news & views

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Coronavirus: Building financial resilience locally

WSBI ESBG

Helping savings and retail banks thrive.

SAVINGS AND LOCALLY FOCUSED RETAIL BANKS' RESPONSE TO COVID19

Timely measures taken by WSBI and ESBG members to help mitigate effects of Covid-19 on local economies. Below our examples of how savings and retail banks have helped.

Learn more at wsbi-esbg.org/covid-19

→ Serving people in their community

- Utilise online and offline channels to promote knowledge related to COVID-19 prevention and control;
- Education campaigns to support clients' psychological health;
- Special and targeted campaigns for specific segments, such as for the elderly;
- Well inform customers about banks' working hours;
- Alert and inform clients on frauds schemes, such as fake e-shops offering face masks;
- Donations to hospitals for Covid-19 treatment.

→ Supporting households, SMEs

- New emergency loans, such as to assist business clients in need of new funds to overcome the coronavirus impacts, pre-approve credit lines;
- Loan repayment solutions such as instalment postponement, extend loan maturity/payment deferral, and no penalty for late payment;
- Service fee waiving, including fee waiving for loan service and remittances.

→ Ramping up digital channels

- Promotion of digital channels;
- Encourage clients to use contactless modality such as cards;
- Digitise financial products such as loan application, trade finance and wealth management;
- Serve clients virtually, such as via video conferencing
- Financial education to foster use of digital channels. Examples include step-by-step coaching to customers.

→ Protecting business continuity

- Automatic sanitiser dispensers in place;
- Social distancing with ropes or signs on the floor to establish safe distances;
- Hourly cleaning and disinfecting of teller counters, service officer tables, lifts buttons, among other measures;
- Health and safety measures
  - Work from home
  - Teleworking whenever possible
  - Reduced opening hours
  - Flexible work policies
  - Restriction on business travel
- Virtual training with employees to raise their awareness on Covid-19 and prevention measures.

→ WSBI-ESBG remains at your service, work continues

WSBI-ESBG staff continue to work during the coronavirus pandemic. Staff work from home and will continue to do so for the coming weeks as the Belgian government enforces heightened measures to combat the virus' spread. WSBI-ESBG continues its advocacy efforts with EU institutions, stakeholder engagement and member outreach throughout this crisis period. Information flows continue through phone, website, Twitter and LinkedIn updates and InfoFlash services via e-mail.

Stay at home

By Chris De Noose, Managing Director WSBI-ESBG

"Count the significant events, the technological changes and the inventions that have taken place in our environment since you were born and compare them to what was expected before their advent. How many came on shedule? […] How often did these things occur according to plan?

This quotation comes from Nassim Nicholas Taleb's book "The Black Swan". Even if it is too early, and we first need to do whatever we can to mitigate the consequences of this pandemic, we should also heed its lessons. And one of these lessons is, as Taleb says, that crises happen. Just as Europeans were convinced that black swans could not possibly exist, until they saw them in Australia, we are unsufficiently aware of the unexpected events and risks that lurk in every corner of our global world.

A rogue trader in Singapore brings down the respected British investment bank Barings. Salespeople in the U.S. sell mortgages to people who cannot possibly afford a house and a few years later the accumulated risk brings the whole financial system to its knees. A virus spreads from a little-known Chinese city and two months later the whole world is locked down and thousands of people lose their lives. Countries in the heart of Europe block roads with containers to close borders that citizens had come to consider as folklore from long-gone times. These and many other events changed our world, yet came as complete surprises.

In times of absolute urgency, when citizens' lives are in danger, they turn to their local, regional and national authorities for answers, rather than to supranational organisations. The medical doctor in our street, the local hospital, the workers in the shops and supermarkets are the people who deserve our admiration because they take care of our basic needs: food, housing, health.

The consecutive waves of globalisation that we have known over the last decades have neglected this local level in favour of decision centres in far-away countries and global supply chains encompassing various continents, even for very simple goods. Think of the surgical masks or the hydro-alcoholic gels that only the Chinese seem to be able to produce.

Without the local level the global level will be nothing more than an illusion.

Too many connections, too many global structures, too many conglomerates lead to a system that has become exposed to too many risks, to a system that has become too fragile and that one can compare to a giant with clay feet. Instead of developing our own communities, our own regions, we have been searching profits at the other side of the world, often to the detriment of the local communities there. The current crisis, with its horrible toll of human lives should make us consider the benefits of a decentralised model that aims first and foremost to develop and improve its own region. This is not a selfish, egocentric mentality, on the contrary: if everybody works to its own strengths, all the citizens will be better off, and not just the anonymous shareholders of large corporations.

The decentralised system of savings and retail banks can fall back on a high number of physical and digital access points and a decentralised decision power. It is ideally placed to cope with crisis situations. It does not engage in short selling or other activities aimed at short-term profit but focuses on the essential in crisis times: keeping the credit tap open and solve problems in close cooperation with the clients.

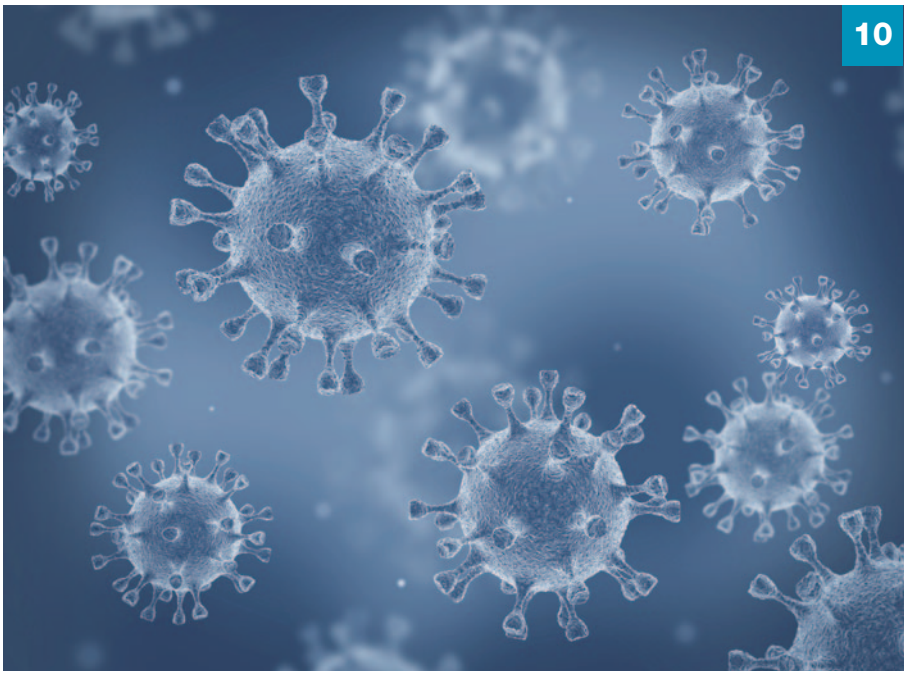
A decision for a loan to bridge a few difficult weeks or months is taken by the branch manager and not by the distant head office. Our employees know their clients well, they often live in the same village. That trust does miracles when a quick solution is needed.

A decentralised, locally-focused system thrives thanks to the principle of subsidiarity that once was a driving force of the EU but now seems to be forgotten. The local level and its strengths are worthwhile considering, as a valuable element of a system that is strong thanks to the diversity of the elements that compose it and thanks to the proximity to its end-users. Applying the same rules and regulations to all the segments of the system would surely be detrimental.

The crisis we are going through and that has sadly taken the lives of so many of our fellow citizens should push us to consider whether we are going in the right direction, whether we have established the correct priorities and whether we have sufficient resources to go where we need to go. The advice to "stay at home" saves lives in this crisis, but it can also be applied to financial service providers who have become global without ever having been local. Because without the local level, without the people working and living in our regions, in our cities in our communities, the global level will be nothing more than an illusion.

"The advice to 'stay at home' saves lives in this crisis, but it can also be applied to financial service providers who have become global without ever having been local. Because without the local level, without the people working and living in our regions, in our cities in our communities, the global level will be nothing more than an illusion."

Chris De Noose, Managing Director, WSBI-ESBG



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SHORTS

ESBG welcomes EU Commission Renewed Sustainable Finance Strategy

Savings and retail banks in Europe welcome the European Commission's Renewed Sustainable Finance Strategy and related public consultation. The Commission's efforts to make Europe a more sustainable economy coincides with ESBG's long-standing commitment to build inclusive and sustainable societies. An important financing source for energy-efficient measures for households and SMEs in Europe, savings and retail banks facilitate the move to climate neutrality by granting green loans and other financing formulas. ESBG sees big upside in development of standards and labels for sustainable finance assets now out in the market, notably the EU Ecolabel scheme for retail funds, savings and deposits, and setting up an EU Green Bond Standard. Although ESBG members view positively the Commission's efforts to forge a green transition to fight against climate change, we stress the need to build a holistic framework that fosters both environmental and social goals and takes into account a policy measure's social impact. ESBG and members are currently preparing a response to the encompassing questionnaire, and we look forward to continuing the dialogue with the Commission on sustainable finance.

Banking and insurance in transition

MARC LAUWERS, CEO ARGENTA SHARES HIS VIEWS

This article originally appeared in Bank and Financiewezen, Belgian finance magazine.

At the invitation of the Antwerp Financial Forum held in October 2019, I delivered a speech with the title "Argenta in scaffolding". Indeed, together with the mother company Investar, Argenta is working on a thorough renovation of its headquarters in the heart of Antwerp for its more than 1,000 employees. That project was necessary because the old buildings became too small and were not adapted to the contemporary way of working.

The choice to remain faithful to the historic site was not only motivated by emotion. The accessibility with sustainable means of transport and the location in the heart of Flanders' most important economic city are important assets for an attractive employer. But "Argenta in scaffolds" mainly indicates the challenge that Argenta – and by extension the entire financial sector – faces to remain relevant in these disruptive times.

Since the Middle Ages, the retail banking model has remained virtually unchanged: converting short-term savings into long-term loans where the intermediation margin forms the basis of the earning model. Various trends are now putting that classic model under pressure and that could lead to a thorough reshaping of the financial landscape. We consider digitisation, regulation and the lower interest environment to be the most important challenges.

CHALLENGING TIMES: DIGITISATION, REGULATION, LOW RATES

The first challenge is digitisation. Digitalisation accelerates the (r)evolution in all segments of society. Mobile devices, Cloud, platform as a service, big data, and APIs ensure that technology is available 24/7 and affordable for all companies. Newspaper headlines predict a variety of possible futures: "1 in 3 banks will disappear", "the real tsunami is yet to come", "the bank branch is making a comeback", "bank of the future: digital or brick & mortar". Digitalisation provides a dynamic evolution where traditional multi-year plans still have little value. Financial institutions are preparing to respond flexibly and quickly to these changes. In recent years, Argenta has thoroughly revised the app and internet banking. And we also invest in the expansion of our data architecture. For the coming years we will place an additional emphasis on simplifying our application landscape and the associated infrastructure.

