills, such as how to budget.

There are other trends in the Netherlands which suggest there is room for improvement in our savings behaviour. For example, Dutch students are increasingly getting into debt. When I was student it was normal to do a part-time job to cover your expenses. I worked as a dishwasher, for example. But now, taking out a loan has become the new normal. Many Dutch adults also find it hard to save. Thirty-eight percent of households find it difficult or even very difficult to get by on their income. While 17% do not have a savings account.

“Financial education is more effective when it is not only focused on knowledge transfer but also on influencing behaviour.”

But improving financial skills and knowledge is not enough. Good default options and compulsory saving schemes can also help people achieve their goals. These can help address behavioural biases that result in overspending. And biases that cause people to continually put off saving.

Going back to Halloween for a moment. Most children like to eat all the candy they have collected as soon as they get home. But wouldn't it be more rewarding if we could help them delay this instant gratification?

To teach them to put some of this candy aside?

Financial education is more effective when it is not only focused on knowledge transfer but also on influencing behaviour. It helps if you try to educate people when they are dealing with life events like marriage or having children. This is the approach the Dutch Money Wise Platform has adopted, and it has proven to be a very successful strategy.

IMPROVE DIGITAL LITERACY

We also need to improve digital literacy. Financial literacy alone is not enough. The world is becoming more and more digitalised. And financial inclusion is increasingly being driven by advances in financial technology. Digital infrastructure gives people from all around the world access to the financial system.

So next to financial knowledge, having access to this infrastructure is also vital to achieving financial inclusion. But there is a large gap between the possibilities that digital technologies offer, and people's ability to actually make use of them. Digital literacy is therefore a prerequisite for digital inclusion.

And again: it starts with children. I mentioned earlier that Dutch teachers have advised updating study materials to better prepare children for their financial future. They have also advocated doing the same to improve digital literacy. The use of new technologies can have both a positive and a negative effect on savings behaviour. Negative, because nowadays it is all too easy to buy something.

For example, with a couple of taps on your smartphone. And it is young people in particular who quickly adopt these new shopping habits.

However, young people are also most likely to use their smartphones to take advantage of new tools to monitor spending, check balances, get budgeting advice and save automatically. The entry of bigtechs and FinTechs into financial services has produced a plethora of these innovative financial services, which can help people manage on their budget. We need to guide the digital revolution in a smart way. How can we use the new possibilities to help people save, become independent and give them the freedom to achieve their goals? I hope we can join forces to answer this question.



RECAP AND CLOSURE

Today I have argued that it is better to save than be sorry. This doesn't just benefit the people who save. It also helps me do my job at De Nederlandsche Bank, the European Central Bank and the Financial Stability Board. But we still have a long way to go. And the only way we can get there is by working together.

We need to improve financial and digital literacy so people can benefit from easier access to products and services that can help them save.

We also need to guide the digital revolution in a smart way. That is why the world needs organisations like Aflatoun International. We need Aflatoun to continue its valuable work. We need Aflatoun to continue socially and economically empowering children.

So let's join forces and make sure the next generation is also aware that the 31st of October isn't just about putting on a scary costume and eating candy until your teeth hurt. It is also a perfect day for children to improve their saving skills. Maybe we can teach them to save some of that candy for later.

It could be their first step towards responsible financial behaviour.

ABOUT KLAAS KNOT

Professor Klaas H.W. Knot has been President of De Nederlandsche Bank since July 1st, 2011. He serves as Vice Chair of the Financial Stability Board and Chair of its Standing Committee on the Assessment of Vulnerabilities. He is a member of the Governing Council and the General Council of the European Central Bank, member of the European Systemic Risk Board, Governor of the International Monetary Fund, Governor of the Bank for International Settlements and also member of its Board of Directors.

Klaas holds several secondary positions. He is Chairman of the Supervisory Boards of the Teylers Museum and the CliniClowns Foundation. Since 2005, he has been Honorary Professor of Economics of Central Banking at the University of Groningen and since 2015 he is also Honorary Professor of Monetary Stability at the University of Amsterdam. Klaas has published several articles in leading (international) journals in monetary and financial economics.

Before taking up DNB's presidency, Klaas was Deputy Treasurer-General and Director of Financial Markets at the Dutch Ministry of Finance (2009-2011). Between 1995 and 2009 he held several positions at DNB, the Pension and Insurance Authority (2003-2004) and the International Monetary Fund (1998-1999).

In 1991, he graduated with honours in economics at the University of Groningen. In 1995, he obtained his PhD in economics.

Born: 14 April 1967, Onderdendam

ESBG handbook released

- > NEW ESG POLICY MEMORANDUM PROVIDES USEFUL REFERENCE ON EU BANKING POLICY TOPICS
- > 86-PAGE BOOKLET EXPLAINS ROLE, IMPACT OF RESPONSIBLE, SUSTAINABLE RETAIL BANKING IN EUROPE



- Sustainable Finance: Taxonomy, Green Bonds
- Financial Education

HANDBOOK RELEASED AT RETAIL BANKING CONFERENCE, EUROPEAN PARLIAMENT LUNCHEON

The handbook, both in hard copy and online formats, was shared with 200 policymakers, ESG members and other stakeholders during the 21 November ESG Retail Banking Conference in Brussels. Before then, ESG first presented the handbook during a lunch event held in October with members of the European Parliament. Along with detailed positions and background to feed into the latest legislative policy debate, the booklet provides readers with a first glimpse of savings and retail banking in Europe. Facts and figures found inside help demonstrate the impact of a sustainable, retail banking model to some 150 million Europeans.

ESBG member banks make a substantial contribution to EU growth, stability and prosperity by weaving into the local and regional fabric, forming a major source of finance for people, households, SMEs and community institutions, says a new handbook released by the association.

The booklet serves as an introduction to financial regulation and the role that savings and retail banks play in the EU economy and overall society. The document is released as newly elected members of the European parliament take up a new legislative mandate. Titled “Serving all European citizens,” it explains ESG positions on a host of policy areas.

ABOUT ESG, ITS MEMBERS AND EU POLICYMAKING

ESG member institutions have long formed an integral part of the European model of the social market economy. They form a group of efficient, high-performing institutions who remain close to people.

Geared towards economic and social sustainability, the booklet focuses on more than 25 policy areas affecting Europe's more than 880 savings and retail banks located in more than 20 countries.

Topics include:

- Prudent Banking, specific rules: Basel III completion, non-performing loans, banking resolution
- Clear information with less hassle: IFRS, AML, MiFID II, PRIIPs, distance marketing
- The real economy - Banks finance, SMEs, households: capital markets union, mortgage and customer credit directive
- 21st Century Banking - Digital Connection: Crypto-assets, Artificial Intelligence, Cybersecurity, Cloud, Innovation Facilitators, Open Data Economy, Crowdfunding



SEE THE PUBLICATION AT THE ESG WEBSITE AT [BIT.LY/2NLXXCU](https://bit.ly/2NLXXCU) OR SCAN THIS QR CODE.

ESBG Retail Banking Conference 2019

Themed ‘Creating sustainable financial structures by putting citizens first’, event brings together EU policy-makers, industry experts to debate future of banking, sustainable finance and payments.

Some 200 lawmakers and industry experts convened on 21 November in Brussels for the annual ESBG Retail Banking conference. The one-day event brought together European Central Bank officials, representatives from the European Commission, savings and retail bankers, and financial sector experts to exchange on the future of the EU supervisory system, sustainable finance and European payments sovereignty.

Andrea Enria, Chair, Single Supervisory Mechanism, European Central Bank gave the opening policy keynote. ECB’s Vice President Luis De Guindos addressed the conference, focusing on sustainable finance. ESBG President Helmut Schleweis kicked off the event with an EU policy-focused look at the need for proportionate legislation to help ESBG member savings and retail banks serve Europe’s citizens. Schleweis said: “The savings and retail banking sector in Europe should be anchored by proportionality, subsidiarity and room for diversity. Doing so helps us continue to provide financial services to the backbone of Europe – households, jobs-creating SMEs and corporates, as well as local authorities.”



LUIS DE GUINDOS, VICE-PRESIDENT, EUROPEAN CENTRAL BANK



EU SUPERVISORY SYSTEM: WHAT’S ON THE HORIZON

Held at the Sofitel Place Jourdan in Brussels, the conference provided a forum for exchange of views among policy and banking leaders and experts on topics such as Basel III completion, non-performing assets and proportionality. More specifically, how to discern where the tipping point lies between necessary regulation and regulatory raze. The event also explored how banking supervision and regulation can help ensure banks are not only safe, but also play their special role that works for the economy and citizens.



LUIS TEJEIRO - DIRECTOR OF REGULATION AND RESEARCH, CECA



NICOLAS DUHAMEL - HEAD OF PUBLIC AFFAIRS, MEMBER OF THE EXECUTIVE COMMITTEE, GROUPE BPCE



ANDREA ENRIA, CHAIR, SINGLE SUPERVISORY MECHANISM, EUROPEAN CENTRAL BANK



MARTIN MERLIN, EUROPEAN COMMISSION



GEORG JOSEF HUBER - HEAD OF REPRESENTATION TO THE EU, DSGV



MARC LAUWERS - CHIEF EXECUTIVE OFFICER, ARGENTA



JO SWYNGEDOUW - HEAD OF PRUDENTIAL POLICY AND FINANCIAL STABILITY DIVISION, NATIONAL BANK OF BELGIUM

Among voices within the debate, locally focused savings and retail banks and some policymakers alike argue for different regulatory regimes for different banking models. Doing so would help local and regional banks – oftentimes smaller and less risky – to compete on an equal footing with other players. It would give Europeans, especially jobs-creating small and medium-sized firms, better access to much-needed finance.

Schleweis noted: “An undifferentiated application of the Basel III rules has to be avoided. The specificities of European finance has to be taken into account. Proportionality has to be applied. Burdens that unnecessarily make it more difficult to provide financing have to be avoided.”

SUSTAINABLE FINANCE & ESG: NOT JUST THE E(NVIRONMENT), BUT ALSO ECONOMIC AND S(OCIAL)

Experts who focus on sustainability argue that it should be framed as "more than green". Often overlooked, this social dimension to sustainability could benefit from rules that take into account a policy measure's social impact. Policy should avoid creating side effects that might restrict, for example, access to financial services or cause unwanted social effects like job losses and social-economic divide. To avoid that unwanted outcome, there is need for a sustainability-oriented mindset change in Europe. Participants looked at ways to bring it about, exploring how the savings and retail banking sector can

contribute. The panel featured Bertrand de Mazières, Director-General of the European Investment Bank, which launched on 14 November an ambitious new climate strategy and energy lending policy.

Schleweis added: “The transition to a low carbon economy should not go to the detriment of the social structures of our society. Any policy, also in the area of environmental protection, can only succeed if the human factor and the European way of life is taken into account and promoted.”



BERTRAND DE MAZIÈRES, DIRECTOR-GENERAL, EUROPEAN INVESTMENT BANK



JOSEPH DELHAYE - SENIOR VICE-PRESIDENT, HEAD OF LEGAL DEPARTMENT, BCEE



JULIE ANSIDEI, HEAD OF STRATEGY AND SUSTAINABLE FINANCE UNIT, AUTORITÉ DES MARCHÉS FINANCIERS



PETER SUREK - HEAD OF SOCIAL BANKING, ERSTE GROUP BANK

INSTANT PAYMENTS: THE FUTURE OF THIS RETAIL PAYMENTS SYSTEM IN EUROPE

One of the cornerstones of a modern financial infrastructure, payments contribute to Europe's economic welfare. European payment systems – instant payments included – can contribute to European sovereignty on payments. Discussion took place on the state of play on the regulatory front and how banks, policymakers and other players can work to ensure a more robust 21st century EU payments system.

Schleweis commented: "We agree with the policymakers: It is important for Europe's sovereignty that we develop a system where Europe is in control. The relevant public authorities should assist the market in finding the appropriate tools to create a strong business model. This business model should match the expectations for all stakeholders involved, be they consumers, merchants or banks."



DIEDERIK BRUGGINK, SENIOR ADVISOR, PAYMENTS, ESBG

A MESSAGE FOR EU POLICYMAKERS: SAVINGS AND RETAIL BANKS HELP SOCIO-ECONOMIC COHESION

The event comes as ESBG member banks continue to make a substantial contribution to EU growth, stability and prosperity by weaving into the local and regional fabric, forming a major source of finance for people, households, SMEs and community institutions. Their role comes alive in a new handbook published this month as a new legislative period has started for the European Union. Titled "Serving all European citizens," it explains ESBG positions on a host of policy areas.

EU policymakers acknowledge that ESBG member institutions have long formed an integral part of the European model of the social market economy. They form a group of efficient, high-performing institutions who remain close to people.