The second challenge is regulation. In the aftermath of the 2008 banking crisis and the 2010 debt crisis, supervision was tightened to prevent government funds from being used in the future to save the financial sector. This has led to a mountain of new rules, the creation of new supervisors and a heavy burden on the resources of financial institutions. After all, transposing the rules into practice requires investments in IT and mobilizes a large number of employees to respond to the continuous flow of inspections and surveys.

Argenta is not exactly a complex financial institution. We limit ourselves to banking for households and have no trading room. However, in the past year my risk teams have had to answer nearly 500 times to various questions from the regulator, ranging from emails to extensive stress test programmes that run over several months. We subscribe to the need for professional and harmonised European financial supervision. But in our opinion it can be more efficient. And despite all those regulators and rules, banks continue to be saved with government money.

In addition to a lack of efficiency, we Europeans could certainly do with a healthy dose of European chauvinism. PSD2 is a good example of this. PSD2 is a European directive that regulates payment services in the European Union.
With PSD2, the so-called “Open Banking” model was created. In this model, banks have to grant third parties access to their client's current account provided that the client gives his consent. The political vision behind this was that banks, due to their closed nature, are troubling financial innovation by third parties, namely fintechs.

By forcing that access, the challenger banks could break through. Perhaps the original fathers of PSD2 did not realise that companies such as Google, Facebook or WeChat benefit much more from cracking the bank vault. And certainly with regard to privacy, there are still some grey zones. Allow me to quote the Dutch academic Bart Jacobs who said : "If you look at this as an outsider, you think: which idiot has made this up?".

But PSD2 is now a reality and, despite the many childhood diseases – which cost a lot of money – it will fundamentally influence the financial landscape.

LOW INTEREST RATE ENVIRONMENT: CAUSE FOR BANKING BUSINESS MODEL TO EVOLVE

The third challenge is the low interest rate environment. This challenge becomes more existential as banks become more dependent on the interest margin for their income. What hurts extra in Belgium is the mandatory minimum interest rate of 11 basis points on regulated savings accounts. In addition, the government collects 29 basis points via the bank tax and the deposit guarantee contribution, while the interest rate on government bonds is negative and while the ECB applies a penalty interest rate of -0.5 percent above a certain buffer for the surplus cash that banks deposit. Banks that finance themselves on the capital market raise money cheaper, sometimes even paying negative interest. Traditional savings have therefore become the most expensive form of bank funding. And that puts pressure on the intermediation margin, which still generates the majority of revenues for many banks. If low interest rates become the new normal in the coming years – and that is indeed what we expect – then the business model for banks must evolve.

BANKS REMAIN THE RELIABLE INTERMEDIARY

Each of the challenges described requires bankers and insurers to think about the impact on their business model. In the "2020 Banking and Capital Markets Outlook", Deloitte predicts a consolidation battle for the next decade in which so-called Fintechs will become mainstream and the surviving classic banking players will adjust their strategy radically. The key words for future banking are "open, transparent, real-time, customized, secure". But while the method of banking is changing, the role of banks remains the same; to be a reliable intermediary between the ones who have capital available and the ones who can put that capital to good use.

ARGENTA'S 60-YEARS OF GROWTH, FAMILY CHARACTER

In a little more than 60 years, Argenta has grown into a fully-fledged bank and insurance company. In 2019, Argenta served 1.72 million customers in Belgium and the Netherlands, we have 28 billion in savings and we provide 31.1 billion home loans in Belgium and the Netherlands. 2,575 people work every day to serve our customers. Approximately 1,500 of these are employed in the 440 independent bank branches. We made a profit of 174 million euros in 2018, with a return on equity of 6.2% while maintaining strong capital and liquidity buffers. With over 85% of the shares, the Van Rompuy family, through holding Investar, is still the reference shareholder and has reinvested a large proportion of the dividends paid out. The remaining 15% shares are held by the cooperative company Argen-Co. This family character leads to a cautious risk policy, as a result of which the financial crisis of 2008-2010 has not had an effect on Argenta.

We want to be the first bank and insurer for families and individuals who value sustainable financial advice, without frills. We offer them simple, honest and close support to ensure their financial health. We make the difference in the defining moments of the life of our customers, such as birth, purchase of a home or accrual of pension. Our strength lies in our 400 bank agents who serve our customers daily with personal advice. In addition, we have continuous dialogue with our customers. Via the dedicated website "my thoughts" we periodically request input from our customers and we make adjustments. For our bank agents and their employees there is a similar platform that is supplemented by physical consultation.

MEASURING EMPLOYEE SATISFACTION

This also requires openness and dynamism from our employees. Every year we measure the satisfaction of our employees in an "Employee Investigation" and adjust the management accordingly. We see a strong connection with the brand and a positive atmosphere among our staff. We have been investing for several years now with targeted training in the leadership of our managers. And we are happy that we also see that translated into the results of the employee satisfaction survey. Employees grow if they get the space from competent managers. Due to the rapid growth of recent years, we were forced to give interesting assignments to external parties, now we prefer to give our own people opportunities and to internalize knowledge in key areas. →

We are committed to healthy growth, in all areas, through a culture characterised by entrepreneurial spirit, pragmatism and simplicity.

ACHIEVING SCALE: THE CASE FOR PARTNERSHIPS

Argenta has conquered its place on the market on its own. In the past 60 years, Argenta has not participated in the various merger movements that have taken place in the Belgian financial landscape. "Doing things on our own" is not a religion, however, as we have proven that by bidding for the financial services company Fidea. The combination of a suitable IT platform, experience with distribution via a bank channel, geographical proximity and cultural affiliation made it a suitable partner for Argenta Insurance. But acquisitions are not the only way to obtain scale. And scale is certainly part of the answer to the challenges of the coming years. I notice that many market participants are thinking about platforms and services that could be shared. An impressive example in another European country is in Germany, where the members of the savings bank association – with more than 400 savings banks – share the same payment platform that makes its "S-Payment" website the most visited in Germany. Closer to home, we recently set up Jofico with the Belgian financial institutions Axa, Crelan, VDK and Bpost to jointly manage payment terminals. It is not in the back kitchen where we make a difference. Clients look for a loan, want advice on an investment, get a quick solution in the event of an accident or fire, for example. The technical platform where this is processed can be perfectly offered by third parties, as long as the service provider remains a familiar face. Today we already work together with different suppliers. In future, partnerships will become more important to serve the customer with quality in a cost-efficient manner. Scale helps to keep investment costs under control.

DIVERSE REVENUE STREAMS: ASSET MANAGEMENT, INSURANCE, PAYMENT TRAFFIC

In addition to limiting costs, Argenta is also working on the diversification of revenues to decrease our dependence on the interest rates. The insurance platform will be renewed in the coming years to realize the growth ambition. The asset management activities – via Argenta Asset Management and Arvestar Asset Management – have grown considerably in recent years.

Payment traffic is a final source of income. I have always stated that our current account will remain free as long as we can afford it. "As long as" seems to be gradually coming to an end. We are investigating to limit the free nature in the future to a limited package of services. These are bizarre times. Argenta experienced a 14% higher influx of new customers in 2019 and savings grew by EUR 1.6 billion. Taking into account the statutory bottom interest rate of 0.11% on the regulated savings account, this is less positive than it appears. If growth remains the same and we cannot reinvest the savings raised, we must be able to curb that inflow through a limit on the savings account. A Dutch colleague is considering refusing new customers. We think it is more reasonable to limit the permitted volume, which is already provided for in the general rules of transactions for most financial institutions, but is not (yet) enforced in practice.

LOCAL PLAYERS: A PLACE UNDER THE SUN

The challenges facing the financial sector are manifold. But we believe that there is a place under the sun for a local player who is close to the customer and knows the customer personally. And we think that with our strong office network, Argenta is in an excellent position to be that local player.

This requires clear choices. Briefly summarised: the head office invests in digitisation, keeps costs under control and makes products and services as simple as possible; the bank branches continue to focus on personal contact with the customers.

BANKS LISTEN, MAKE TIME FOR PEOPLE, TAKE SIMPLE APPROACH

Everyone needs banking services, and these are still primarily provided by a bank. But finding a bank that suits you is not easy. It starts with a bank that makes time and really listens. Argenta enters into a dialogue with customers, offices and employees. We invest in a long-term relationship of trust where you can go to the same person. A person you know who can make things simple when it seems difficult. We notice that simplicity works and this requires hard work and reinventing things time and time again. When they walk out the bank branch, we want our customers to say to themselves "I did not know it could be that simple".

Savings & retail banks give back: WSBI President's Committee says

> **SAVINGS & RETAIL BANKING BODY MEMBERS STEER €1.3 BILLION ANNUALLY TO DRIVE SOCIAL PROGRESS.**
> **SOCIAL COMMITMENT BY WSBI BANKS HIGHLIGHTED AT HIGH-LEVEL MEXICO CITY MEETING CHAIRED BY BANKING SAGE ISIDRO FAINÉ**

Some €1.3 billion in investment annually in social commitments by savings and retail banks worldwide help people's day-to-day lives, concluded a group of leading banking executives from four continents meeting recently in Mexico City. The group assembled forms the Presidents Committee of WSBI – the World Institute of Savings and Retail Banks.

Chaired by Isidro Fainé, its president, the two-day meeting highlights the impact made by locally focused savings and retail banks, which go beyond a profit motive to help local communities and economies through efforts like foundation work. During his intervention, WSBI President Fainé stressed that "this investment in a social commitment fully aligns with the main purpose of WSBI members to promote economic and social sustainability, with the aim of contributing to the progress and well-being of citizens, especially people living in vulnerable situations."

The Presidents Committee in Mexico provided an ideal occasion to share best practices and the experiences in the social commitments area of various WSBI members who serve in some 80 countries. That includes Latin American and Caribbean WSBI member institutions, as well as banking in Europe, Asia and Africa.

In Tanzania, WSBI member TPB Bank has made great progress in including a maximum of people in the formal economy and in the banking system. The bank uses the potential of mobile phone technology to the maximum and focuses also on offering banking products to savings groups. These savings group are a deep-rooted tradition in the country.

In Germany, the association of savings banks (Sparkassen-Finanzgruppe) follows a sustainable business philosophy which focuses on the appropriate and adequate provision of money and credit services to all groups of customers from all parts of society. This provides for financial inclusion of private customers – regardless of their personal income and financial situation – and for a sustainable commitment to the development of local businesses, particularly to small and medium-sized enterprises in their respective business area. It is the overarching role of Sparkassen to ensure open and accessible quality financial services to local private customers, small and mid-sized enterprises and the public sector in their business area. Sparkassen provide comprehensive retail banking even in remote and low-income regions. Their main purpose is not to make profits, but to serve the common good. Sparkassen use their generated revenues in order to sponsor a wide variety of local services of general interest, e.g. in the arts and for social, cultural, sports, scientific and educational purposes.

LEFT TO RIGHT: SPARKASSENSTIFTUNG HONARARY BOARD CHAIR HEINRICH HAASIS; WSBI PRESIDENT ISIDRO FAINÉ; CARLOS SLIM; AND WSBI-ESBG MANAGING DIRECTOR CHRIS DE NOOSE.

In Spain, "la Caixa" – the Caixa Foundation – believes in people and their capacity to grow, work and overcome adversity. They believe in education, culture and research as drivers of progress and in a society with more opportunities as well as in a better future for everyone. They work in thousands of projects to build such a future.

In collaboration with hundreds of organisations and thousands of volunteers, they join forces to combat poverty and exclusion, to promote excellent medical research, to bring culture within everyone's reach and to improve the education of children, both today and tomorrow.

In Honduras, WSBI member Banco Atlantida develops CSR activities based on four pillars: corporate volunteering, education, art and culture and social investment. Banco Atlántida focused on three of the SDGs in 2019: Health and Welfare (Objective 3) Decent work and economic growth (Objective 8); Taking urgent action for the climate (Objective 13) in figures: 10 social investment projects, 6 corporate volunteering, 4 of education, 2 of financial education and 3 of art and culture. Banco Atlántida is the only bank in Honduras with coverage in the entire country. It serves 1,258,975 customers through 2,177 employees. In 2018, it registered more than $ 3,672 million in assets, ranked first, and holds the top spot within the Honduran financial system in terms of deposits and in terms of capital and reserves.

Now more than ever: **Savings and retails banks help people weather coronavirus storm**

> LETTER TO EU POLICYMAKERS WELCOME MEASURES MADE, MORE NEEDED
> LISTS POLICY PROPOSALS TO FURTHER HELP REAL ECONOMY, BANKING SECTOR

ESBG released in March a statement to policymakers in Europe outlining further ways to address financial sector issues brought on by the COVID-19 pandemic. In a letter signed by association President Helmut Schleweis and Managing Director Chris De Noose, ESBG said that despite the biggest challenge in many years, financial reforms taken after the financial crisis have made banks "safer, more stable, and more resilient in the face of shocks." The coronavirus outbreak was "not in the cards", ESBG noted, expressing how need exists "to work together with authorities to avoid any collapse in the economic system."

SAVINGS & RETAIL BANKS PLAY STABILISING ROLE

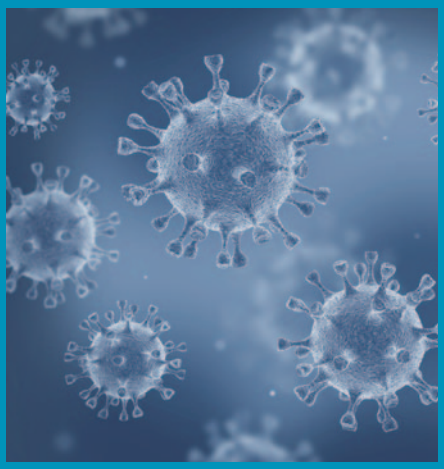
Fully committed to supporting their customers as they struggle through the Covid-19 pandemic, savings and retail banks in Europe commit themselves to finding the best, sustainable solutions. Those banks hold a crucial stabilising function in times of crisis due to their branch, online and mobile reach, being close to customers and lending activity in good times and not so good. They help people – individuals, families, small and medium-sized companies (SMEs), institutions, young people, the elderly and society in general, in urban and also rural areas. Representing nearly 900 banks in 21 countries in Europe, ESBG points out that its members help SMEs and other companies "overcome liquidity bottlenecks and provide stability." For this to succeed, the Brussels-based association notes that "everything possible should be done in regulatory and macroprudential terms to maintain the liquidity and credit supply."

REAL ECONOMY CONCERNS: HOUSEHOLDS, SMES, CORPORATES NEED SUPPORT

ESBG pinpointed in the letter some "real economy" concerns, namely that SMEs face extraordinarily challenging times, needing help through high-impact support measures offered in many countries. That support should be targeted as well to larger, heavily affected industries, such as transport and tourism, the ESBG adds. As all stakeholders from the public and private sectors work together to overcome this difficult period, economic, financial, fiscal and social measures need to be designed and implemented as soon as possible. Calls for greater European cooperation should not go unheeded, ESBG said: "Europe needs to face the coronavirus crisis in a united and well-coordinated manner." ESBG has a lot of skin in the Europe's SME and corporate lending market, with more than €1 trillion in SME and corporate loans on their books.

INCLUSIVE, SOCIALLY MINDED BANKING BOOSTS CUSTOMER TRUST, COMMUNITY CONFIDENCE

Banks during this crisis form an essential part of the solution. That's because ESBG members' value an inclusive and socially committed approach to banking vital to during challenging times. People served by savings and retail banks can continue to rely on them as partners that do their utmost to mitigate many of the day-to-day, real-world effects the crisis brings. ESBG added, "Now more than ever, we will stand strong to provide confidence, comfort and trust when customers and communities need it most."



POLICY ASKS ON MANY FRONTS AT EU, NATIONAL LEVELS

Welcoming efforts made by authorities in Europe so far, ESBG sees scope for more action. An annex attached to the letter includes specific policy areas ESBG sees as needed to further address the Covid-19 economic and financial sector hit. Designed to give banks enough flexibility to continue supporting their customers, ESBG points out that "some measures already taken need additional guidance and an extended scope to achieve its objective." Proposals listed are directed to institutions such as the European Central Bank and European Banking Authority as welll as national and resolution authorities. The full list of the proposals appear in the annex and letter available on the ESBG website. •

Covid-19 crisis shows savings matter

Little debate swirls around the potent force savings provide economies. At national level, savings enable governments to leverage a set of tools that address growth, longer-term development goals as well as financial stability.

Thankfully, savings also help people withstand shocks like those from Covid-19. Savings provide a needed lifeline for people, communities and nations. Individuals, enterprises and governments without enough savings surplus face financial pressure when economic activities are disrupted. Low national savings can limit governments' capacity in response to external shocks. High debt ratios of individuals, enterprises and governments can lead to bankruptcy and sovereign crisis. The Covid-19 outbreak proves this.

A highly personal act, savings increasingly occurs on the digital front. Despite great effort to connect more people to mobile apps and online portals, more must be done.. Emerging digital financial service players make it easier for people to make payments and borrow money. Relatedly, digital financial inclusion widens, but should not be seen, however, from a purely payment and credit perspective.
One must stay clear from "mission drift" when widening digital financial inclusion and avoid consumers over-indebtedness. When digital inclusion works and people of all ages and situations feel empowered through savings, then society and economies can weather storms like Covid-19. That's when thousands of WSBI member savings and retail banks around the globe can really step in and play their role: channelling household and corporate savings into projects that nourish regional economies, projects to build roads, financing for jobs-creating small, medium and large businesses and a forging a green future.

Beyond Covid-19 and narrowing digital divides, the world's aging population brings new challenges, whereby sole reliance on state pensions no longer works on its own. In developed economies, rapidly greying age brackets create a struggle for governments and people to navigate through this demographic quandary. While in developing countries, lots of people fall through the cracks, left behind in compulsory pension schemes. Farmers, microentrepreneurs and low-skilled labourers get hit most. With cards stacked against the many, citizens need to take up responsibility when it comes to their future retirement. Encouraging pension savings through tax incentives may help.
Tax codes need a rethink too. People face complex incentives schemes in local tax rules, which prevent people from fully grasping the benefits. To address this, national financial education programmes should step in. Other measures can help, such as auto savings enrolment – a technique out of the behaviour science playbook – to prevent people from spending their entire incomes.

Locally focused savings and focused retail banks understand the power of savings. They help empower people to save by providing a wide range of savings tools and raising financial literacy levels within a population. That story gets shared at global level by WSBI, an organisation that represents thousands of like-mined banks in some 80 countries. Through its outreach, WSBI encourages the G20 to act on this front by launching a global-wide initiative to instil a savings culture.
Doing so will address falling average national household savings rates – for instance in OECD countries – and stubbornly low savings rates in many other places post-financial crisis. The need remains for G20 leaders and implementing partners to support – and enable further – developing economies to build up the banking backbone required to better mobilise domestic savings. Countries where people can move swiftly from informal savings channels to formal banking will gain greatly.

United efforts indispensable to overcome crisis

WSBI STATEMENT ON COVID-19 OUTLINES SAVINGS AND RETAIL BANKS' ROLE

LETTER ON COVID-19 CRISIS SIGNED BY WSBI PRESIDENT ISIDRO FAINÉ SAYS INTERNATIONAL COOPERATION IS OF UTMOST IMPORTANCE.

The financial industry faces an unprecedented challenge that may last for quite some time due to the coronavirus pandemic, states a letter for policymakers worldwide from savings and retail banking association WSBI. Signed by its President Isidro Fainé and Managing Director Chris De Noose, the letter says focus starts with saving as many lives as possible, eradicating the coronavirus pandemic and ensuring that the so-called "real economy" suffers as little as possible from vast Covid-19-caused economic damage.

Support measures done so far by governments can help SMEs, WSBI writes, expecially the the self-employed and individuals, as well as larger, heavily affected industries such as the services sector at large, in particular manufacturing, transport and tourism.

"Economic, financial, fiscal and social measures need to be designed and implemented straightaway", the letter states, adding "international cooperation is of utmost importance."

"The world needs to face the coronavirus crisis with decisive actions in a united and well-coordinated manner."

COMMITTED TO PEOPLE, COMMUNITIES, SMES AND BEYOND

Savings and retail banks fully commit to supporting their customers, the letter states, be it individual people, families, SMEs, institutions, young people, the elderly and society in general who live in urban as well as in rural areas. "We aim to figure out the best, sustainable solutions.

Locally rooted savings and retail banks have a crucial stabilising function in times of crisis with their infrastructure, closer relationship with customers and continuous lending." WSBI member banks help SMEs and other companies overcome liquidity bottlenecks and provide stability. "For this to succeed," WSBI added, "everything possible should be done in regulatory and macroprudential terms to maintain the liquidity and credit supply."