ETIENNE GOOSSE, DIRECTOR GENERAL, EUROPEAN PAYMENTS COUNCIL



PETIA NIEDERLÄNDER, HEAD OF RETAIL AND CORPORATE OPERATIONS, ERSTE GROUP BANK AG & CHAIRPERSON OF THE BOARD, EBA CLEARING



ULRICH BINDSEIL, DIRECTOR GENERAL OF MARKET INFRASTRUCTURE AND PAYMENTS (DG-MIP), EUROPEAN CENTRAL BANK



HELMUT SCHLEWEIS, ESBG PRESIDENT



CHRIS DE NOOSE, ESBG MANAGING DIRECTOR

Closing out the event, ESBG Managing Director Chris De Noose said: "We focused on policy areas affecting 150 million Europeans who are customers of 880 savings and retail banks located in more than 20 countries. Exchange during the panels showed that sustainable, responsible retail banking matters."



VISIT THE EVENT WEBSITE AT WWW.WSBI-ESBG.ORG/EVENTS/RBC2019 OR SCAN THIS QR CODE.

Takeaways from 2019 Retail Banking Conference by Chris De Noose

We learned much during this year's ESBG Retail Banking Conference. We heard from European Central bank officials, savings and retail bankers, and financial sector experts who exchanged on the future of the EU supervisory system, sustainable finance and European payments sovereignty.

ESBG President Helmut Schleweis outlined in his EU policy-focused remarks that savings and retail banking in Europe should be anchored by proportionality, subsidiarity and room for diversity.

Doing so helps us to provide banking services to the real economy – households and SMEs and corporates, as well as local authorities.

Single Supervisory Mechanism Chair Andrea Enria gave a clear message during his opening policy keynote. Rules *must be* proportional to ensure a level playing field and guarantee fairness in the European banking sector. A one-size-fits-all approach is not the right way to financial regulation. He also noted that reporting requirements are too burdensome, and he confirmed that further streamlining work is in the pipeline.

REGULATORY AND REGULATORY “RAGE”

During Panel 1, which focused on the EU supervisory system and what's ahead, robust exchange of views followed Chairman Enria's remarks, on Basel III completion and proportionality. More specifically, how to discern where the tipping point lies between necessary regulation and regulatory “rage”. That theme seeped through a lot during the first part of the morning, including from Chairman Enria.

We learned of ways banking supervision and regulation can help ensure banks are not only safe, but also play their special role that works for the economy and citizens. We need different regulatory approaches for different banking models.

Doing so would help local and regional banks – oftentimes smaller and less risky – to compete on an equal footing with other players. That gives Europeans, and jobs-creating small and medium-sized firms, better access to much-needed finance. As Martin Merlin said, a diversified banking landscape is important. We couldn't agree more.

SUSTAINABLE FINANCE: TRANSITION TO A LOW-CARBON ECONOMY ENTAILS RISKS

Vice President Luis De Guindos gave us a glimpse of what's ahead on the sustainability front at the ECB. It was clear from his remarks that transition risks need to be taken seriously by the financial sector and that more data are needed. Transition risks may not be fully understood yet. He also strongly encouraged the alignment of disclosures with the needs of investors. He noted too that the transition to a low-carbon economy entails risks for the financial system, that, at present, are insufficiently understood.

ECONOMIC AND SOCIAL MATTERS

We were honoured during the second panel on sustainable finance & ESG to have policymakers share their insight. Julie Ansidei from France's Autorité des Marchés Financiers and Bertrand de Mazières, Director-General of the European Investment Bank helped navigate the audience through ESG not just from the E(nvironment) aspect, but also Economic and S(ocial). Mr de Mazières explained the EIB's motivation to increasingly focus on sustainable projects. At the same time, he assured non-green corporates that they would not be excluded from the EIB financing.

The main takeaway from the panel was that policy should avoid creating side effects that might restrict, for example, access to financial services or cause

unwanted social effects like job losses and social-economic divide. To avoid that unwanted outcome, there is need for a sustainability-oriented mindset change in Europe.

INSTANT PAYMENTS AND EUROPE'S PAYMENTS SOVEREIGNTY

The final panel gave us a chance to explore payments sovereignty in Europe. One of the cornerstones of a modern financial infrastructure, payments contribute to Europe's economic welfare. European payment systems – instant payments included – can contribute to European sovereignty on payments.

Discussion took place on the state of play on the regulatory front and how banks, policymakers and other players can work to ensure a more robust 21st century EU payments system. The panel made clear that only through collaboration within the European banking market meaningful results can be achieved. It is furthermore crucial to listen to consumers and merchants which payment solutions they appreciate.

“Serving citizens first” is our mantra as we enter the new legislative period. Those who shared their stories on stage – speakers and panellists – helped advance the policy debate that will affect 150 million Europeans who are customers of 880 savings and retail banks located in more than 20 countries. The exchange demonstrated that sustainable, responsible retail banking matters to all stakeholders involved. ●

Statement:

Council adoption of VAT reporting measures

ESBG, OTHERS IN PAYMENTS INDUSTRY REMAIN CONCERNED



The European Payment Institutions Federation, the European Banking Federation, the European Savings and Retail Banking Group and the European Association of Co-operative Banks note the adoption on 8 November by the ECOFIN Council of the proposal on VAT-related information reporting requirements imposed on Banks and Payment Service Providers.

Throughout the legislative procedure, we have consistently raised concerns about the feasibility and effectiveness of the proposal as drafted. As outlined in our recent Joint Statement, these concerns have not been taken into account to a degree that would give comfort to the industry that the reporting requirements can be implemented with reasonable efforts and can result in meaningful information to the tax authorities. We would like to again reiterate that as an industry we are very supportive of the objectives of the proposal to fight VAT fraud but

that we are simply highlighting that the adopted proposal is not in our view a proportionate and most effective way to collect this information.

Therefore, we are disappointed to see that the ECOFIN has adopted the proposal without the modifications needed by the industry.

We now call upon the Member States and the Commission to closely involve the payments industry in the design of the details of the reporting framework. A constructive dialogue going forward is crucial to make sure that we build a reporting system that delivers the needed information to authorities but at the same time preserves the established way of functioning of the payments industry and does not create undue burden. We request that a joint group composed of Commission, Member State and industry expert is established with a view to achieve this.

WHY THIS IS IMPORTANT FOR BANKS, PAYMENT SERVICE PROVIDERS

Banks and payment service providers are committed to helping EU governments establish an effective system for fighting VAT fraud, but the Council's remedy would be ineffective and disproportionately costly for the industry. The payments business is already facing regulatory scrutiny in many areas that affects the bottom line, and adding such an additional, disproportionate police function for banks and PSPs certainly does not help. Although a "follow the money" approach is an understandable approach in fighting crime and fraud, this is always something that only can be invoked after the fact when the fraud has happened. Efforts also should be made to prevent the fraud or crime from happening.

EURIBOR & €STR benchmarks regulation

Benchmarks Regulation: The banking sector welcomes recent statements by European Commission and ESMA on upcoming migration to reformed EURIBOR methodology and migration from EONIA to €STR

The European Association of Co-operative Banks (EACB), the European Banking Federation (EBF) and the European Savings and Retail Banking Group (ESBG) together said recently that they welcome some recent statements by EU officials. Those statements come from European Commissioner Valdis Dombrovskis in a communication to the ECSAs dated 3 September and in a speech by the ESMA's Steven Maijoor, which took place in Frankfurt during the 2nd Roundtable on euro risk-free rates, with respect to the current critical benchmarks reform.

In its communication, the European Commission considers that recent developments in the work of the euro risk-free rate working group – and also the decision by

Belgium's Financial Services and Markets Authority (FSMA) to grant to the European Money Markets Institute (EMMI) an authorisation to continue publishing the EURIBOR rate “provide a clear indication that EURIBOR is now fully compliant with the applicable benchmark rules and that EURIBOR continues to reflect the underlying inter-bank market appropriately, the FSMA statements also provide assurances that EURIBOR can continue to serve as a valid reference rate for legacy contracts”. In addition, the European Commission looks forward to reaching a comparable outcome for EONIA, so that EONIA can continue as a reference rate until all contracts have switched to referencing €STR. In Mr Dombrovskis' opinion, the path envisaged by the euro risk-free rate working group for the transition to €STR is sound. The Commission will also continue to engage with all market participants to ensure a smooth transition to €STR.

In his speech, Mr. Maijoor has the conviction that the authorisation of EURIBOR by the

FSMA already confirms that the new hybrid methodology is robust, resilient and transparent and allows EU supervised entities to continue using EURIBOR for the foreseeable future. He stressed that the goal of the new provisions is to increase contractual robustness and he believes that *“The new hybrid methodology measures the same underlying interest of the previous methodology for EURIBOR, just in a better, BMR-compliant way.”*

Both statements are helpful to the respective members of the associations in understanding how to prepare for the forthcoming migrations from EURIBOR to EURIBOR with the hybrid methodology, and the calculation of EONIA based on €STR+8.5bp spread until the full transition from EONIA to €STR.

Those close to the file foresee full migration to EURIBOR new methodology likely to occur by the end of 2019 and the final migration to €STR will happen by the end of 2021. ●

ESBG backs high-quality standards for insurance contract accounts

OUTLINES IN EFRAG DRAFT COMMENT LETTER ON IFRS 17 IASB ED/2019/4 AMENDMENTS

ESBG continues to support a high-quality standard for insurance contract accounting. That stance was put on record in early September in the association's response to an EFRAG draft comment letter on the IASB's ED/2019/4 amendments to IFRS 17. ESBG commented in the response that IFRS 17 seeks to raise significantly comparability in accounting for insurance contracts between companies from different countries and business models. IFRS 17 also looks to enhance the quality of financial information.

There are doubts, however, about whether IFRS 17 correctly reflects certain contracts issued by ESBG members that represent long-term life-saving products managed under cash flow matching and, to a certain extent, participating contracts, through its measurement nor its presentation requirements. ESBG also argues that the proposed deferral of the effective date to 1 January 2022 is insufficient and that an additional deferral to 1 January 2023 is needed for a successful implementation of the standard. ●



SEE FULL ESBG RESPONSE AT [BIT.LY/20DUHRR](https://bit.ly/20DUHRR) OR SCAN THIS QR CODE.

ESBG: MiFID II failed to adapt investor protection to investor category characteristics

ASSOCIATION SAYS IN ESMA CALL FOR EVIDENCE THAT NO CONSIDERATION GIVEN TO SPECIAL FEATURES, DIFFERENT PROTECTION REQUIREMENTS FOR RETAIL INVESTORS, PROFESSIONAL CLIENTS AND ELIGIBLE COUNTERPARTIES



ESBG said in September that Europe's MiFID II actually failed to adapt investor protection to the characteristics of each investor category – retail investors, professional clients and eligible counterparties. Replying to an ESMA call for evidence on the impact of the inducements and costs and charges disclosure requirements under MiFID II, ESBG opined that the same disclosure obligations with regards to areas such as costs and inducements apply to all three investor categories. It adds that: "no consideration was given here to the special features or different protection requirements."

For the requirements related to professional clients and eligible counterparties, ESBG argues that these are superfluous because wholesale business partners are on the same level as financial institutions and know conditions and the prices of various financial service providers.

Different calculation of costs under PRIIPs and under MiFID II is another major problem ESBG highlights, including around treatment of inducements, for instance. "While product costs under the PRIIPs regulation include inducements, the product costs under MiFID II are presented without inducements because they need to be added to the service costs under MiFID II.

This means for clients, they receive two different sets of information on product costs for the same financial instrument – if it is both a PRIIP and a financial instrument under MiFID II – even if the information in both cases is based on the same investment amount." ESBG warns that this discrepancy makes it difficult for clients to understand costs involved and has to be explained further to them. Resulting from of contradictory calculation requirements in EU legislation, need exists for better coordination among thematically related legislative projects in future legislative processes. This applies especially to the upcoming reviews of MiFID II and the PRIIPs Regulation along with the work on the various sustainability projects currently underway. The aim should be to use uniformly defined terms in all legislative texts and to take account of possible interaction.

ESBG PODCAST ON PAYMENTS

Diederik Bruggink, who leads our payments efforts at ESBG and WSBI, looks at EU policy and payments. Bruggink shares the ESBG position as outlined in the ESBG handbook "Serving all European citizens". The handbook tells how people in Europe make payments in cutting-edge ways. Aided by breakthrough payments technologies, 21st century banks hold the payment accounts. A digital bridge formed by APIs – technology guided by PSD2 rules – helps strengthen and integrate the European single market. Teething pains persist, however, marked by foggy underlying business models across the industry. Beyond APIs, the payments industry supports instant payments at pan-European level and instant payments solutions exist at domestic level in many countries. But before compelling customer propositions can be developed, there is need for certainty about a sustainable business model for instant payments, as the massive efforts required for innovation and future efficiency gains need to be offset by a proper business case. There is a sense of urgency to develop European payment solutions to remain relevant. We ask that policymakers provide support.



SEE FULL ESBG RESPONSE AT
BIT.LY/3788TJ6 OR SCAN THIS QR CODE.



SEE THE PODCAST
AT YOUTU.BE/B6XH1KA9QUU
OR SCAN THIS QR CODE.