ON FIRMER FOOTING SINCE CRISIS HIT A DECADE AGO

Playing an essential part of the solution, savings and retail banks see major financial reforms during the past decade have made their banks safer, more stable and more resilient in the face of shocks. Facing the coronavirus on stronger footing, their inclusive and socially committed approach to banking remains vital and steadfast during challenging times like these, they note.

WSBI added: "Clients of savings and retail banks can continue to rely on their banks as partners that do their utmost to mitigate the effects of this critical situation. Now, more than ever, we will stand strong to provide confidence, comfort and trust when customers and communities need it most."

POLICY IDEAS TO GIVE BANKS ENOUGH FLEXIBILITY

WSBI members welcome the measures already taken by authorities, and proposes ideas to give banks "enough flexibility to continue supporting their customers. Some steps already taken need additional guidance and extended scope to achieve their objectives."

They include:

- **temporarily relax the rules when it comes to capital and liquidity buffers**
- **increase monitoring, develop contingency plans and provide additional support for the most hard-hit sectors** – tourism, transportation and the hospitality industry – by easing the tax burden for certain much-affected firms in vulnerable regions.
- **a plan to recover economic activity and production of goods and services and to stimulate consumption to prevent the economy from recession**
- **public authorities should free up additional capital and provide loan guarantees**
- **flexibility on the asset quality assessment of loans by supervisors when public moratoria on payments have been implemented.** This would also strengthen banks in temporarily supporting solvent clients facing liquidity difficulties.

- **IFRS 9 accounting standard implementation for the recognition of loan loss provisions should take into account the disruptive Covid-19 crisis.** It is crucial that banks are granted enough manoeuvring room to modify the payment schedule of the affected borrowers without affecting their accounting provisions nor their solvency; that is, avoiding the increase in non-performing assets that would derive from the current regulations.

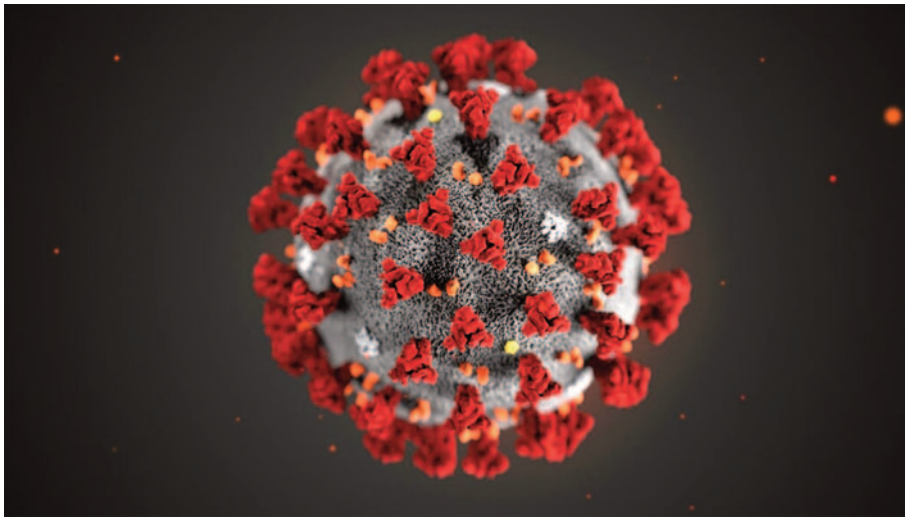
GLOBAL COORDINATION, RELIEF MEASURES MUCH NEEDED

At national and regional level, much can be done through coordination among policy-makers, keeping neighbors in mind. At a global level, need exists for G20 to prioritise global financial stability, a sustainable and swift recovery and a balanced development as common goals. The recent G7 leaders' commitment to do 'whatever is necessary' to support the global economy, a very well received first step, but future decisions regarding interpretation, adjustments, and tailoring of regulations must be properly coordinated at global level via the Financial Stability Board, the Basel Committee, the International Organization of Securities Commissions and the International Association of Insurance Supervisors. The IMF has also underlined the need for global coordination in its recent paper on policy.

WHAT HAPPENS NEXT

WSBI suggests in its statement that regulatory authorities ask themselves if new regulatory requirements that are planned to be implemented in 2020-2022 are critical, or, if there is a possibility, that they can be delayed by 1-2 years, depending on how the crisis further develops. Even if only a part of the upcoming regulation could be delayed this would certainly help banks, and other players, to focus their resources on critical immediate action.

Once the emergency has been overcome and the situation is stable, it may be useful to carry out an impact assessment in order to see what measures should be taken to ensure that the global economy is still growing.



BANKING INDUSTRY PUTS FORWARD ITS VISION FOR FUTURE-DRIVEN EU PAYMENTS MARKET

While the Covid-19 crisis rages on, payments provide a lifeline for people, authorities and businesses alike. To ensure payments flow, Europe's banking industry plays a much-needed role. Beyond the crisis and the immediate challenges, the European banking industry offers its view on how to build the next phase of the EU single market for payments.

The European Credit Sector associations – European Banking Federation (EBF), European Association of Co-operative Banks (EACB) and the European Savings and Retail Banking Group (ESBG) – issue today a new a new publication (.pdf) that provides a vision of how the EU retail payments framework can move forward. Working with their members during the past months to write the comprehensive 14-page paper notes that the European payments market has undergone fundamental changes over the past years, sparked by a mix of changing customer needs, regulatory action, technology and innovation, and more intense competition. This change will continue and the European banking industry is essential in the future development of the EU retail payments market. To reach the next level, instant payments will play heavily.

The paper highlights the three associations' member commitment to a strong, innovative and competitive EU retail payments market. A starting point by the trio to kick-start the policy debate to create a well-thought, sensible EU strategy for retail payments, it comes at a crucial time. Over the past year, European decision-makers have placed more geo-political weight on payments. A political push within Europe can help raise the euro's international role and strengthen European sovereignty vis-à-vis global competitors.

Expert group submits recommendations to EU Commission

SCHACKMANN-FALLIS: "MAKING FINANCIAL INNOVATIONS ACCESSIBLE TO AS MANY CUSTOMERS AS POSSIBLE"

Innovative financial services can be achieved using new technologies. An international group of experts, with the participation of Sparkassen-Finanzgruppe – the WSBI-ESBG member in Germany – has addressed the question of how banking regulation should deal with this. This group presented in mid-December its recommendations to the European Commission.

DR. KARL-PETER SCHACKMANN-FALLIS, EXECUTIVE BOARD MEMBER OF THE GERMAN SAVINGS BANKS ASSOCIATION (DSGV).

"Technological innovations are changing our everyday lives ever faster. This is particularly the case with new financial services. In the future, it will continue to be important to provide as many customers as possible with easy access to modern digital products. This begins with the regulatory requirements for these products," said Karl-Peter Schackmann-Fallis, Managing Director of the Board of the German Savings Banks Association (DSGV), on the occasion of the presentation of the report today in Brussels.

The report of the expert group "Regulatory obstacles to financial innovation" (ROFIEG) includes recommendations to ensure equal competitive conditions for new and established market participants, such as start-ups, banks and savings banks, as well as technology companies throughout the EU.

Future regulatory requirements should constructively evaluate the opportunities and risks of dealing with data.

Positive and negative effects of technological developments in the financial services sector should be considered allowing for the fact that they can be used by as many people as possible.

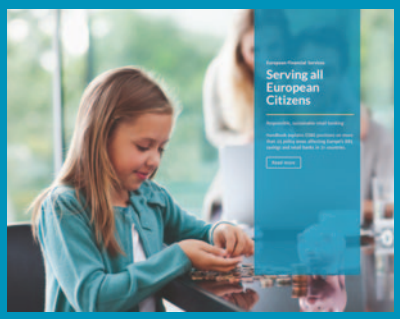
The expert group "Regulatory obstacles to financial innovation" was set up by the European Commission as part of its 2018 FinTech Action Plan to review the suitability of the European legal and regulatory framework for technology-driven financial innovation, and to identify barriers that may hamper its development in the EU.

The Deutscher Sparkassen- und Giroverband (DSGV – German Savings Banks Association) is the umbrella organisation of the Sparkassen-Finanzgruppe (Savings Banks Finance Group). The organisation includes 379 Savings Banks, seven Landesbank Groups, DekaBank, eight Landesbausparkassen, eleven direct insurer groups of the Savings Banks and many other financial service providers.

SEE FINAL REPORT OF EXPERT GROUP ON REGULATORY OBSTACLES TO FINANCIAL INNOVATION AT BIT.LY/2W24NZQ

ABOUT ESBG, ITS MEMBERS AND EU POLICYMAKING

ESBG member institutions have long formed an integral part of the European model of the social market economy. They form group of efficient, high-performing institutions who remain close to people. Geared towards economic and social sustainability, they advocate for prudent banking rules specific rules that keep in mind the specific nature of the savings and retail banking model. Policy topics include Basel III completion, non-performing loans and banking resolution along with more than 20 policy areas affecting some 880 savings and retail banks located in more than 20 countries in Europe. Learn more in the ESBG handbook "Serving all European citizens" available at bit.ly/3c1JVDq or try typing "ESBG handbook" in a search engine to get the link.



ESBG, SME United and UNI Europa publish paper on Basel III finalisation in European Union

> **IMPLEMENTATION SHOULD REFLECT PROPORTIONALITY PRINCIPLE**
> **ESBG, SME UNITED, UNI EUROPA JOINTLY SEE NEED TO CONSIDER EU CREDIT INSTITUTIONS' RISK NATURE, SCALE, COMPLEXITY**

The implementation of the Basel standards within the EU regulatory framework should reflect the proportionality principle, taking into consideration the risk nature, scale and complexity of the activities of European credit institutions. Doing so would allow financial institutions to carry out their daily activities under a non-detrimental regulatory framework which strengthens the European banking sector – the backbone of the EU 'real' economy. A disproportionate regulatory weight also would negatively impact banks' employees, who would be overburdened with huge amounts of compliance requirements, leading to them to provide less time towards service to customers.

BASEL FRAMEWORK ADAPTATION: DEVIATE WHERE NEEDED

On adaptation of the Basel framework to the particular nature of the European economy, the specialties of the European banking market should be taken into account by deviating from Basel Standards where needed. Designed for internationally active banks, the package of reforms to finalise the Basel III framework, when implemented within the regulatory framework of the EU, should take into account the EU special features including those which are already enshrined in the banking regulation. In particular, the so-called SME supporting factor should be retained in CRR II as it provides the right incentive to stimulate real economy growth.