In focus: Inclusive 21st-century banking in China

BANKING EXPERTS FROM SIX COUNTRIES EXPLORE AT WORKSHOP IN JANIN, CHINA, HOW TO EMBRACE TECHNOLOGY TO PROMOTE SUSTAINABLE INCLUSIVE FINANCE



CHRIS DE NOOSE

Member taking part were Postal Savings Bank of China, Philippine member ASKI, Bank Asia in Bangladesh, and Vietnam's Lien Viet Postbank.

Commenting on the workshop, De Noose said: "There is no better place than China to hold a workshop that addresses inclusive finance technology and risk management at international level. China is well on its way to taking a leading role in the world when it comes to artificial intelligence and big data. They are doing this by placing focus on a core set of best practices that allow banks here to pilot and apply artificial intelligence and big data for unique uses."

INCLUSIVE FINTECH APPLIED IN CHINA, ASIA

The workshop showed how China is taking a global lead in digital financial inclusion and how it can be applied to finance SMEs, agent banking and agricultural finance and remote areas, including the Inner Mongolian prairie. Both morning and afternoon sessions gave attendees an opportunity to learn from SCCBA and a handful of regionally driven Chinese banks on practices in inclusive finance and technologies applied to deliver instant financial services. Those examples were complemented by expert presentations, including from Asian WSBI member success in inclusive

More than 100 participants from China and throughout the world took part in the Sustainable Finance - Inclusive Finance Technology and Risk Control International Workshop on 27 August in Jinan, China. Done in partnership with WSBI, German Savings Banks Foundation for International Cooperation (SBFIC) and Shandong City Commercial Banks Alliance (SCCBA), the workshop focuses on how locally focused retail banks and new challenger banks embrace technology to deliver micro and small-enterprise lending sustainably.

The event also covered how new technologies overcome challenges presented by high operational cost and significantly reduce the cost of small-size lending. Attendees also explored how new technology and big data help banks better assess client credibility and improve bank risk control.

PRE-WORKSHOP OPENING DINNER KICKS OFF THREE-DAY EVENT

Mr. Yuefeng Shi, Chairman, Shandong City Commercial Banks Alliance (SCCBA) provided on Day 1 welcoming remarks. He emphasized that small and medium size banks in China are not able to compete with the biggest commercial banks in areas such as investment in fintech and cost of funding. However, the small and medium size regional city commercial banks can unit and partner, for example, they can rest on the technology and banking system that the Alliance has built up. He was followed by WSBI Managing Director Chris De Noose (pictured at right), who thanked attendees and organisers during his 10-minute opening address at the evening dinner, including participation by WSBI's membership in China and Asia region.

FinTEch from the likes of Bank Asia and Lien Viet Postbank.

The last of the three-sessions featured an expert report presented by Ms. Huicheng Zhang, former director and research fellow of finance bureau, The Development Research Centre of the State Council (DRC), deputy secretary general of the China Institute of Finance and executive director of the Institute of China International Finance Association. She gave an overview of inclusive finance development in China since early 1990s. The fact is that China has achieved a great success in inclusive finance, although challenges in SMEs finance are still not fully resolved by today. The regionally focussed city commercial banks have played a key role.

ARTIFICIAL INTELLIGENCE, MACHINE LEARNING & BIG DATA: APPLIED TO CREDIT SCORING, BUILDING TRUST

One set of topics heavily talked about was AI, Machine Learning and Big Data – three big areas within 21-century banking. In a modern and industrialised world, banks are searching for better ways to get the best technology and harness it. Many argue the future of banking is not only about technology, and cannot be a replacement for people – and people connecting with people. De Noose noted in his address that relationship management, trust and technological innovations need to go hand in hand to provide good customer service. Banks need to define the original purpose of serving the local community and the social value of banking. He added that responsible lending is one area where purpose and social value need to be defined.

He noted: "Artificial intelligence, machine learning and big data should be deployed responsibly, notably ensuring that systems are tested sufficiently according to purpose-designed procedures for their output to be in line with agreed principles or guidelines. Complex trade-offs have to be managed by policymakers between competitiveness on the one side and ethics on the other."

VISIT TO QILU BANK IN JINAN

Attendees visited also Qilu Bank in Jinan to see how it addresses inclusive finance. Participants learned of the regional bank's loan products, such as agriculture lending products. That included how the bank conducts product positioning, feature design, outreach, repayment rate, service channels, NPLs, and loan management. They also learned about the bank's "Qilu E-Lending" product as well as how the bank uses "Internet plus Big Data" to approve loans. A demonstration occurred showing how customers submit online applications and receive online approval. Qilu also shared its direct banking platform with guests.

"In a modern and industrialised world, banks are searching for better ways to get the best technology and harness it."

Regional city commercial banks in China have become one pillar of the Chinese banking system. Those regional city commercial banks count for about 13% of total banking assets in China.¹

In the past few years, they have broken through the monopoly of the Chinese banking industry. They have solved a financing gap faced by local micro and small enterprises, playing a big role in strengthening the local economy and a big role in China's banking reform. The success of their business model has well reflected the importance of a diversified banking system.



NICKLAUS BERGMANN

Regional city commercial banks in China share exactly the same business model as some of WSBI membership, such as savings banks in Germany. This shared way of banking is what brought together WSBI and the Alliance. The partnership was driven by Nicklaus Bergmann, managing director of the German Savings Banks Foundation for International Cooperation, who spoke at the Day 1 evening event.

De Noose added: "A long-term tie of partnership and friendship between the Alliance and the German Savings Banks Foundation has made the workshop possible. WSBI will have a flourishing relationship with the Alliance." →

¹ <http://file.caixin.com/images/citycommercialbankreport.pdf>

WSBI statutory meetings in Washington: 2020 workplan endorsed, new members join

WSBI MEMBERS FROM FOUR CONTINENTS GATHERED ON 18 OCTOBER IN WASHINGTON FOR THE ANNUAL STATUTORY MEETINGS, INCLUDING THE GENERAL ASSEMBLY, BOARD OF DIRECTORS AND THE PRESIDENT'S COMMITTEE.

The meetings covered the achievements made in the past year as well as WSBI's progress in various initiatives in digitalisation, financial inclusion and sustainable finance. WSBI President Isidro Fainé addressed attendees, as did ICBA head Rebeca Romero Rainey, speaking on the U.S. association's advocacy work on behalf of U.S. community banks and accomplishments towards a two-tier regulatory framework in the country.

A Scale2Save programme update followed, which included a look at latest

research on young people in Africa and another on the state of play of financial inclusion in Africa through the lens of supply side and consumer data.

The meetings concluded with a look at geo-political challenges around the world with former Israeli Foreign Minister Shlomo Ben-Ami (pictured at left), who serves as vice president of the Toledo International Center for Peace. The 2020 budget and accounts 2018 were approved, along with the work plan that includes advocacy priorities for the coming year.

New members Aktifbank (Turkey), Bank of East Asia (China), Banco Atlántida (Honduras), Inbursa (Mexico) officially joined the WSBI family. New associate members endorsed included Hong Kong Association of Banks (HKAB) and Mi País Financiera (Panama).

The annual WSBI Cocktail reception followed the statutory meetings.



CAPTION????



WSBI-ESBG releases Communication on Engagement to UN Global Compact

WSBI-ESBG issued on 15 October its third Communication on Engagement to the United Nations Global Compact.

WSBI-ESBG has once more expressed its support to the United Nations Global Compact's corporate sustainability and value system based on a principled approach to doing business in respect of the four main headings of Human Rights, Labour, Environment and Anti-corruption, by issuing its Communication on Engagement covering the period between October 2017 and October 2019. Given the nature and scope of its activities, WSBI-ESBG focuses on the Global Compact principles, according to WSBI-ESBG principles of responsible finance, which guides WSBI-ESBG contribution to the Sustainable Development Goals.

WSBI-ESBG Managing Director, Chris De Noose said: "It is my pleasure to herewith state once more that WSBI-ESBG and its

members continue to fully support the Global Compact and its 10 principles. With the present communication, we express our continuous commitment to advance the 10 principles within our sphere of influence by, in the first place, making this clear statement on engagement to the Global Compact, stakeholders and the public at large. Moreover, in this *Communication on Engagement*, we attempt to provide an overview of the actions that our organization has taken to support the *UN Global Compact and its Principles* as suggested, for an organisation like ours. We also commit to sharing this information with our stakeholders using our primary channels of communication.

"By promoting the 10 Principles of the UN Global Compact, WSBI-ESBG members already deliver a powerful contribution to meeting the 17 Sustainable Development Goals and their 169 targets, adopted

along the 2030 Agenda for Sustainable Development, by the UN General Assembly in 2015. Aligning our objectives with those of the Global Compact and the Sustainable Development Goals is the only way to address pressing global challenges and contribute to fairer and more inclusive societies."

The communication features a description of actions from 2017 to 2019 relating to learning and dialogue events, workshops and training for WSBI-ESBG members on specific topics relevant to corporate sustainability. These actions also address the topics of financial inclusion, financial education and the environmental impact of WSBI-ESBG members, where savings and retail banks members of WSBI-ESBG can greatly make a difference and enhance their positive impact within the communities where they operate. ●

Bangladesh, Sri Lanka WSBI members commit to Fair Value Remittances Framework

BANK ASIA, NATIONAL SAVINGS BANK BECOME FIRST MEMBERS TO ADHERE

WSBI announced recently that Bank Asia Bangladesh and National Savings Bank (NSB) of Sri Lanka have become the first WSBI members to adhere to the WSBI Fair Value Remittance Framework.

The WSBI Fair Value Remittance Framework will facilitate a platform that will enable NSB to extend from traditional money transfer systems to an alternative scheme that provides fair pricing and increases the interconnectivity.

WSBI launched in October 2018 the 'Fair Value Remittances Framework' when UPT was selected as the first remittances processor. WSBI sees that participating banks would gain competitive advantage in remittances services by plugging into the extensive networks run by WSBI members and the more than 10,000 outlets that UPT has developed so far. The opportunity of distributing remittances in a digital way will also be addressed. This Remittances gateway also provides participating banks with the opportunity to gain control over the remittance products and pricing, to move from simple disbursement point to provider of financial services and to become part of the world-wide movement towards financial inclusion.



THE JOURNEY TO WSBI FAIR VALUE REMITTANCE FRAMEWORK

Financial institutions within the framework aim to raise overall market efficiency for remittances, notably through greater choice and service quality for customers. These banks also look to offer customers a more ethical value proposition while boosting overall economic impact. By doing this, they put in practice the World Bank/BIS General Principles for International Remittance Services and work towards reaching the relevant United Nations' Sustainable Development Goal number 10 that specifies that by 2030, the transaction costs of migrant remittances should be reduced to less than 3 per cent and remittance corridors with costs higher than 5 per cent should be eliminated.

REMITTANCES FLOWS WORLDWIDE REACH NEARLY US\$500 BILLION

The World Bank calculates that annual remittance flows to low- and middle-income countries – LMICs – in 2019 are likely to reach \$550 billion. In 2018, remittance flows to LMICs reached \$529 billion, an increase of 9.6 per cent over 2017. Remittance flows grew in all six regions, particularly in South Asia (12.3 per cent) and Europe and Central Asia (11.2 per cent).

ABOUT NSB

The National Savings Bank was established in 1972 through a Parliamentary Act that amalgamated four traditional savings organisations in the country into one establishment. At its inception, NSB inherited a savings legacy of over a century old from its predecessor the Ceylon Savings Bank (CSB) established in 1832. Equipped with long-term sustainable business strategies and possessing one of the most experienced corporate management teams in Sri Lanka, NSB is committed to promote financial inclusivity to empower the nation to achieve economic strength and financial stability.



ABOUT BANK ASIA

Bank Asia has been launched by a group of successful entrepreneurs with recognized standing in the society and started its journey on November 27, 1999 with a view to providing the best quality technology driven services in banking sector. It set milestone by acquiring the business operations of the Bank of Nova Scotia and Muslim Commercial Bank Ltd. (MCB), a first in the banking history of Bangladesh. Since inception, it has been able to cover major parts of the country by extending and expanding its network by opening of branches, and agent banking outlets.



WSBI, Scale2Save share research at World Bank Group meeting, learn about post-UFA2020 push

The World Bank Group welcomed Universal Financial Access partner WSBI on 16 October to its UFA Partners Round Table.

The morning event featured a presentation by WSBI, with opening remarks from Managing Director Chris De Noose on WSBI's commitment to UFA 2020. In his address, De Noose shared that WSBI, through its members, reached its commitment two years before the end of the programme, for both total numbers of new transaction accounts and total number of customers as at 31 December 2018.

De Noose said: "The total number of people reached as clients of WSBI members totalled 1.733 billion at year-end 2018, surpassing the commitment of 1.7 billion customers by 2020. WSBI members have expanded the number of new clients by 329 million since 2014.

"WSBI members well exceeded the 400 million new transaction accounts pledge accounts target too, reaching 2.443 billion at year-end 2018, up 479 million since 2014." These results are based on members' input and on new data collected in 2019.