DIVERSITY NEEDED IN BANKING SYSTEM

The three organisations say diversity of banking business models across the EU benefits competition, enhances the overall banking system's efficiency, and helps the system overcome shocks. Diversity ensures that the full range of services can be offered to the customers, in particular in banks that focus on SMEs and households, and it is also crucial with regards to local communities. Proximity forms a cornerstone of savings and retail banks.

SEE JOINT POLICY PAPER AT BIT.LY/2TBOF5Y OR SCAN THIS QR CODE

ESBG response to EBA consultation on structural FX provisions

ESBG SEES THREE-WAY GUIDELINE OVERLAP, SHARES POLICY IDEAS IN FIVE AREAS

ESBG responded on 17 February to the European Banking Authority consultation on its draft guidelines on the application of the structural FX provision.

In general, ESBG sees negative impact from the guidelines on Eurozone cross-border institutions owning subsidiaries outside the monetary union, but also a possible overlap between the EBA guidelines and the systemic risk buffer and the Other Systemically Important Institutions (O-SII) buffer that would lead to double coverage of the same risks. Among the messages in the ESBG response, the association argues for the following aspects: (i) introduction of phasing-in periods and a general alignment with the FRTB timeline; (ii) extend the number of material currencies from three to at least five; (iii) all calculations for the Maximum Open Position (MaxOP) and Sensitivities should be based on standardised approach methodology; (iv) the partial exemption of items held at historical costs for the calculation of net open position should be explicitly foreseen; (v) a quarterly computation process for the maximum open position and the sensitivity should be sufficient. Currently analysing the responses to the consultation, the EBA aims to publish the guidelines in Q2 2020.

READ RESPONSE AT BIT.LY/3CYUHM6

EBA CONSULTATION ON IDENTIFIED STAFF: ESBG WELCOMES AGENCY EFFORTS TO REVISE REVIEW CRITERIA, AVOIDING ALL-NEW APPROACH, URGES PROPORTIONALITY

ESBG responded recently to the EBA consultation on its draft Regulatory Technical Standards on the criteria to identify all categories of "risk takers" – staff whose professional activities have a material impact on the institutions' risk profile. In its consultation response, ESBG welcomed EBA efforts to revise the review criteria rather than devising a fundamentally new approach. However, the Principle of Proportionality should be applied to relieve burden on small and non-complex institutions where risk decisions are usually taken at management level and not by individuals. We also call for stricter definitions for qualitative criteria as the current ones include too many staff functions. Finally, we ask that the RTS application date is in line with that of CRD V, and not before. ESBG will inform members of the outcome of the consultation and circulate the final RTS when available.

ESBG welcomes European Climate Law initiative

ESBG supports European Commission efforts to make Europe the world's first climate-neutral continent by 2050.

In a ESBG response to the European Commission unveiling of its climate law initiative, the association stated that savings and retail banks welcome the European Climate Law initiative, which enshrines in legislation the EU climate neutrality aim by 2050.

An important first step, ESBG supports the Commission's aim to reach this goal in a socially fair and cost-efficient manner, provide predictability for investors and other economic actors while ensuring that all EU policies contribute to the climate-neutrality objective and that all sectors play their part. Association members view positively the Commission's efforts to forge a green transition to fight against climate change, making sure regulation around sustainability always takes into account a policy measure's social impact. It added: "We stress the importance of building a holistic framework fostering both environmental and social goals. In this last domain, the savings and retail banks in ESBG's membership have a long-standing tradition of social inclusion. Beyond that, good governance principles and a commitment to good corporate citizen-ship, are especially important in the financial sector."

Savings and retail banks are keen to play an active role in the transition to climate neutrality. As an important source of financing for energy-efficient measures for households and SMEs in Europe, as well as for guaranteeing financial access to all parts of the population and fostering the potential of local development, they help make things happen in the field by granting specific loans and financing formulas.

The statement concludes: "With their traditional focus on social cohesion and the social initiatives, they can also ensure that the evolution to a more sustainable society includes not only green but also social aspects."

SEE THE ESBG POSITION ON SUSTAINABLE FINANCE AT WWW.WSBI-ESBG.ORG/POSITIONS/SUSTAINABLE_BANKING

WSBI-ESBG contributes to FATF Guidance document on digital identity

BOTH ASSOCIATIONS SEE A WELCOME OPPORTUNITY TO COMMENT

WSBI-ESBG participated recently in the private sector consultation of the Financial Action Task Force (FATF) before finalising the guidance to clarify how digital identity (digital ID) systems can be used for customer due diligence (CDD).

By taking part, the two associations see a welcome opportunity to comment on the FATF Guidance on Digital Identity and contribute to the consultation process. Now in development, the guidance explains how, in a digital finance and digital ID context, effective authentication of customer identity for authorising account access supports AML/CFT efforts. The draft guidance intends to help governments, financial institutions and other relevant entities apply a risk-based approach to the use of digital ID for CDD.

WSBI-ESBG acknowledges the evolution on digital ID assurance frameworks and technical standards, and the different developments of banking institutions on how they use these tools for assessing the reliability and independence of digital ID systems for AML/CFT purposes.

As part of the consultation process with FATF, the joint office of both trade bodies of savings and retail banks shared with the FATF its members' comments on the task force's Guidance on Digital Identity. WSBI-ESBG included its position paper along the marked up guidance.

Cote d'Ivoire Bank Populaire: **Transformation**

AN INTERVIEW WITH MR. ISSA FADIGA, MANAGING DIRECTOR, BANQUE POPULAIRE DE CÔTE D´IVOIRE

Recently, the former Caisse Nationale des Caisses d'Epargne, a WSBI member based in Côte d'Ivoire, changed its name. Now called Banque Populaire de Côte d'Ivoire, its director general, Issa Fadiga, explains the change. News & Views interviewed Mr. Fadiga on the sidelines of the conference "Digital financial inclusion: the path to success" held in Abidjan late last year.

MR. ISSA FADIGA

Our institution went through a difficult period. Placed in provisional administration in 2015 after facing a seriously deficient financial situation, a restructuring plan followed. Adopted in 2017, the plan followed a recapitalisation by the Ivorian government. The counterpart was the implementation of deep reforms within the institution. These reforms focus on four areas: human capital, infrastructure, education and good governance. These principles also appear in the Ivorian government's strategic plan, which aims to transform the economy through banking and financial inclusion.

The Ivorian state, the sole shareholder of the bank, recapitalised the institution between 2015 and 2018 to the tune of FCFA 58 billion (US$100 million). The counterpart of this intervention was the need to take drastic measures to ensure the survival of the business.

How did you start this transformation?

The first thing to do was to reduce the bank's "lifestyle". We had to slash costs. We closed a string of 47 unprofitable branches. and put together a departure plan for approximately 240 employees out of 750 in total. Needless to say, we continue to be careful with all of our operating expenses.

At the same time, we have invested in the human capital within the organisation – our people. A successful transformation always involves the human factor.

We launched a call for candidates following which the entire management team was replaced. Then, we applied this recruitment procedure to all vacancies.

We have transformed intoa modern institution, with a full banking license, 40 billion FCFA (US$69 million) of registered capital and 73 branches. In addition, we have 10 mobile agencies crisscrossing the country and reaching out to isolated customers, such as people working on rubber or cocoa plantations.

How did the staff experience this transformation?

The staff quickly understood that the needed voluntary departures were not at all a witch hunt, but on the contrary. We had to go forward with them to ensure company survival. The fact of going through a call for candidates for each position guarantees an objectivity, meaning positions are occupied by the people best able to fulfil the function.

Have you also thoroughly reviewed the internal procedures of the bank?

We found that the procedures in place too weak for risk assessment in general, and for managing the loan portfolio in particular. We have reviewed the criteria for evaluating credit applications so as to drastically reduce the number of non-performing loans.

We are carrying out currently a detailed mapping of risks bank risk exposure so that we can implement the necessary measures.

Tell us about Banque Populaire's business strategy

Our ambition is to be at the same level as the major international banks active in our country and to advance financial inclusion of citizens to promote Côte d'Ivoire's economic development.

We want to focus on specific segments of the Ivorian market where we see great potential. Thus, we want to be a competitive player for people like private individuals and civil servants, as well as for the large numbers of craftsmen in the country. We are highly active in the small and medium business segment and provide specific services to large companies. For the latter, we carry out, for example, a cash collection service, where a bank employee works alongside employees within the large company. Currently, the bank works with 320,000 customers.

Financial inclusion: Tell us about initiatives taken.

Banque Populaire wants to be the bench-mark bank for financial inclusion.

To this end, we cooperate closely with the National Treasury during inclusion campaigns and have massively opened accounts for civil servants. As I mentioned, artisans form a highly important group in our country and we do a lot of work to include them in the banking system especially in terms of payments as well as savings and credit. A large group comprises people who work on rubber and cocoa plantations. They are oftentimes in extremely remote areas of the country. We use mobile banks to reach them.

For this initiative to succeed, it is essential to familiarise them with banking products and provide them with financial education. Our employees actively practice it, which we consider an essential prerequisite for wider financial inclusion. We provide these people with training in the basic techniques of their trade, in collaboration with specialised organisations. This training boosts their work efficiency.

WSBI, ASBA join forces

FRAMEWORK AGREEMENT TO PROMOTE RETAIL BANKING MODEL

WSBI and the Association of Bank Supervisors of the Americas recently joined forces to develop and promote the retail banking model and promote a favourable regulatory environment for financial inclusion and education in the Americas.

The agreement establishes a broad, flexible and long-term inter-institutional cooperation framework in the fields and topics in which both institutions have experience, knowledge and capabilities.

To achieve the framework cooperation agreement objectives, ASBA and WSBI will coordinate efforts to jointly develop specific programmes and projects to:

- Strengthen financial inclusion, promote financial education and promote digitalisation and innovation.
- Promote a regulatory environment that respects the principle of proportionality taking into account the corollary: same business, same risks, same laws.
- Exchange knowledge regularly in different formats: conferences, panels, courses, workshops, study visits, among others.
- Share experiences by exchanging best practices on key issues for the sector.

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

Women matter: Local savings groups in Côte d'Ivoire

A LOOK AT ADVANS COTE D'IVOIRE'S MICROFINANCE EFFORTS AS PART OF INTERNATIONAL WOMEN'S DAY

WSBI's Scale2Save programme, a partnership with Mastercard Foundation, celelebrated International Women's Day. News & Views looks at projects designed to empower women in Africa.

Financial inclusion of women remains a major issue in places like Cote d'Ivoire. That's especially true when it comes to women's autonomy and their ability to "open up" within local communities.