WSBI Director Ian Radcliffe introduced Scale2Save, and presentations from WSBI's Weselina Angelow on new Scale2Save research on financial behaviour of African youth. World Bank Lead Economist Leora Klapper responded to the research. Centenary Bank Managing Director Kasi Fabian addressed how his bank designs financial products for Ugandan youth.

THE FUTURE OF UFA BEYOND 2020

A "Promoting Global Financial Inclusion" (PGFI) Working Group also took place that day along with a final roundtable session to consider UFA beyond 2020. Themes emerged during the discussion on usage

and quality, MSMEs and jobs, equitable growth, financial innovation, products and financial health. Broad agreement emerged that UFA brings focus and collective action. The session kicks off a conversation set to continue through 2020. The World Bank Group expects in the coming year dialogue within itself as well as continued dialogue with partners with partners including WSBI as a future initiative takes shape.

SCALE2SAVE YOUTH RESEARCH SHARED

During the morning event, WSBI presented its latest research on financial behaviours and attitudes of young people in Africa. The recently released 45-page report (see next story) looks at how younger sections of the population in Morocco, Nigeria and Senegal manage their money.

Drawing upon data collected in the field, the study aims to find the best paths by which financial institutions can connect with young people. Data culled from internationally recognised bodies, along with fieldwork, provide the quantitative research element. Qualitative research comes from focus groups and working sessions.

Lessons from the study help guide financial institutions, financial inclusion experts and policymakers to best address how to bring a generation of savers into mainstream savings accounts. This is important because data show the more their incomes rise the more they save. With most wanting to become entrepreneurs, social expectations and gender both influence behaviour and financial inclusion.

Need exists to get to know customers, focus on the youngest groups and build their loyalty using digital tools, the study concludes, with a need to give access to finance and better training for young people to become entrepreneurs.

ABOUT THE UFA COMMITMENT

At its September 2015 meeting in Washington, D.C., the WSBI General Assembly announced a new UFA 2020 numerical commitment that aims to reach 1.7 billion clients and 400 million new transaction accounts by the end of 2020, based on the current membership. This pledge reinforces WSBI's continued engagement with its 'Account for Everyone' goal launched by the trade body in 2012, which it re-endorsed in 2015 at the World Bank spring meetings. The UFA commitment also forms an integral part of the Washington Declaration issued the day after during the 2015 WSBI World Congress.



LEARN MORE ABOUT SCALE2SAVE AT [BIT.LY/2NJEXGJ](https://bit.ly/2NJEXGJ) OR SCAN THIS QR CODE.



SEE THE NEXT STORY TO LEARN MORE ABOUT THE SCALE2SAVE YOUNG PEOPLE RESEARCH REPORT, WHICH IS AT [BIT.LY/34US7QC](https://bit.ly/34US7QC) OR SCAN THIS QR CODE.



LEARN MORE ABOUT UFA 2020 AT [BIT.LY/2PDOYW3](https://bit.ly/2PDOYW3) OR BY SCAN THIS QR CODE.



New Scale2Save research outlines ways to drive financial inclusion

> **INCREASING FINANCIAL ACCESS IN AFRICA STRUGGLES TO STAY AHEAD OF SURGING GROWTH IN THE NUMBERS OF YOUNG PEOPLE**

Research suggests ways stakeholders, financial institutions, policymakers can better understand financial needs, behaviours of African 15 to 30-year olds.

Banks that want to accelerate financial inclusion should focus on young people in Africa, understand their lives and needs better, and offer them appropriate and tailored products. These are among the key conclusions of a 45-page report by Scale2Save that looks at how younger sections of the population in three African countries manage their income, expenditure, and savings.

Scale2Save is a partnership between WSBI and Mastercard Foundation to establish the viability of small-scale savings. The partnership commissioned this study to understand better the needs of unserved youth in three rapidly growing countries – Morocco, Nigeria and Senegal.

Lessons from the study can help financial institutions, financial inclusion experts from NGOs, intergovernmental organisations and academia, as well as policymakers tackle the challenge of bringing new generations of savers into mainstream savings accounts.

WSBI Programme Director Ian Radcliffe said: “Products that do not grow with young people rapidly slip into dormancy. Only when financial service providers can keep up with the changing needs of younger customers will investments in serving them be made to work for all involved.”

FINDEX DATA ANALYSIS SHEDS LIGHT ON ACCESS GAPS OF YOUNG PEOPLE

Based on analysis of Findex data, the report found substantial improvements in young people’s access to basic financial services in Nigeria and Senegal. Between 2011 and 2017, the number of young Nigerians and Senegalese reporting access to financial services grew by 12 million.

But the number of young people also grew rapidly, by 8 million, so the net impact on the size of the unserved young Nigerian and Senegalese population was a fall of only 4 million. Progress of inclusion in Morocco looks slower: the total number of excluded young people is not falling.



SCALE2SAVE-COMMISSIONED FIELD RESEARCH IN SENEGAL.

Drawing upon diaries and qualitative data collected in the field in Morocco, Nigeria, and Senegal, the study recommends three main pathways by which financial institutions can better connect with young people.

- **Focus on youngest groups and build their loyalty using digital tools**
Mid-teens (15-17) and youth (18-24) are quick to connect via digital technologies. Whilst consumer protection remains key, policy makers and financial institutions might want to focus more on mid-teens. Those in this group, often supported by parents, may frequently receive money from family members. In the three countries surveyed, under-18s cannot legally open accounts, even though they are often digitally adept.
- **Segment the market and make existing products more useful to better connect to young people’s income, savings and spending behaviour**

Young people are active savers, the study notes. The more they earn, the more they save – and mostly through informal ways. Although income levels vary by age group, all segments have the potential to save, service a loan, or invest in a business. The service mix is important because whatever product solution financial service providers develop for this market, it has to be digital and should support the dynamics of intra-family spending and receiving.

- Collaborate to strengthen support to young entrepreneurs**
 Many young people aspire to become entrepreneurs, hence the need to address access to finance and better training. Financial institutions have already begun to respond to the challenge of providing better support to entrepreneurs. There is a strong case, however, for policy makers and financial institutions to collaborate more closely to reinforce broad-based support to young entrepreneurs, which should lead to more access to funding, entrepreneurial training, and successful self-employment.

Radcliffe concluded: “We hope the findings and recommendations will make a difference to the outlook and help Africa’s banks join in building a better future for the current and future generations of young people as they enter adulthood.”

ABOUT SCALE2SAVE

Scale2Save is a partnership between WSBI and Mastercard Foundation to establish the viability of small-scale savings in six African countries. The six-year programme aims for 1 million more people banked in those countries through projects using innovative models.

Learn more about Scale2Save online and @Scale2Save on Twitter.



READ THE SCALE2SAVE
 YOUNG PEOPLE RESEARCH REPORT AT
[HTTPS://BIT.LY/34US7QC](https://bit.ly/34US7QC)
 OR SCAN THIS QR CODE.



LEARN MORE ABOUT SCALE2SAVE AT
[BIT.LY/2NJEXGJ](https://bit.ly/2NJEXGJ) OR SCAN THIS QR CODE.

ABOUT THE MASTERCARD FOUNDATION

The Mastercard Foundation seeks a world where everyone has the opportunity to learn and prosper. The Foundation’s work is guided by its mission to advance learning and promote financial inclusion or people living in poverty. One of the largest foundations in the world, it works almost exclusively in Africa. It was created in 2006 by Mastercard International and operates independently under the governance of its own Board of Directors. The Foundation has offices in Toronto, Canada and in Kigali, Rwanda.

Visit www.mastercardfdn.org for more information and to sign up for the Foundation’s newsletter. Follow the Foundation at @MastercardFdn on Twitter.



Centenary Bank signs on to Scale2Save to launch ‘no-frills’ account in Uganda

TWO-PRONGED PROJECT WILL ALSO TAP INTO FAMILY & FRIENDS TO BOOST TAKE UP, ACCOUNT USE

WSBI and Centenary Bank signed recently a memorandum of understanding for a new Scale2Save project to help small-scale savings work in Uganda.



Signed during a ceremony in Washington, D.C., the memorandum outlines projects to introduce and test in Uganda a ‘No-Frills’ basic mobile-phone-operated savings account specifically designed for the low-income people. Centenary looks to launch and test the offer via CenteMobile – the bank’s digital channel.

Centenary Bank Managing Director Fabian Kasi, who signed the memorandum, noted: “The mobile account will be scaled up to 187,500 customers by its Cente banking agent network, sales representatives and staff during the pilot phase”.

The no-frills account pilot aims in the medium- to long-term to establish a “gateway-to-banking” product for low-income Ugandans. People who start with the account, set for a pilot phase in Central and Western regions of the country, can graduate to a regular savings account.

From there, they can eventually gain access to the full suite of banking products, including credit. The project is especially important for rural communities to flourish.

The second innovation will introduce financial incentives for existing customers to on-board new ones into the no-frills account. The project taps into and measures the influence and impact

made by friends and family to boost uptake and active use of banks and their services within the retail and mass market. A new bank account will be instantly generated at branch and agent level. It then debits the introducer’s account and credits the newly introduced account holder with the equivalent amount.

Commenting on the initiative and support from WSBI under the Scale2Save programme, MoU signatory and WSBI Managing Director Chris De Noose added: “Centenary Bank is taking an innovative, multi-pronged approach to address the need for viable small-scale savings. They also look to test shared agency infrastructure with Finca Uganda, another Scale2Save partner.”

ABOUT CENTENARY BANK

Centenary Bank is Uganda’s leading commercial microfinance bank, serving more than 1.4 million consumers, employing over 2,700 staff and holding an asset base of UGX 2.706.3 Billion (US\$733 million) as of 31 December 2017. It also has a growing network of 176 ATMs, 70 branches, and over 400 Cente Agents across the country. Centenary Bank started in 1985 with two main purposes: serve the rural poor and make a meaningful contribution to the socio-economic development of Uganda. In 1993, it transitioned to Centenary Rural Development Bank Limited and licensed as a full-service commercial bank. The bank aims to be Uganda’s best provider of financial services, especially microfinance. Centenary Bank began in 1983 as a credit trust of the Uganda National Lay Apostolate.



Scale2Save Peer Workshop tackles change management, account use

Some 40 people from three continents came together in mid-October in Washington for the one-and-a-half-day Scale2Save Peer Review Workshop. Designed to help make small-scale savings work for millions of people in Africa, project partner banks and experts shared successes reached so far and the challenges ahead.

Day 1 looked at the need for more client activity. It began with stocktaking and benchmarking of the projects within the Scale2Save programme. It also included a talk on achieving targets set out by the nine innovative projects in six countries - Morocco, Senegal, Côte d'Ivoire, Nigeria, Uganda and Kenya.

Day 2 featured breakout sessions on change management with senior bank executives from participating project banks and guest speakers from WSBI members TPB Bank plc and Fedecredito as well as on the drivers of the business case with project managers. Executives learned that legitimacy and quick wins are key for driving change, project managers learnt that the viability of small scale savings needs to take into account the entire business model of the financial service provider. Senior managers looked at how pricing models boost demand, drivers for viable business model for low-income people.

They also explored the role technology plays in serving this group. They also looked at ways product bundling and channel mix to make their business models viable.

A “fishbowl” exercise followed, looking back at exchange during the World Bank UFA Roundtable held the day prior, Scale2Save research on African young people and a soon-to-be-released update of “Retail Banking in Africa”. A rich discussion, the young people research drove much of the debate. Participants also looked at children having access to accounts, through a structured programme with schools and parents.

Scale2Save Programme Director Ian Radcliffe closed out the event, saying there is pressing need for more activity on accounts within Scale2Save projects. Challenges persist on that front, but ideas shared at this workshop can help address them.

WSBI EVENT IN ABIDJAN: FOCUS ON DIGITAL FINANCIAL INCLUSION

WSBI held on 3-4 December Abidjan, Côte d'Ivoire, an Africa regional conference called Digital financial inclusion: successful ways forward. The two-day event focused on client need when it comes to digital products and services, proximity as well as financial education and building trust into the formal system. The event brought together managing directors and chief executives from French and English-speaking African WSBI member banks as well as regulatory bodies, mobile phone operators and Fintechs. Attendees compared legal frameworks and presented their latest efforts in digital finance, focusing on “nano” digital savings and financing.



LEARN MORE ABOUT SCALE2SAVE AT [BIT.LY/2NJEXGJ](https://bit.ly/2NJEXGJ) OR SCAN THIS QR CODE.



LEARN MORE ABOUT THE WORKSHOP, INCLUDING PROGRAMME AT [BIT.LY/32FTCQJ](https://bit.ly/32FTCQJ) OR SCAN THIS QR CODE.

New: Scale2Save partnership launched with FINCA International

**Both WSBI, FINCA International sign memorandum of understanding
Focuses on savings product research in Uganda
Qualitative, quantitative research explores savings product impact on usage**

WSBI and FINCA International signed recently a memorandum of understanding to research the savings product needs of low-income clients across Uganda. The collaboration will explore the drivers that promote and hinder savings account usage, a critical measure of impactful financial inclusion.

Working with FINCA Uganda, another Scale2Save project partner, a research team – comprising FINCA International staff and an external academic advisor – will implement a randomized control trial (RCT) to assess the impact of product features on the usage of savings accounts by FINCA clients. The treatments will be devised by FINCA Uganda following a human-centred design approach, in close coordination with FINCA International's research team. Their testing will follow an experimental approach, allowing for meaningful comparison of outcomes between treatment and control groups, and attribution of different outcomes to the treatments. A baseline study report will be submitted to Scale2Save programme organisers in June 2020. The research will conclude with a final report in September 2021.

FINCA International's Director of Customer Research and Field Data Services, Scott Graham, said: "This partnership will enable us to understand some of the most important barriers to savings account usage. By fully grasping, for example, how financial education drives savings mobilisation, financial service providers can better adapt products and messaging to client needs and improve financial inclusion outcomes, especially among youth."

SECOND PROJECT IN UGANDA WITH FINCA

This is the second project undertaken by Scale2Save and partners on-the-ground in

the East African country. WSBI announced in late July that FINCA Uganda had joined the Scale2Save programme. Outlined in a separate memorandum of understanding with global savings and retail banking association WSBI, FINCA Uganda will leverage breakthrough technologies to build a new business model geared towards sustainable savings mobilisation. Digital innovations such as the development of relevant and responsible mobile-based products delivered via a smartphone, agent or handset, as well as digital field automation (DFA) and data analytics form the backbone of this model. The aim is to build out more appropriate savings products accessible on mobile and digitally enabled financial literacy modules deployed over the devices.

WSBI Managing Director Chris De Noose said: "The research matters because understanding the needs of people on the ground remains a challenge. Our recent research on savings and retail banking in Africa concluded as much. To tackle the customer centricity challenge, the research will dig deeper into what makes savings products easier to use, afford and access while keeping banks sustainable businesses that serve people regardless of situation." ●

ABOUT FINCA UGANDA, FINCA INTERNATIONAL

FINCA Uganda is the first Microfinance Deposit taking Institution (MDI) to be licensed by the Bank of Uganda in 2004 to offer life-changing financial solutions that include: savings, loans and money transfers. Having started operations in 1992, currently FINCA Uganda has a network of 27 branches that are well spread across the country. FINCA Uganda is part of the FINCA Impact Finance Network, a group of 20 microfinance and financial institutions that provides socially responsible financial services and enables low-income entrepreneurs and small business owners to invest in the future. The majority owner of the network is FINCA International, a microfinance and social enterprise not-for-profit leader dedicated to creating economic inclusion for the poor.

For more information, visit www.FINCAImpact.com.



WSBI annual regional meeting explores innovation, celebrates World Savings Day



Leaders of Latin America's leading retail and savings banks gathered in Santo Domingo on 28-30 October to host its annual meeting of Latin America and the Caribbean region.

Members from nine countries joined banking experts and regulators for the three-day event, held in collaboration with WSBI members Dominican Republic's Asociación Popular de Ahorros y Préstamos (APAP) and Spain's CaixaBank. The meetings included an innovation workshop, which focused on customer engagement, data & partnerships, and how to get the most out of new technologies. The 25th WSBI Latin America and Caribbean Regional Group (GRULAC) Annual Assembly also took place. At the assembly, members took the chance to also celebrate World Savings Day with APAP and the local community.

“Innovation helps WSBI members thrive in the 21st century,” said WSBI Managing Director Chris De Noose. “To boost innovation and digitalisation, we bring savings and retail banks together to help bring them closer to people, provide better services, and broaden financial inclusion.”

Diego Prieto, GRULAC Chairman and President of Banco Caja Social in Colombia (pictured), who gave opening remarks at the event, said: “As never before, new information and communication technologies, work flows and ecosystems revolutionize many industries. Banking is no exception.

“The workshop helps member banks reach the ultimate goal to keep our social mission while providing quality financial services that effectively contribute to the development of our clients.”

INTERACTIVE DISCUSSIONS: CENTRAL PART OF THE WORKSHOP

Experience exchange and active group discussions are important elements of every WSBI Innovation workshop. This time participants explored the topic of collaboration and discussed in groups one the the five themes:

- Bank – Startup Collaboration, facilitated by Marlenne Then, GCS Systems
- Bank – Bank Collaboration, facilitated by Ernesto Pacheco, Fedecredito
- How to develop better customer engagement? Facilitated by Icelsa Diaz, APAP

- How can Policy foster Innovation? Facilitated by Alejandro Fernández W., Argentarium
- Legacy systems: the pink elephant in the room, facilitated by Diego Prieto, Banco Caja Social

WSBI Innovation workshops are a series of smaller scale events that aim to gather a small group of audience and encourage the engagement of all participants. Every workshop provides a forum for members to exchange and to share success stories. Similar workshops have already taken place in Brussels, Istanbul, Hong Kong, São Paulo and Prague.

APAP AND WORLD SAVINGS DAY

WSBI member Asociación Popular de Ahorros y Préstamos (APAP) held a special ceremony during the WSBI regional meeting in the capital, which serves as the official launch of World Savings Day in Latin America and the Caribbean.

As every year on the occasion of the World Savings Day, APAP launched their traditional campaign CERO DE ORO, the largest campaign promoting savings in the Dominican Republic. →



WSBI MEMBERS FROM THE LATIN AMERICAN & CARIBBEAN REGIONAL GROUP AT THE 25TH ANNUAL ASSEMBLY



De Noose added: “APAP brings World Savings Day alive in innovative ways, which our members around the world can learn from. We hope people throughout the country learn more about the importance of savings and how it helps improve their lives. Savings remain a potent force to address growth and financial stability and personal growth, especially for the poor. Poverty stops where savings start.”

In addition to this campaign that started 51 years ago, APAP also organized an exhibition of local artists (see image), who designed works related to savings and their impact.

SAVINGS GIVE LIFE A LIFT

Under World Savings Day 2019 theme “Savings give life a lift”, WSBI chose to place added focus on the stabilising role played by savings and retail banking in the overall financial system. It evokes some of the ethos of local banks: responsible partners in communities, close to the customer, serving households, small and medium-sized firms (SMEs) and local authorities. WSBI member banks demonstrate their locally focused approach to banking through World Savings Day activities in the communities they serve. That includes in dozens of countries, including the Dominican Republic.

ABOUT GRULAC – THE WSBI LATIN AMERICAN & CARIBBEAN REGIONAL GROUP

The Latin American & Caribbean Regional Group (GRULAC) brings together the members in the region to keep close exchange on specific issues and to promote the exchange of best practices and create opportunities for business cooperation. Representing 13 financial institutions from 12 countries, the group’s members meet at least once a year at annual regional group meetings. Those meetings serve as a platform for exchange of experiences among members and provide potential members or other interested international or regional organizations a way to keep up to date on savings and retail banking as well as WSBI efforts in the region.



LEARN MORE ABOUT WORLD SAVINGS DAY AT WORLDSAVINGSDAY.INFO OR SCAN THIS QR CODE.



LEARN MORE AT THE WSBI INNOVATION HUB AT WWW.WSBI-ESBG.ORG/KNOWLEDGESHARING/INNOVATIONHUB OR SCAN THIS QR CODE.

ABOUT APAP

The Asociación Popular de Ahorros y Préstamos (APAP) is one of the first private financial institutions of the Dominican financial system, standing out for the attractive offer of Mortgage Loans, Business Banking and the continuous efforts to promote the habit of savings.

WSBI AND INNOVATION

WSBI sees innovation as a crucial ingredient to help its members thrive in the 21st century. As an international banking association that brings together savings and retail banks located on all continents, innovation and digitalisation can help foster closer customer relationships and better services while in the long term increasing financial inclusion and boosting sustainable, modern finance.

WSBI helps members by fostering exchange of experience and success stories through activities like the Santo Domingo workshop. That exchange includes efforts to facilitate knowledge sharing among members, with FinTech companies and other strategic front-runners through exchanges of information and experience at all levels within the organisation as well as in-house knowledge management.

WSBI SPONSORS FOROMIC 2019 WORKSHOP IN LATAM REGION

WSBI joined the Foromic 2019 as a sponsor of the event focused on Innovation for Inclusion. Held on 31 October and 1 November in Punta Cana, the collaboration comes as a follow-up of the solid working relationship with the Inter-American Development Bank – the IDB Group. Sponsored by the IDB since 1998, Foromic is the most important event on inclusive finance, with the head of state of the host country traditionally taking part. A WSBI delegation participated in the event – represented by digital identity experts from member CaixaBank – in panel discussions and also via a dedicated LaunchPad presentation on “The power of data in a near future”.



Digital on-boarding: Q&A with BCEE's Joseph Delhaye

SIGNING ON CLIENTS WHO NEVER ENTERED THE BANK

Even if bank branches remain an essential part of the distribution channel mix, it goes without saying that more and more people – and not only the young ones – prefer to interact with their bank via a screen.

This is certainly not a problem once this person has become a customer: banks have developed numerous solutions, from the “bank by telephone” in the 1990s to the apps on our tablets and even our smartwatches we use today. But what happens when someone wants to become a customer without going to a bank branch to open an account or to acquire products?

News & Views talked to Joseph Delhaye of Luxembourg member BCEE – Banque et Caisse d’Epargne de l’Etat – about this process, called “digital on-boarding”.

A basic question: What is digital on-boarding?

On-boarding in the banking sector means the process that precedes the moment when the bank enters into a business relationship with a new customer. If this on-boarding process is done electronically and at a distance (for example online), we speak of digital on-boarding. Any financial institution has to follow a powerful trend in our society: the days when customers took a few hours off to go to the bank to open an account or acquire a product are long gone. Everything has to go quickly, smoothly and at whatever time of the day or night. If banks want to remain relevant and escape the trap of a “commoditisation” of banking services, we have to offer a customer experience that is as seamless as the fact of signing up to a social network or buying goods online. But here, I need to say that the biggest hurdles that any bank faces are of regulatory rather than technical nature.



JOSEPH DELHAYE

You are talking about the know-your-customer (KYC) regulation?

Indeed. The Financial Action Task Force (FATF) requires banks to carry out a risk based due diligence of any potential customer to prevent banking services to be used for money laundering and for the financing of terrorism.

An essential part of this customer due diligence – CDD – is obviously to identify the customer and to check his or her identity on the basis of documents, data or information obtained from a reliable and independent source. In the “bricks and mortar” world, this CDD is carried out on the basis of an ID-document that is delivered to the citizens by the public authority and that the client simply hands over to the bank clerk.

In the digital world, other solutions have been put in place. For several years, banks have developed solutions based on video-conferencing to perform identity checks. But this is not allowed in every country and beyond the technical infrastructure that is necessary, it requires an operator to be available outside office hours. That is why fully automated identification procedures,

WHAT ARE TRUST SERVICES?

A “trust service” is defined as the electronic service usually provided in exchange for payment, consisting of:

- creation, verification and validation of electronic signatures, electronic stamps or electronic time stamps, certified electronic delivery services and certificates related to these services, or
- creation, verification and validation of certificates for the authentication of websites, or
- preservation of electronic signatures, stamps or certificates related to these services.

based on biometric techniques such as face recognition or fingerprint recognition are preferred. Another solution that has become very popular is the authentication of users thanks to an eID based on eIDAS.

eIDAS: Does that mean the European Union coming to the rescue?

In a certain sense, yes. eIDAS foresees that if an EU Member State offers an online public service to citizens or businesses for which access is granted based on an electronic identification scheme – for example for tax declarations – then they must also recognise the eIDs of other Member States for the purposes of cross-border authentication.

It is clear that secure and seamless electronic interactions between businesses, citizens and public authorities on a European level, need a predictable regulatory environment. And this regulatory environment is provided by eIDAS, the European regulation on electronic

identification and trust services for electronic identification in the internal market. The regulation creates thus an internal market for electronic trust services and ensures that they will work across borders and that they have the same legal status as the traditional paper-based processes. An enormous cross-border market opens up for financial institutions.

But isn't eIDAS mainly interesting for payments transactions?

Not just for payments. It is true that the Payment Services Directive (PSD2) requires payment service providers to apply strong customer authentication, based on two-factor authentication solutions. In the Regulatory Technical Standards, PSPs are encouraged to take into account eIDAS based eIDs for this authentication.

But the opportunities offered by eIDAS go beyond payments. Banks can offer consumer or SME-loans to customers that are on-boarded in a digital way or they can offer investment services to customers based in other countries.

And don't forget the potential of open banking. As you know, open banking is the idea that the customer has the right to share banking data with other providers than his or her bank, for example via APIs. Open banking is mandatory under the PSD2 regulation in order to promote competition in the payments sector. One could go a step further, however, and think of a KYC-utility that facilitates open banking. These utilities would constitute a highly protected digital repository of central identity documentation that would streamline the collection and the exchange of CDD-data. That would avoid that the customer has to provide several times the same information. The Luxembourg i-hub is a good example of this.