In Côte d'Ivoire, for example, people have limited and unsuitable access to conventional financial services. Data show 37% are banked in a financial institution, just 2% were able to borrow money from a formal institution, and 36% who have used loans from informal sources (source Findex).

Vulnerable women face an even starker reality. Financially excluded, living in extreme poverty in rural areas, they remain ill-informed about financial basics.

That's why it's so important for women to be allowed to gain access to adequate banking services in a world where they oftentimes live in remote areas.

Tackling this challenge requires long-term support where savings and the mobile service are nearby, especially among rural populations.

ADVANS sees a way. A leading international microfinance group with operations in nine countries, including Côte d'Ivoire, they look to strengthen the capacity of rural women to save, mobilise and manage their own resources, and to redistribute them by offering formal financial services.

FIELD AGENTS DEPLOYED TO BOOST INCLUSION

Field agents have a big task to boost inclusion and play a crucial role in the progressive empowerment of women living in rural areas excluded from formal banking systems.

ADVANS gets this. They deploy field agents in the West-African country. Present in Côte d'Ivoire since 2012 and working with cocoa communities, the microfinance institution has set up partnerships with international NGOs, which aim to promote banking access to women organised in village savings and credit associations (VSLA).

ADVANS STRATEGY: A TWO-STEP PROCESS

ADVANS uses a two-stage process to widen access for women in the financial market:

- **Step 1** – NGOs come in and help create and formalise VSLAs, – village savings and loan associations – made up of 15 to 30 members. Known for being well organised, these VSLAs meet weekly and save regularly. Savings amassed are kept in a physical fund and then redistributed in credit form to finance income-generating activities (IGAs) or to deal with emergencies. ADVANS sees it as an improved form of tontine. The NGO's mission is to follow these groups to maturity: a one-year period during which the group forms and follows along the "VSLA" methodology.
- **Step 2** – This is where ADVANS steps in. Once groups have been assessed as "fairly mature" by the non-governmental organisations, they are put in contact with ADVANS who then deploy trained field agents.

Those agents ensure properly functioning financial inclusion by taking charge of financial education and products for VSLAs. More specifically training them on the use of their accounts and a digital mobile service. ADVANS has proved that their specific products and services offer are adapted to VSLAs.

ADVANS implements an innovative system that guarantees easy account access. This completely digital service allows people to make free deposits or withdrawals from their various savings accounts and in any zone.

INNOVATION WORKING FOR WOMEN

ADVANS' innovative project that helps women works for three reasons. First, because ADVANS' efforts, built on partnerships with key players such as NGOs, form strong roots in rural communities. Second, their project capitalises on the links formed between people in the community and traditional savings practices, all while allowing the savings and group credit processes to be formalised and digitalised. Finally, ADVANS allows VSLAs members to secure and increase their savings, to enter the formal banking system and to be introduced to the use of digital financial services, by offering remunerated bank accounts. Members benefit from credit products preferable to informal credits, due to their lower interest rate and the access to a higher amount for a longer duration.

RESULTS: THOUSANDS ENABLED

Since the launch of the agricultural banking project in 2015, ADVANS enabled 14,400 members with VSLA to save more than € 183,200. Some 1,770 members obtained loans for a total of € 190,800. Between 80 to 85% of the VSLAs comprise women.

LESSONS LEARNED: LOANS NUDGE SAVINGS, GROUPS COMPRISING MOSTLY WOMEN OUT-SAVE MEN-ONLY GROUPS

Loans encourage savings. VSLAs become more motivated to save via the mobile service when they know they will have access to credit. In addition, once the credit has been obtained, VSLAs tend to make more transactions on their savings account.

Groups comprised of mostly women save more than other mixed groups or those made up of men only. The empowerment of women who manage VSLAs also allows them to gain autonomy and leadership, and therefore allows them to fully participate in their family and community life.

When women are empowered to save, borrow and lead in groups, their world opens up and their lives become richer.

POSTPONED: RETAIL BANKING INNOVATION FORUM 2020 IN BARCELONA

WSBI-ESBG and CaixaBank have canceled the international Retail Banking Innovation Forum that was originally planned for early May in Barcelona. Focused on the future of retail banking, innovation and how it enables stronger customer engagement and customer centricity through innovation, the event's organisers will keep WSBI-ESBG members and stakeholders updated on a new date in due course. Beyond this event, please check the WSBI-ESBG website for updates on other future events.

WSBI African members tackle digital financial inclusion at Abidjan workshop

PANEL ON THE DIGITAL REVOLUTION FOR FINANCIAL INCLUSION. FROM LEFT TO RIGHT: AHMED ARMAND DOSSO FROM BCEAO, STEFAN NALLETAMBY FROM THE AFRICAN DEVELOPMENT BANK, IVAN JAMES SSETTIMBA FROM THE ALLIANCE FOR FINANCIAL INCLUSION AND ALEX SEA FROM THE AFRICA FINTECH NETWORK.

WSBI MEMBERS VISIT BANQUE POPULAIRE DE CÔTE D'IVOIRE

WSBI member banks in Africa, policymakers, regulators, supervisors, microfinance institutions and leaders from fintech and startup industries gathered on 3-4 December for a two-day conference on digital financial inclusion. Organised by WSBI and hosted in Abidjan, Côte d'Ivoire, the event garnered over 60 participants from 14 African countries.

Themed "Digital financial inclusion: Successful ways forward", the event was an opportunity to hear more about the regional financial inclusion agenda from delegates of the African Development Bank, the Central Bank of West African States (BCEAO), the African Union and the Alliance for Financial Inclusion.

INTERACTIVE FORMAT TO FOSTER EXPERIENCE EXCHANGE

The two-day conference combined panel discussions, interactive group work and presentations on successful digital financial solutions for poorly or non-served populations. Ranging from regulatory aspects to topics such as financial education, rural finance, customer centricity, agency banking, nano savings products and digital nano loans, the event showcased an array of examples from the region on how to develop digital products and services in favour of financial inclusion.

Participants from WSBI membership also enjoyed a study visit to BANQUE POPULAIRE DE CÔTE D'IVOIRE, where bank representatives gave a presentation on their recent transformation, future strategy and their experience in serving customers in rural and remote locations.

WSBI AND FINANCIAL INCLUSION

WSBI assists members in their strategy to increase financial inclusion within their communities. As one of the initial Coalition Partners, WSBI is proud to have substantially contributed to the World Bank Group's Universal Financial Access (UFA) 2020 Goal. On 31 December 2018, the total number of clients reached by WSBI members amounted to 1.733 billion, exceeding the commitment of 1.7 billion customers. WSBI members have expanded the number of new clients by 329 million since 2014.

Digitisation and innovation, crucial elements of financial inclusion, are also high on WSBI's agenda. Keeping pace with the accelerating speed of digitisation is a challenge for all banks and regulators. Nevertheless, it offers an unparalleled opportunity to fulfil the savings and retail banking mission even more effectively. Digitisation makes it possible to remain close to the customers and to serve customers with low-average balances on their accounts in a profitable way.

WSBI assists its members in fostering digitisation and adapting to changes in the banking industry through knowledge sharing, experience exchange and various events, such as the conference on digital financial inclusion in Abidjan. ●

MORE ABOUT THE EVENT AT WWW.WSBI-ESBG.ORG/EVENTS/DIGFININCL

MORE ABOUT WSBI AND FINANCIAL INCLUSION AT BIT.LY/2W3JMUQ

Payment debate comes to a boil in 2020, and beyond

BY DIEDERIK BRUGGINK, ESBG AND EUROPEAN PAYMENTS COUNCIL

This piece first appeared in the January 2020 edition of Currency News.

Payments was a hot topic in 2019 and will remain so in this new decade.

That's especially true for Europe, driven in large part by the authorities that have been giving increasing attention to European payments. Take the European Commission's (EC) vision and plans for achieving greater European sovereignty in the payment domain. That vision follows from the December 2018 Commission Communication on the strengthening of the international role of the euro. The EC sees instant payments as an important building block to achieve this vision.

In parallel, the European Central Bank (ECB) alerted the banking industry that payments relying exclusively on non-European and new ecosystems present certain risks and outlined a Eurosystem retail payment strategy that should be matched by the industry.

The question is not if European payments will move to instant payments, but more by when must it be achieved? The Commission has already hinted at two dates that will probably be milestones in the roadmap they are working on.

For retail payments, different consumer preferences exist when it comes to these. Also don't expect that one 'killer' solution will replace other current highly popular payment products such as ubiquitous cards and even cash.

Moreover, different payment habits exist across member states. Payment statistics collected for 2018, as published by the ECB, show that nearly 142 billion non-cash payments were made in the European Union, equalling a compound annual growth rate (CAGR) of 7.5% over the past five years.

Some 76 billion (54%) of these transactions were made with cards, which showed an even higher CAGR of 10.9% over the past five years. Credit transfers and direct debits accounted for 23% and 18% respectively. These figures cover the entire EU and they show significant differences at country level.

Despite swelling numbers of cashless transactions, cash retains a large slice of the payment mix as used by consumers. This evidence cannot be ignored. When it comes to cash, we observe a growing concern – especially from users of cash – about the need to ensure continued access to notes and coins.

DIEDERIK BRUGGINK

The question is not if European payments will move to instant payments, but more by when must it be achieved?

Banks realise that they are being assigned the role of stewards for cash distribution. Given this backdrop, there needs to be a proper debate, with choices made and expectations set for areas such as the kind of cash services banks and other stakeholders render to the wider public, and their cost. Following a proper debate, these 'stakeholders' could be widened to include merchants as well as payment services providers and fintech companies.

While cash handling remains labour intensive, a converse relationship has formed between a decline in cash usage and cost. Less cash use has knock-on effects on related unit costs, which tend to rise.

To address the need to achieve greater efficiency in the cash cycle, the Cash Efficiency Working Group (CEWG) of the European Payments Council (EPC) issued in 2019 a new version of its Cash Recirculation Paper.

In the document, the CEWG states its belief that payment service providers and other participants in the cash value chain, should pursue two main, complementary strategies, namely shortening, and thus optimising, the cash cycle and continuing to reduce manual handling and any redundant processes.

As the payment's debate comes to a boil in 2020, and beyond, Europe's 800 or so savings and retail banks are standing ready for them.

Scale2Save programme: Working with partners during Covid-19

In light of the ongoing COVID-19 pandemic, the Scale2Save team takes seriously the situation at hand and remain ready to respond to any questions partners have. First and foremost, to those who have been affected by the virus: the Scale2Save team's thoughts with those affected; and we wish them a quick and full recovery. The Scale2Save teams in Brussels, Nairobi and Dakar are here to listen and understand the challenges partners face and to provide support. By identifying the best solutions together, the programme partners continue efforts to reach their goals and achieve high-impact results. Partners can share with the Scale2Save team concerns about the implications COVID-19 might have projects. Any future updates will be communicated to partners through the Scale2Save webpage, social media and/or email.