As you can see, a fact that we have taken for granted, namely the proof of one's identity can be at the basis of a future revolution of the banking sector!

ABOUT BCEE

The Luxembourg-based "Banque et Caisse d'Epargne de l'Etat" was created in 1856. The bank has the biggest branch network in the country and employs 1800 people who cater to the needs of their clients. The bank is 100% owned by the Luxembourg state and enjoys the highest credit ratings. Since many years, BCEE ranks amongst the safest banks in the world.



BANQUE ET CAISSE D'EPARGNE DE L'ETAT LUXEMBOURG



Banking on the human touch: How SMBC innovates to serve customers better

MANY BANKS ACROSS THE GLOBE HAVE ADOPTED EMERGING TECHNOLOGIES TO INNOVATE NEW PRODUCTS AND SERVICES



HEAD OF IT, PLANNING DEPARTMENT ASIA PACIFIC DIVISION, DESMOND LEE (LEFT) AND HEAD OF ASIA INNOVATION CENTER MASAYUKI NAGATOMO. © SUMITOMO MITSUI BANKING CORPORATION

They range from mobile payments for B2C and B2B customers, the use of blockchain technology for secure and efficient digital transactions, to robotic process automation (RPA) to cut inefficiencies and provide better customer service. The list goes on.

For Sumitomo Mitsui Banking Corporation (SMBC), it is the people using these new products and services who matter.

“We are very mindful of why and how we innovate our services,” says SMBC Head of Asia Innovation Center Masayuki Nagatomo. “Our group looks at the various solutions for humans – always taking them into consideration – to ensure that the products we roll out are meaningful to improving the lives of our clients.”

The global bank, whose origins date back 400 years, has a holistic approach to its innovation process.

“We are focused on enabling three components to reach our goal of touching the lives of our customers – that is, providing our customers with efficient banking, inclusive access and sustainable life,” says Desmond Lee, Head of IT, Planning Department Asia Pacific Division.

MAKING BANKING EFFICIENT

Businesses grow and their trading network becomes more complex.

To help them manage their supply chains more efficiently, SMBC has embarked on efforts to be part of and bring to their customers the benefits of the global Marco Polo Network – a blockchain consortium that powers a seamless and secure exchange of data and assets between banks and other institutions.

The network, which was jointly developed with technology firms TradelX, R3 and various international banks, has improved customer experience with its cutting-edge trade and working capital procedures since it was launched in 2017.

On a smaller scale, SMBC Group company Bank BTPN has helped customers in Indonesia better manage their finances on the go with the digital banking service Jenius.

ENSURING INCLUSIVE ACCESS FOR ALL

Millions of people worldwide still do not own a bank account and do not use any financial institutions in any capacity.

In Indonesia alone, this population adds up to around 180 million people, giving urgency to the government’s national development strategy of financial inclusion. Bank BTPN has developed a branchless banking service known as ‘BTPN Wow!’ to serve the unbanked group of customers in South-east Asia’s largest economy.

As with SMBC’s other innovations, the idea behind the new service is human-centric: To make it easy for anyone who owns a phone, even if it is not a smartphone, to enjoy access to banking services through unstructured supplementary service data, or USSD technology, which allows anyone to make common banking transactions such as deposits and bill payments even through SMS.

“Improving people’s lives is among the top priorities of SMBC,” explains Mr Nagatomo. “For Indonesia, we are striving to empower the country’s unbanked population by bringing the service to them.”

SHAPING A SUSTAINABLE FUTURE

A common concern in ageing societies like Singapore is financial planning for retirement years. In Japan where there are thousands of centenarians, SMBC has responded to the government's call to create services tailored for this "100-year life society".

From financial planning and pension insurance to re-designing retail branches and bank forms, SMBC's purpose is to help people worry less in the long-term. For example, its Money Plan application allows customers young and old to manage their finances according to their income, family expenditures, and even risk appetite.

Enabling sustainability to SMBC is not only about financial services, but also spurring that of businesses in various sectors. Agriculture is a huge contributor to Asian economies, Japan included. With younger generations preferring to develop careers in the city, there is a strain on the physical labour-intensive farming community.

To this end, SMBC Group company Japan Research Institute (JRI) and Keio University have created "DONKEY". This AI-robot not only alleviates physically-demanding tasks such as carrying heavy loads and night patrolling, it also uses real-time data such as weather conditions to advise farmers on the best time to start the planting season.

Its data analytics capabilities not only improves visibility and traceability of product movement from farm-to-fork, but also seeks to help SMBC's farmer customers with better sales channel and business planning to boost profits.

In doing so, the major banking group in Japan aims to grow together with their customers, establishing firm and lifelong relationships.



BANKING ON A BETTER TOMORROW

So what drives SMBC in its digitalisation journey?

"At the end of the day, the banking business is about relational trust between humans. Our vision is to earn the highest trust of our stakeholders – customers and the society at large – so our innovations are answering to and looking ahead at customers' needs. Basically, we are banking on a better tomorrow through our innovation today," Mr Lee says. ●

WSBI delegation at Singapore Fintech Festival

SINGAPORE FINTECH FESTIVAL

The 2019 edition of the world's largest FinTech festival took place in Singapore on 11-15 November. A WSBI delegation of digitalisation & innovation senior representatives from association membership attended this year's festival from 11-13 November. Additionally, the group had a study visit to DBS Lab on 14 November.

Attended by 45,000 participants from 130 countries in 2018, the event brings together key executives and decision makers from global financial institutions and corporates, start-ups and unicorns. This year, the festival featured a FinTech Conference & Exhibition, FinTech Awards, the Global FinTech Hackcelerator Demo Day, a Global Investor Summit and an Innovation Lab Crawl.

Evolution, revolution: Financial education in the digital age

CONFERENCE DIVES DEEP INTO NEEDS, CHALLENGES RELATED TO FINANCIAL EDUCATION IN DIGITAL AGE

Policymakers, regulators, researchers, consumers representatives, not-for-profit institutions, practitioners, international organisations, financial museums and members of WSBI-ESBG gathered on 23 October at WSBI-ESBG's premises in Brussels to discuss financial education in the digital age. The half-day event Debates focused on the role financial education can play in the digital era and looked at standards and evaluation methods of digital financial education programmes.

The event was also the opportunity to present the joint WSBI-ESBG & Parents International initiative – a *Set of Basic Financial Competences, Skills and Concepts*. This year's conference coincided with the World Savings Day celebrations. For more than 90 years WSBI and its members have spearheaded annually a day dedicated to promoting the virtue of people saving money. Coined World Savings Day, it was the first initiative of WSBI, the voice of savings and retail banks in nearly 80 countries.

Chris De Noose, WSBI-ESBG Managing Director, kicked off the conference with an opening address (see next story), reiterating the association's stance on

financial education as a longstanding tradition of the savings and retail banks community. "Digital skills are strictly intertwined with financial literacy skills as financial services evolve with the digital trend," added De Noose. "WSBI-ESBG firmly believes that financial education does equal to empowerment in today's socio-economic context and enables citizens to successfully take part in society."

Dr. Annamaria Lusardi, Founder and Academic Director of George Washington University School of Business' Global Financial Literacy Excellence Center (GFLEC), delivered the keynote address by shedding light on the need for more financial literacy amongst the population and linking financial literacy to wellbeing as well as financial inclusion. She also stressed that having financial inclusion without financial literacy is planting the seeds for the next crisis.

WHAT ROLE FOR FINANCIAL EDUCATION?

The first panel featured Dr. Mario Nava, Director of Horizontal Policies at DG FISMA, Fernando Tejada, Director at the Bank of Spain, Wolfgang Neumann, Chair of the WSBI-ESBG Coordination Committee, and Monica Malo, Head of Communications, External Relations & Sustainability at CECA (Spanish Confederation of Savings Banks).



DR. ANNAMARIA LUSARDI, ACADEMIC DIRECTOR, GEORGE WASHINGTON UNIVERSITY FINANCIAL LITERACY EXCELLENCE CENTER.

Panellists discussed the role of financial education in the digital age in light of recent developments such as ICOs, cryptocurrencies, robo-advice, etc. Some of the main takeaways included the fact that there are increasingly more digital tools available to broaden the outreach of financial education and inclusion; however, this does not solve the fundamental problem – the need for financial education. Mario Nava also highlighted that young people do not receive any financial education at school, yet they are increasingly exposed to financial decisions. There is a need to introduce this important life skill in schools; the earlier the better. Wolfgang Neumann also noted how savings and retail banks have always played a key role in helping and teaching people how to save. Monica Malo described how financial education is instrumental education that has a direct impact on your performance in life. CECA was recently awarded for their financial education initiatives that reach up to 9 million people in Spain.

WSBI-ESBG firmly believes that the topic of financial education, despite falling within the remit of Members States, could gain more relevance at EU level. WSBI-ESBG stands ready to fully support the European Commission and other relevant stake-





Panellists agreed that basic financial skills and competences should be added to school curricula. They are an important dimension of entrepreneurial skills.

Wilhelm Kraetschmer, Chair of WSBI-ESBG Corporate Social Responsibility and Sustainable Development Committee concluded the conference, stating that Fintech is not a substitute for financial literacy, and financial education is more important than ever in the digital age. The benefits of digital outreach should be acknowledged, as well as the usability challenges. Financial education equals to empowerment and implies a shared responsibility among all actors. WSBI-ESBG will continue to work towards promoting this relevant debate.

holders, such as the European Parliament, in this endeavour.

Following the first panel, Patrice Cros, Director of Finances & Pédagogie, gave a keynote speech on new opportunities for digital financial education by explaining how the French organisation has seized this opportunity to innovate. “The relationship between digital and financial education is a special one” and “the role of pedagogues and facilitators will be more crucial than ever in the digital transformation”, emphasised Cros.

EVALUATING FINANCIAL EDUCATION PROGRAMMES

The second panel addressed the challenges related to the standards and evaluation methods of financial education programmes due to the digital dimension. Dr. Lukas Menkhoff, Head of International Economics at DIW Berlin, stressed that rigorous evaluation methods are scarce. It is however crucial to know what works. Danièle Vander Espt, Director of Financial Education at Financial Services and Markets Authority (FSMA), commented on how the fast-pace changes related to

digital and technology make it challenging for research to measure and analyse the effects of financial education programmes. A balanced approach between experience and research is needed.

JOINT WSBI-ESBG & PARENTS INTERNATIONAL INITIATIVE

The third and last panel showcased the newly released Set of Basic Financial Competences, Skills and Concepts – a joint initiative between WSBI-ESBG and Parents International. Panellists included Eszter Salamon, Director of Parents International, Korina Dörr, Head of Consumer Consulting Service „Geld und Haushalt”, Philip List, Director of Erste Financial Life Park (FLiP), and Dr. Dana Puia Morel, Entrepreneurship Education and Women Entrepreneurship, DG GROW. They discussed the rationale behind this project, particularly in today’s context. Dealing with money, understanding how it works, what services and tools are available to safeguard your earnings and make provisions for rainy days are essential for a happy adult life.



READ ABOUT THE SET OF BASIC FINANCIAL COMPETENCES, SKILLS AND CONCEPTS AT [BIT.LY/374EQLZ](https://bit.ly/374EQLZ) OR SCAN THIS QR CODE.

World Savings Day celebrated around the globe

People around the world celebrated on 31 October the 95th annual World Savings Day. To connect with people, especially young people, WSBI members and staff shared the World Savings Day story as ambassadors in local communities, schools, partner organisations and at locally focused banks.



a safe and rewarding way boosts financial education, which is a pathway to a better life. Savings are a basic financial service, a pathway to other things too... payments, small business financing and insurance. To go even deeper, savings is pathway to personal development.

Simultaneous kick-off events by members and partners were held on 31 October, including in Amsterdam with 2019 World Savings Day partner Aflac's annual conference. Events were also held in El Salvador with WSBI member Fedecredito, and the WSBI GRULAC meetings in the Dominican Republic, in conjunction with member APAP.

2019 WORLD SAVINGS DAY THEME: SAVINGS GIVE LIFE A LIFT

Held on 31 October every year, World Savings Day occurs around the world. The World Savings and Retail Banking Institute is the birthplace of World Savings Day. Initiated in 1924.

As "savings give life a lift" – this year's theme – WSBI and its members chose to place added focus on the stabilising role played by savings and retail banking in the overall financial system.

It evokes some of the ethos of local banks: responsible partners in communities, close to the customer, serving households, small and medium-sized firms (SMEs) and local authorities. WSBI member banks demonstrate their locally focused approach to banking through World Savings Day activities in the communities they serve. WSBI's 107 members in 74 countries know that giving people a chance to save money in

It helps people to grow.