Stay healthy and safe.

VISIT THE SCALE2SAVE WEBSITE AT WSBI-ESBG.ORG/ KNOWLEDGESHARING/SCALE2SAVE

SCALE2SAVE CONTACTS FOR PARTNERS ARE: CÉLINE STEVENS CELINE.STEVENS@WSBI-AS.ORG AND APPHIA NDUNGU APPHIA.NDUNGU@WSBI-AS.ORG.

THE SCALE2SAVE TEAM

Scale2Save releases latest 'state of industry' report in Africa

AFRICAN BANKS MUST RE-THINK BUSINESS MODELS TO COMPETE IN THE LOW-INCOME MARKET

Scale2Save research shows banks value efficiency, a digital offer, and customer-centric service, but must boost all in a fiercely competitive segment.

A new report released in March shows that financial service providers (FSPs) in Africa see value in serving low-income people but need to overhaul their business models in an increasingly cost-competitive environment. The report, "Savings and Retail Banking in Africa", was released today by the Scale2Save programme, a partnership between WSBI and Mastercard Foundation to establish the viability of low-balance savings accounts in six African countries.

Based on survey data harvested from 37 FSPs in Africa, the report finds that they see low-income markets as more and more viable for their operations. Hosting about 12% of Africa's retail bank accounts and 26% of accounts in countries covered by the survey, these providers are responding with new accounts, products, and fee structures. Their efforts to win new customers, however, too often fail to appeal, and accounts lapse into inactivity.

WSBI's Weselina Angelow, who leads Scale2Save, said: "To reach low-income people better, FSPs must research markets, taking pains to find opportunities while grasping better what different market segments need and tailor products accordingly."

"FSPs need to optimise processes and boost digitisation," she added, "sometimes via partnerships which can help pare down operating costs. When banks transform themselves, a true opportunity takes hold as customers enjoy lower costs."

The 2019 report builds on the 2018 edition and goes beyond the WSBI membership to a broader set of FSPs in more African markets. It also draws on a richer data set and includes case studies that highlight innovation, partnerships, and listening to people's needs on the ground, thinking differently about how to serve them.

The latest data show the FSPs have a sharpened focus on customers, targeting different segments of people with tailored accounts and savings products. Respondents – both WSBI member and non-WSBI member banks – see many advantages to mobile banking. Non-members appear sanguine on deploying roving agents, the channel of choice to reach the unbanked, drive account growth, and put downward pressure on fees that cost-conscious customers shun.

The number of accounts offered by the 21 WSBI members surveyed surged 24% year on year. Meantime, the savings products tally jumped 27%. Despite this double-digit growth, disappointingly low account activity persists. Only 43% of transaction accounts are active. That measure falls to a mere 17% for mobile banking accounts.

A surprising 63% of WSBI respondents expressed concerns over regulation. Know-Your-Customer regulations, conceived to combat money-laundering and terrorism, are increasingly seen as a barrier to extending financial inclusion.

"Proportionate rule-making hugely matters," said Weselina Angelow, "but appears inadequate to protect customers, provide value, and bolster outcomes. Beyond regulation that protects customers, authorities play a vital role to enable innovation and support – or even direct – broader and deeper access to financial services."

TO SEE THE REPORT GO TO BIT.LY/3AYDVV1 OR THE SCALE2SAVE WEBPAGE

Latest podcasts: **Scale2Save research update**

LEARN MORE ABOUT LATEST RESEARCH IN LATEST WSBI-ESBG EXCHANGE

Episode #11 of WSBI-ESBG Exchange podcast features WSBI's Scale2Save team. Weselina Angelow, Céline Stevens and Ian Radcliffe give an update on Scale2Save programme, a partnership between WSBI and Mastercard Foundation to establish the viability of small-balance savings in six African countries.

SCALE2SAVE RESEARCH: YOUNG PEOPLE IN AFRICA – FOCUSES ON INCOME, SPENDING, SAVING

The podcast includes a conversion on new research published by WSBI in December 2019 on young people in Africa.

Released under the Scale2Save programme, the research outlines ways to drive financial inclusion by reaching more African youth. Widening financial access in Africa remains a struggle, especially when it comes to staying ahead of surging growth in the numbers of young people.

SCALE2SAVE VIDEOS BRING TO LIFE YOUNG PEOPLE RESEARCH

In addition to the report, there are four videos for the Scale2Save young people research available on youtube. The videos really bring the report to life with first-hand interviews from young people in Senegal. Those videos touch on savings, income and spending, along with a summary report.

SEE THE VIDEOS ON YOUTUBE, SEARCH "SCALE2SAVE"

NEW SCALE2SAVE PROGRAMME DIRECTOR, PROGRAMME MANAGER

Weselina Angelow was appointed on 1 February 2020 as programme director, succeeding Ian Radcliffe who retired after 25 years of service at WSBI-ESBG.
She takes the helm at a great time, with projects in six countries.
In addition, the programme welcomes Apphia Ndungu as a new programme manager.
Based out of Nairobi, Apphia joins the Scale2Save team that now operates out of three cities, which includes Brussels and Dakar.

SEND-OFF INTERVIEW WITH WSBI-ESBG'S IAN RADCLIFFE

Episode #12 follows the Scale2Save update, a special edition that captures a 31 January interview with WSBI-ESBG's Ian Radcliffe. He retired that day after a 26 year career at WSBI. Host James Pieper talks with Ian one last time about the future of banking, financial inclusion, and what you've learned after decades in the sector.

Ian led WSBI's Scale2Save programme, a partnership between WSBI and Mastercard Foundation to establish the viability of small balance savings in six African countries. Considered an architect of WSBI's financial inclusion efforts, Ian's retirement from WSBI marks an important moment, as he forms a bridge to WSBI's past, part of its present and future.

LISTEN AT THE SCALE2SAVE YOUTUBE PAGE

ABOUT THE PODCASTS AND WSBI-ESBG

Like every podcast, we highlight news from the world of savings and retail banks in some 80 countries around the globe. WSBI and ESBG are associations based in Brussels, Belgium, with a mission to help savings and retail banks thrive.

For more information about WSBI, go to our website, visit us on YouTube, Twitter and LinkedIn. The podcasts are available on both Soundcloud and Youtube.

Scale 2Save

Analysis of Scale2Save youth research

GIVING AND RECEIVING: THE FINANCIAL FLOWS BETWEEN YOUNG PEOPLE AND THEIR PARENTS

The World Savings and Retail Banking Institute (WSBI) commissioned a Financial Diaries study focused on young people (ages 15 to 30) in Morocco, Nigeria, and Senegal as part of its Scale2Save programme. The goal was to gain a better understanding of this market segment and how financial service providers can serve it. This blog is the first in a series that goes beyond the central report, and digs deeper into some of the findings from the study to understand the complex nature of how young people manage their money.

Given the tendency of young people to maintain a relationship with their parents even while they begin to make their way in the world independently, this first blog focuses on the relationship between young people and their parents. The next blog will focus on how young people manage their cash flow, and the final blog will look at how financial service providers might serve young people, based on an understanding of their relationship with their parents and their own cash flow management challenges.

Young people in Morocco, Nigeria, and Senegal tend to live in their parents' home until around 25 years of age. Young people maintain a strong connection to their parents when still living at home, and that bond doesn't subside when living away from home. Dependency oftentimes characterizes the relationship between young people and their parents, where the parents provide financial and other support to their children. But is that always the case? What can we learn from the WSBI-commissioned diaries studies conducted in Morocco, Nigeria, and Senegal, which asked participants to tell us about any support they had given or received from various members of their family, as well as friends and neighbours. The answers suggest more complex, dynamic forces at play that extend beyond the stereotypical, one-way dependency of young people on their parents, especially among the Morocco sample of young people.

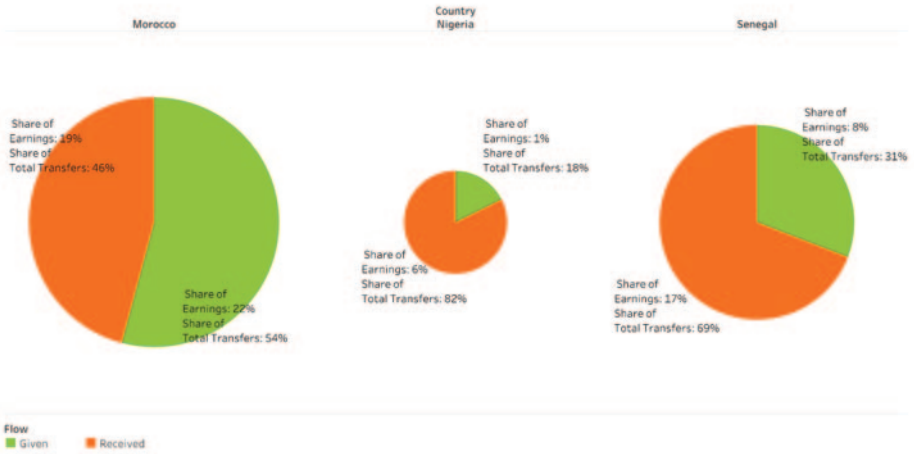
CONTEXT MATTERS

There was considerable variation in the amount of money young people gave to or received from their parents during the study period. This variation may not be generalizable to the young people in the country as a whole because of the small sample size, but it is indicative of how different parent-child financial relationships can be. In Morocco, young people gave more to their parents than they received, while in Senegal young people gave less than half what they received from their parents. In Nigeria, it was less than a quarter.

Furthermore, transfers were far greater as a share of the total earnings of participants in the diaries studies in Morocco: transfers in that country were 41 percent of the participants' earnings, while in Senegal they were 25 percent, and in Nigeria only seven percent (Figure 1).

The financial support pattern should be seen in the light of overall support that young people receive and give.
The Moroccan young people over-whelmingly reported giving their parents financial support as opposed to in-kind or work support. In contrast, in Nigeria, only 17 percent of instances when young people reported giving financial support. In most instances, they supported their parents with work. In Senegal, 34 percent of instances were in terms of money and 54 percent in work (Figure 2).

Figure 1: Money given to and received from parents



(IN FIGURE 1 THE SIZE OF EACH PIE SHOWS TOTAL TRANSFERS AS A SHARE OF THE PARTICIPANTS' TOTAL EARNINGS, WHILE THE SLIDES OF THE PIE SHOW THE SHARE OF TRANSFERS RECEIVED BY THE DIARIES PARTICIPANTS AND THE SHARE OF TRANSFERS THE GAVE).