SAVINGS MATTERS FOR HOUSEHOLDS, SMALL BUSINESS, AND ECONOMIES

World Savings Day highlights that savings remain a potent force to address growth and financial stability. Savings help economies build up funds that feed financing models and serve as the engine for economic expansion. Mobilised national savings nourish local infrastructure build-out and narrow the global infrastructure finance gap, which reduces risk exposure to foreign debt. For citizens, household savings help people become resilient against shocks faced in life and avoid over-indebtedness. WSBI ambassadors will be celebrating World Savings Day with members and partners around the globe, including the Dominican Republic, The Netherlands, El Salvador and Morocco.



FULL HOUSE IN EL SALVADOR: CHRIS DE NOOSE ADDRESSES GUESTS AT FEDECREDITO'S WORLD SAVINGS DAY EVENT.



THAILAND: A NEW PIGGY BANK BOOK, NATIONWIDE REACH

GSB organised on 31 October its Savings Day 2019, which aims to encourage Thai people to inform and educate them on the importance of savings and financial discipline. GSB in Thailand have three activities. First, encouraging savings. They will hand out to people at 1,063 GSB branches nationwide a newly created "Piggy Bank Book". Those Piggy Bank Books serve as souvenirs for people who deposit 500 baht or more. Second, creating financial discipline. Held at their headquarters in Bangkok, they will organize an award ceremony for people who have good financial discipline, outstanding savings at GSB head office to praise an organization, individuals, and customers who have good financial discipline and regular savings. And third, an exhibition about history and the importance of savings.

SOUTH AFRICA

WSBI South African Postbank marked and celebrated "World Savings Day" over three days during the last week of October. The Bank collaborated with UNHCR, Brand South Africa, Phakamani Foundation (at left) and Likazi Secondary School in an effort to spread the message "savings give life a lift" to their respective groups.



BEYOND WORLD SAVINGS DAY: SCHOOLBANK GLOBAL EFFORT

WSBI-ESBG's financial education outreach goes beyond World Savings Day, which is also celebrated by members and citizens in places like Germany, Austria, Finland, Norway, Italy, Belarus, Kenya and the Sudan. WSBI members also participate in School Banking. Throughout the world, young people are first exposed to budgeting, spending and saving within their homes, amongst their peers, on the internet and as well in their communities. The classroom is another high-impact "path" to learn about personal finance.

SchoolBank taps into that path. A global effort aimed at boosting financial inclusion of children and young people through the school system. You may well know about SchoolBank and how it takes an innovative multi-stakeholder approach that includes locally focused banks and educators. To develop the next generation of economic citizens, the approach focuses on school adoption. Teachers play an important part, especially when it comes to Economic Citizenship Education (ECE). It's getting hard-won savings from a savings box to a real bank.

Through schoolbanking, children and youth are given a bank account, oftentimes their first contact with a bank and first vehicle to save money. Along with the account, SchoolBank looks to impart the right education to teach them why and how to save and their economic rights.

SPAIN: AWARD-WINNING EDUCATION, ACTIVITIES EXHIBITS BY CECA

WSBI members are active on many fronts through innovative ways to connect with people about the importance of savings. One example is in Spain.

For the World Savings Day, WSBI member CECA and its entities will launch a virtual exhibition of items like historical photos, money boxes, posters, artworks and collection of historical and documentary value about Savings through the website Red Española de Educación Financiera and at the same time, they will join to a social media campaign related to Savings (Twitter, Facebook).

Finally, for that Day, some of CECA's members will organize activities to explain the benefits of the thrift for the citizens. CECA really has in its DNA a history linked to thrift and to social commitment, that has its origin a long time ago and nowadays it remains as one of the priorities for all their members. Proof of this, it is the active participation in initiatives such as Financial Education Day in Spain, not only for the awareness of the society in thrift, but to spread financial culture in the society. In this sense, CECA and its members have been awarded in 2019 with Finances for All Award to the promotion and dissemination of the national strategy on financial education, in line with this commitment with the society.



APRENDER A AHORRAR:
La enseñanza del ahorro, fuente de la educación financiera



STUDY SHOWING SCHOOLBANK WORKS

WSBI and CYFI released a study three years ago that measures the success of SchoolBank around the globe.

That study points to schoolbanking promotes a better understanding and more active use of financial services through the financial education and inclusion of children and young people. The report describes the different models and approaches to schoolbanking through the long tradition of activities carried out by WSBI members, in the past and present. Participating member banks included the German Savings Banks Association via Bildungsmedien (as part of the DSV-Group), Government Savings Bank of Thailand, Malaysia's Bank Simpanan Nasional and PostBank Kenya.

WHY IT IS IMPORTANT FOR POLICYMAKERS

The study demonstrates to policymakers and stakeholders that SchoolBank is a proven way to inform and educate people at a young age about financial principles that they can carry with them throughout their lives. Plans are afoot for schoolbanking to be spearheaded soon by Aflatoun with support from WSBI. Aflatoun is a partner for the 2019 World Savings Day for The Netherlands.



LEARN MORE ABOUT WORLD SAVINGS DAY
AT WORLDSAVINGSDAY.INFO
OR SCAN THIS QR CODE.

Chris De Noose on financial education

WSBI-ESBG MANAGING DIRECTOR CHRIS DE NOOSE SHARES HIS THOUGHTS

It was a pleasure to welcome in October attendees to this year's conference dedicated to financial education, which occurred the same week as World Savings Day celebrations.

For more than 90 years, the World Savings and Retail Banking Institute (WSBI) and its members have spearheaded annually a day dedicated to promoting the virtue of people saving money. Coined World Savings Day, it was the first initiative of WSBI, the voice of savings and retail banks in nearly 80 countries. This day remains relevant for members around the world who engage actively in celebrating in their local areas.

Having said this and talking about empowerment, WSBI-ESBG firmly stands by financial education, which is instrumental in ensuring inclusive and equitable quality education, promoting lifelong learning opportunities for all, objectives encompassed in the United Nations Sustainable Development Goal number 4, and therefore contributing to reduce global inequalities.

For the financial education conference, we linked the event to the topic of financial education in the digital age. Given this backdrop, there is need to explore more closely current developments. First, "big techs" have been entering financial services while crypto assets are new instruments in the financial world. Second, the human aspect is disappearing when it comes to providing digital financial advice, based on mathematical rules of algorithms. Third, token issuance and trading is vulnerable to cyber-attacks, exposing SMEs and investors. There have been cases of cyber-criminality, which has the potential of greatly affecting electronic devices and on-line services.

These developments raise the fundamental question of whether consumer protection concerns are being properly addressed,

via regulation or other initiatives. Which brings us to the conference topic: What could the role of financial education be in light of these developments?

Additionally, other aspects require special attention, particularly when it comes to evaluating programmes in the digital age. The question also arises whether or not these evaluation methods and standards evolving according to digital developments. Are thus, topics, learning methods and evaluation tools up to date?

The need for the right skills is also a crucial topic nowadays, which should be put into context for this discussion. On the one hand, financial literacy should be part of those skills for life that any individual must possess. I would like to quote Dr. Annamaria Lusardi, Founder and Academic Director of George Washington University School of Business' Global Financial Literacy Excellence Center, when she states "that financial literacy equals today to reading and writing". In this respect, education systems should – where necessary – adapt accordingly to ensure that these skills are achieved. The conference held here at WSBI-ESBG offices in Brussels gave us that opportunity to take also notice of an initiative that WSBI-ESBG has jointly been working on with Parents International, to develop a set of financial literacy skills.

We believe that dealing with money, understanding how it works, knowing what services and tools are available to safeguard earnings and making provisions for rainy days are essential for a successful adult life. Making informed financial decisions is linked also to responsible active citizenship and children need to be introduced to financial literacy in a gradual way. Basic financial literacy skills are essential life skills anywhere, particularly in first and second world countries.

On the other hand, we must link this debate with the one on digital skills.

Innovation and technology are transforming the financial industry, impacting the need for human skills and talent. Strictly intertwined with financial literacy skills are *digital* skills, as financial services evolve with the digital trend. This also leads to another discussion: to which extent should digital skills be integrated into financial literacy skills, given that financial services are taking a digital approach. Indeed, financial literacy skills are closely linked to other skills and competences sets, such as arithmetic, reading literacy, citizenship and digital.

Having all these discussions will enable us to gain further insights and opinions on this crucial matter. Financial education efforts must imply a shared responsibility between everyone: private and public bodies, educational and financial institutions, NGOs, the academic sector, consumers and other stakeholders reflecting a joint commitment between them. This clearly is a task for society as a whole. Banking associations, such as WSBI-ESBG, have a prominent role to play. WSBI-ESBG is a relevant actor on this topic and has a longstanding experience, particularly, but not exclusively, with the organisation of the World Savings Day.

In addition, WSBI-ESBG firmly believes that the topic of financial education, despite being a competence of Member States in the first place, could gain more relevance at EU level. The European Commission could adopt a coordinating role and organise, for example, a European day on financial education. As a key actor in the field, we stand ready to fully support the European Commission and other relevant stakeholders, such as the European Parliament, in this endeavour. ●

Financial history workshop explores how savings banks spread financial knowledge

This year's financial history workshop on 27 September focused on the theme *Savings Banks: Spreading Financial Knowledge*.

The Austrian savings banks association hosted the workshop as it celebrates the 200th anniversary of savings banks in Austria. Experts from Austria, Switzerland, Spain, Sweden, and other European countries will each highlight a specific aspect of financial education and the way savings banks have helped spread knowledge.

Held at Erste's corporate campus in Vienna, Austria, the event explored how during the late 18th and early 19th century savings banks were born in many European countries, including the United Kingdom, France, Germany, Spain, and Austria. Some 200 years later, savings banks still play an essential role in the provision of financial services and financial knowledge to society.

WSBI-ESBG Managing Director Chris De Noose gave the welcome address, which was followed by presentations. A study on Romanian financial education and the changing attitudes towards money and a paper titled *A Bank's Answer - The Money School* was presented by Nicoleta Deliu from Banca Comerciala Romana. Another talk by Dr. Thorsten Wehber, from WSBI-ESBG German member DSGV, looked at the role of Germany's Savings Banks in enhancing financial literacy. Univ. Prof. Dr. Bettina Fuhrmann, Vienna University of Economics and Business, showed recent research on financial literacy.

A presentation on *Financial literacy in the North - Looking at roots and future focusing on youth* came from Dr Inga-Lill Söderberg and Dr Kent Eriksson from the The Royal Institute of Technology, Stockholm.



The Spanish experience on financial education was addressed by Margarita Castaneda from member CECA. Prof. Mag. Alfred Paleczny, Österreichische Sparkassenverband gave an overview of activities by Austrian savings banks in the field of financial knowledge from a historical point of view.

Dr. Thomas Ruoss, Katholieke Universiteit Leuven, explored how the International Savings Banks Institute, the precursor to WSBI, served a hub for the dissemination of economic knowledge in the 20th century.

The event concluded with a visit to the Erste Financial Literacy Park, followed by a visit to Erste's corporate archives.



READ ALL THE PRESENTATIONS AT [BIT.LY/2XFL1DB](https://bit.ly/2XFL1DB) OR SCAN THIS QR CODE.

Interview with Chinese historians: Savings banks in China

LEARNING FROM THE PAST TO IMPROVE THE PRESENT AND PREPARE THE FUTURE

BANKING IN CHINA

The Central Bank of China is the People's Bank of China. This institution formulates and implements monetary policy. The "big five" state-owned banks are the Bank of China, the Agricultural Bank of China, the China Construction Bank, the Industrial and Commercial Bank of China and the Bank of Communications. In addition to these banks, there are the city commercial banks and rural banks, often founded on the basis of credit cooperatives as well as county banks whose mission is to boost rural development. The Postal Savings Bank of China, WSBI's member in China was split from China Post in 2007 and established as a state-owned limited company. It continues to provide banking services at post offices.



THE WSBI ARCHIVES: A TROVE FULL OF BANKING HISTORY

Founded in 1924 as the International Savings Banks Institute, the World Savings and Retail Banking Institute, or WSBI, enjoys a rich history. The institute safeguards the historical archives of the International Savings Banks Institute. The archives of the institute are an important resource for historical research on the evolution of the financial industry. Detailed requests for information can be addressed to: info@wsbi-esbg.org.

When one thinks of the Chinese banking market, names such as the Bank of China or the Industrial and Commercial Bank of China immediately come to one's mind. A true reflection of the demographic and economic power of their country, these banking behemoths dominate the international banking scene. That's why the staff of WSBI and ESBI was surprised to see two Chinese researchers come to the office in Brussels to study the archives of the World Savings and Retail Banking Institute.

Professor Pui-Tak Lee, Distinguished Professor at the Central China Normal University and Dr. Lin Xu, Associate Research Fellow at the Shanghai Academy of Social Sciences were happy to answer a few questions.

The first question was, unsurprisingly: why come to Belgium? What do you expect to learn here from our archives?

Dr. Lin Xu: The savings banks concept is a very modern and strong concept that is not bound to cultural or geographical borders. Even if the movement is rooted in the European continent, the idea of offering workers the possibility to deposit their money in a safe place and to bundle these small deposits to make loans to local authorities, companies or households is universal. The Chinese government has sent a mission in 1908 to Austria to study the model of postal savings banking. 11 years later, in 1919, the Chinese Postal Savings Bank was created with the objective to absorb the surplus capital from the society with a particular attention for small deposits. The postal savings bank was considered the most stable and convenient national depository institution. This shows that the savings banks movement has, from the beginning, fostered an international dimension and



DR. LIN XU

has always demonstrated an eagerness to learn from peers in other countries.

The reason we are here in Brussels is that WSBI exists since 1924 and owns some very valuable archives. What is interesting for us is to see how different experiences and concepts in various European countries have resulted in strong institutions in Germany, Austria, Spain and France. It is fascinating to see that despite a different history and different contexts, these institutions share the same values.

Dr. Xu, you are researching the history of the savings banks in modern China during the 1920's and 1930's. What is the importance of savings banks for the present Chinese banking system?

Dr. Xu: Smaller and locally oriented savings banks are closer to their customers and are able to cater to their specific needs in a more efficient and still profitable way. The Chinese government wants to create a segment of smaller, local banks in addition to the big public banks so that, on the scale of the country, the needs of urban and rural communities are taken into account.

At this moment, the banking system is still quite centralised. Working with smaller and locally focused institutions would also allow for private investors to get involved and this would lead in the longer term to greater risk diversification, while at this moment the public banks carry the bulk of the risk.

The concept of savings is very important. I was surprised to see how central the concept of saving money has been and continues to be for the European banking system. I had the impression that it was more driven by consumption. I think that the concept of saving money remains valid, but that it evolves. Young people in China, and probably also in other countries no longer want to save money but to invest. And that means that it becomes really important to explain the risks associated with investing, to explain basic concepts such as risk diversification and return on investment. Financial education, one of the important drivers of the action of the savings banks is as important now as hundred years ago!

Professor Lee, the big public banks that you already mentioned, such as Bank of China or ICBC seem to monopolise the entire financial sector. What could these giants possibly learn from smaller institutions?

Professor Pui-Tak Lee: It is not surprising that big public institutions dominate the financial sector in our country, if you take into account the sheer size of China. Only big and solid institutions can finance the big infrastructure projects or can deal with the needs of big urban centres such as Beijing or Shanghai. There is no desire to monopolise the sector, on the contrary: the centralisation is a result of the rapid urbanisation of our country.

Chinese policymakers have recognised the need for a certain degree of decentralisation. China has opened up to foreign banks from Europe, the United States and Japan and also has stimulated the creation of smaller banks, especially in rural areas.



PROFESSOR PUI-TAK LEE

Professor Lee, one of your topics of specialisation is the 1965 banking crisis in Hong Kong. What lessons can we draw from that crisis?

It is important to remember that the Hong Kong government very strongly encouraged high economic growth of the territory. The government created the regulatory and physical infrastructures but did not intervene in the concrete functioning of the economy. The banking crisis from 1965 was due to the less-regulated market, strong competition of the banks and the high-risk real estate property projects they were involved in. The crisis was aggravated by the initial government policy of non-intervention. I think that we can draw a parallel with the non-intervention of the U.S. Government in the Lehman crisis in 2008.

It is my conviction that the government should intervene, in an early stage when there is a banking crisis. An early intervention limits the severe consequences for the economy and for the savings of the country's citizens. Now, we see that intervention during a crisis is minimal,

while after the crisis, lots of regulations are forced upon the banks, which limits their profitability. Banks have to finally pay huge costs for compliance. Smaller banks really suffered from the highly regulated market and became less competitive as compared with the bigger banks. Therefore, intervention or non-intervention created a grey zone. In a highly competitive financial market, only the bigger banks survived. ●

“The savings banks concept is a very modern and strong concept that is not bound to cultural or geographical borders.”

Erste Bank celebrates its founding: 200 years of helping to make prosperity accessible to everyone

PROMINENT PERSONS FROM BUSINESS, POLITICS AND CULTURE CELEBRATE THE BICENTENNIAL OF THE FOUNDING OF SAVINGS BANKS IN AUSTRIA



ERSTE BANK BICENTENNIAL CELEBRATION. © DANIEL HINTERRAMSKOGLER

Some 1,500 people from public life in Austria and the CEE region celebrated on 6 October the 200th anniversary of the founding of Erste Bank and the savings bank idea in Austria. Democratizing and safeguarding prosperity in Austria and the countries of Central Europe continues to be the mission that Erste Group and Erste Bank and Sparkassen pursue.

Public officials attending the matinée bicentennial celebration – held at Vienna’s Musikverein concert hall – included Austrian President Alexander Van der Bellen, the country’s chancellor Brigitte Bierlein, and Serbian Prime Minister Ana Brnabić. Other high-ranking representatives from politics, business, culture and other areas of public life also joined in celebrating an idea that remains revolutionary to this day: believing in the potential that people have.

Since its foundation in 1819, Erste has pursued the goal of giving people access to greater security and a chance to attain more prosperity, “regardless of their age, gender, social standing, or nationality.” – as Erste’s 200-year-old company charter makes clear. The Vienna-based banking group renewed that promise once again at the Musikverein event, whose official speeches focused on the “200 years ahead” rather than reminiscing in nostalgia.

Keynote speakers included President Van der Bellen, who stressed the significance of the savings idea for ensuring cohesion within society, particularly in the case of Austria.

He said: “The Austrian constitution helps us to have in place a plan

during times of upheaval and swift change – a plan that helps us do the right thing. It’s noteworthy that Erste Bank and Sparkasse also has a ‘constitution’. ‘No age, no gender, no social group, no nationality should be excluded from the benefits that the savings banks offers to depositors.’

“That was written down 200 years ago. That principle was revolutionary at the time and has helped Erste Bank and Sparkasse to become a catalyst that has helped to accelerate the democratic transformation.” Van der Bellen paid tribute to Andreas Treichl, who will retire at the end of this year after 25 years on Erste Group’s management board, as “a convinced European, who is willing again and again to take an outspoken stance also on topics that are controversial or unpopular. He is someone who champions liberal democracy and the European idea.”

In his speech, Erste Group Supervisory Board Chairman Friedrich Rödler stressed that *“faith in the potential that all individuals possess is at the very core of Erste Bank’s founding principle.”*



ERSTE GROUP CEO ANDREAS TREICHL (SECOND FROM LEFT) AND AUSTRIAN PRESIDENT ALEXANDER VAN DER BELLEN (THIRD FROM LEFT) JOIN GUESTS TO CELEBRATE 200-YEAR ANNIVERSARY. © NORBERT NOVAK

“Nowadays one would call it a ‘start-up’ that has created an innovative financial product: the savings book. That principle has survived intact through both wars and periods of peace, through the collapse of societies and their reconstruction. It is as important today as it was in the past – because confidence and trust are prerequisites for personal growth and for a prosperous society.”

Erste Group CEO Andreas Treichl of highlighted the enormous significance of Erste’s founding principle of making financial independence – and thus the foundation for prosperity – available to all people: “I am convinced that *our society will experience developments over the course of the next 50 years that we cannot even begin to imagine. Financial institutions will be an important policy instrument for implementing prudent environmental policies. They will also have to provide a decisive contribution to meeting the financing problems that arise from the rapidly changing demographic pyramid. We regard it as one of our principal tasks to help as many people as possible to pursue prosperity.*

“One can rightly say that medicine is dedicated to addressing the most important thing in peoples’ lives: their physical and mental well-being. At Erste Bank, we take care of the second most important thing, namely their financial health. If we manage to do this task well, then I am convinced that Erste will still be around in another two hundreds years’ time.”

After the opening ceremony in the Musikverein’s Goldener Saal, which was immersed in the blue of Erste’s corporate identity for the event, the guests enjoyed a concert by the musicAeterna orchestra

directed by Teodor Currentzis with Hélene Grimaud on the piano.

The event venue was chosen deliberately: the Gesellschaft der Musikfreunde, which was founded in 1812, has maintained a close partnership with “Erste” for almost 200 years. When this “Society of Friends of Music” erected its new building “Musikverein” in the 1860s, the funds donated by Erste oesterreichische Spar-Casse established it as one of the Musikverein’s principal “founders”. The Erste Bank Foyer, inaugurated during the course of the Musikverein’s renovations in 2003, is a further symbol of the long partnership between the two institutions. (End)



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BRUSSELS CELEBRATES 200 YEARS OF SAVINGS BANKS IN AUSTRIA

Representatives of Austria’s savings banks held on 19 November a special bi-centennial celebration in Brussels. EU policymakers and stakeholders took part in the event held at the representation of the European Region Tyrol-South Tyrol-Trentino in the EU. Austrian Savings Banks Association President Gerhard Fabisch and its Secretary General Franz Portisch took part.



AUSTRIAN SAVINGS BANKS ASSOCIATION PRESIDENT GERHARD FABISCH WITH WSBI MANAGING DIRECTOR CHRIS DE NOOSE



SEE: DEDICATED WEBSITE AT WWW.ERSTEGROUP.COM/EN/ABOUT-US/ 200-YEARS OR SCAN THIS QR CODE.

World Savings Day: More than 1 in 7 Austrians visit bank branches

World Savings Day has a long tradition, especially in countries like Austria. For 96 years now, the significance of saving and the importance of early financial education have been put in the spotlight every 31st of October.

According to a current IMAS study conducted on behalf of Erste Bank und Sparkassen, 1.2 million Austrians visit their bank on this day. 'Tradition' (69%) continues to be the number one motivating factor, followed by 'a day out with the kids and grandkids' (55%) and the 'World Savings Day gift' (39%). World Savings Day is particularly popular in Upper Austria, Carinthia and Styria, where one in five people takes their savings to the bank on that particular day and receive a present. This year, the Erste Bank branches in Vienna, Lower Austria and Burgenland offered a choice between two World Savings Day gifts (see image): a reusable shopping bag made from recycled PET bottles, or a 'Sparefroh' pencil case filled with DSwith pencils.

SPECIAL PRODUCTS FOR YOUNG SAVERS

The Erste Bank has special products for young savers. The '1.5% Taschengeld Sparen' is recommended for 10 to 14-year-olds to teach them how to handle their own money for the first time and to encourage them to take responsibility. Credit balances of up to €500 earn an interest of 1.5% p.a. Amounts over this or after the child's 14 birthday incur 0.125% interest p.a. The '3% Sparefroh Sparen' product is recommended for children under 10, earning 3% fixed interest p.a. on amounts up to €500. There is also a special bonus for savings done through building societies. New contracts currently enjoy an interest rate of 2% for 200 days, with a maximum deposit of €1,200.

Investment saving schemes, meanwhile, give savers the chance to invest in securities from just €50 a month. Erste Bank currently does not charge any deposit fee for the first three years.

ABOUT THE STUDY

Erste Bank und Sparkassen hired the market research institute IMAS to survey Austrians about saving. The study is representative of the Austrian population aged 15 and over. A total of 900 interviews were conducted right across Austria. One hundred interviews were conducted per province in order to enable separate analyses. Comparative values are based on previous studies from 2009 onwards.



UPCOMING EVENTS

→ **SAVE THE DATE**



Leveraging the power of transformation, data and ecosystems

Co-organised by CaixaBank

Join us on 19-20 February for the 2020 edition of the WSBI Business Forum. The event will take place at the CaixaForum in Barcelona, Spain starting in the early afternoon on 19 February and will last all day on 20 February. Optional study visits will also be organised on 21 February to Barcelona Tech Hub and 22@ Barcelona's Innovation District, Pier 01 Barcelona Tech City, CaixaBanks's ImaginCafe.

The forum will focus on RETAIL BANKING INNOVATION and how it enables stronger CUSTOMER ENGAGEMENT and CUSTOMER CENTRICITY by leveraging the power of TRANSFORMATION, DATA, ECOSYSTEMS.

WHAT TO EXPECT?

In-depth discussions and exchanges with like-minded institutions as well as retail banking and innovation frontrunners.

The 2017 edition featured panels, presentations and interactive workshops with speakers from key innovation stakeholders such as IBM, Alipay, The Bank of East Asia (Hong Kong), CaixaBank, State Bank of India, various Fintech pitches such as Strands, Token, Figo and others. Since the 2017 Business Forum in Barcelona, WSBI has engaged member banks and innovation frontrunners globally with smaller-scale Innovation Workshops. We've travelled to innovation and fintech hubs such as Brussels, Istanbul, Hong Kong, São Paulo, Prague and Santo Domingo. After several deep dives into banking disruption, innovation principles and best practices in digitalisation, WSBI-ESBG will now share insights and learnings from these global workshops and bring them to Barcelona for the next Business Forum. This will be a great opportunity to discuss next steps.

More information coming soon.



Micro savings, maximum impact.

Objective

1 million more people banked

Investment

\$16 million

Geographic Scope

6 countries in Africa

Projects

9 innovative models

Timeframe

6 years

Sep 2016 to Feb 2022



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

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

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

@Scale2Save