Figure 2: Type of support given by young people to their parents

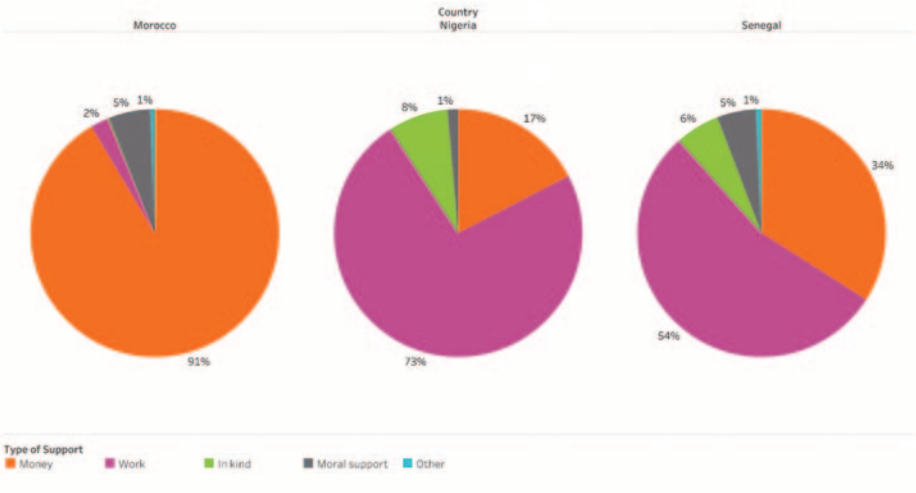
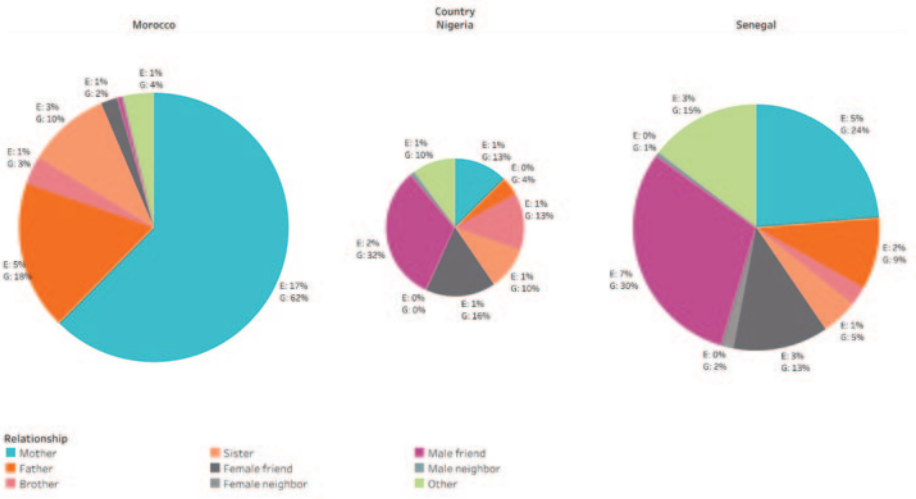


Figure 3: Money given by relationship



(IN FIGURE 3 THE SIZE OF EACH PIE SHOWS TOTAL MONEY GIVEN BY THE PARTICIPANTS AS A SHARE OF THEIR TOTAL EARNINGS, WHILE THE SLICES OF THE PIE SHOW THE SHARE OF MONEY GIVEN BY THE DIARIES PARTICIPANTS TO DIFFERENT TYPES OF PEOPLE, WHICH IS ALSO REFLECTED IN THE "G:" PERCENTAGE. THE "E:" PERCENTAGE IS THE SHARE OF TOTAL EARNINGS THAT THE GIVING REPRESENTS).

MOTHERS GET MORE SUPPORT THAN DADS

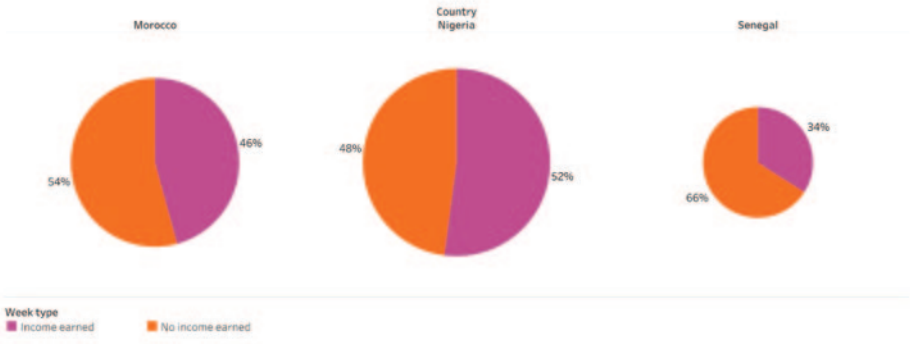
Young people in Morocco gave most of their financial support to their mothers (62 percent of all funds given), followed a distant second by their fathers (18 percent). In Senegal, mothers were second in line (24 percent of funds), behind male friends (30 percent of funds); fathers received nine percent of funds. In Nigeria, mothers were fourth in line (13 percent) after male friends (32 percent), female friends (16 percent), and brothers (13 percent); fathers only received four percent of the funds.
The data also suggest that the pattern of giving money to parents as a share of earnings – by far the most in Morocco, followed by Senegal and then Nigeria – was replicated across all relationships. As a share of income, Moroccans gave the most, followed by Senegalese and Nigerians (Figure 3).

MOTHERS AND FATHERS GET THEIR SHARE OF EARNINGS

Generally, there were many weeks when the young people in each country did not work or participate in any type of business activity: 54 percent of the time in Morocco, 48 percent of the time in Nigeria, and 66 percent of the time in Senegal (Figure 4).

In Morocco, the data strongly suggest that during weeks when young people were working they were far more likely to give money to their mothers, and less so to their fathers. The same was somewhat true in Senegal and Nigeria. This suggests that young people contribute to their parents according to their ability rather than that they pay a type of rent or support (Figure 5).

Figure 4: Distribution of weeks by farning activity



(FIGURE 4 SHOWS THE SHARE OF WEEKS WHEN PARTICIPANTS IN THE DIARIES STUDY EARNED INCOME. THE SIZE OF THE PIE CHART SHOWS THE TOTAL REPORTED EARNINGS OF THE PARTICIPANTS IN EACH COUNTRY. THERE WERE ROUGHLY THE SAME NUMBER OF PARTICIPANTS IN EACH COUNTRY)

Figure 5: Share of weeks when money given to parents, by week type

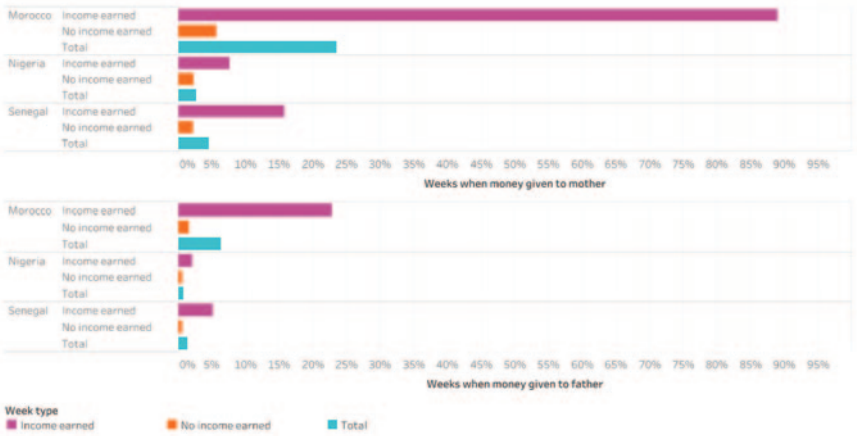
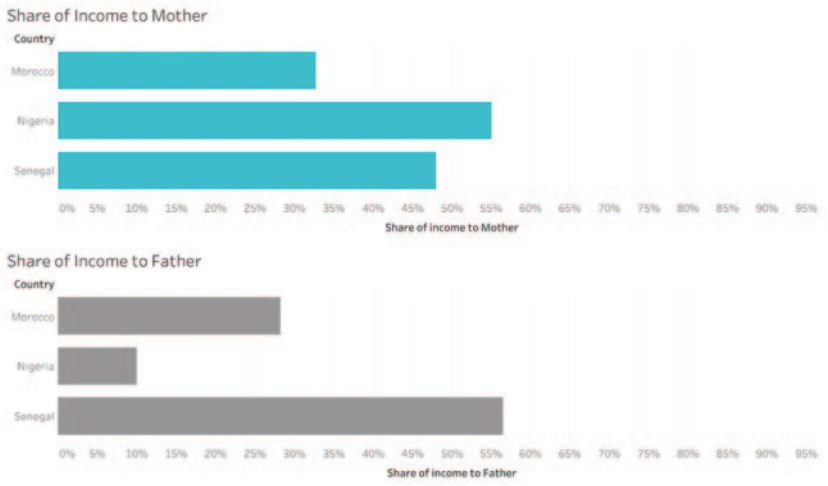


Figure 6: Share of weekly income given to parents during weeks when young people were working



Finally, we are able to use the diaries data to see how much of their income young people gave to their parents in weeks when they did give them money.
We calculated the amount they gave as a share of their reported earnings during the week when they gave money.
As shown in Figure 5, the data suggest that in Morocco, when young people gave money to their mothers, it constituted about one-third of their income for that week and the same was true when they gave money to their fathers – but note that they gave to their fathers far less often, hence the total they gave to their fathers was less. In Senegal, when young people gave money to either their mother or father, they gave around half of their earnings. In Nigeria, they gave about half of their earnings to their mothers, when they did give money, but little of their weekly earnings to their fathers. But, again, it is important to remember that these calculations are just for weeks when a young person gave money (Figure 6).

WHAT WE LEARNED

CONTEXT MATTERS

The data on the behaviors of the groups of young people in the three countries covered by the diaries study suggest a wide variety of relationships between young people and their parents. This may have something to do with the differences in the cultures of the three countries, but it may also be something to do with differences in sampling across the countries.

GIVING IS A TWO-WAY STREET BETWEEN PARENT AND CHILD

In a nutshell, the data show how young people support their parents, both financially and through work and in-kind gifts, as well as receiving support from their parents. In the case of young people in Morocco, the amount given exceeded the amount received, and their giving was common and frequent and constituted a third of their earnings when they did earn. In Nigeria and Senegal, young people were more likely to support their parents by working for them.

In addition, in Nigeria and Senegal when they did give money, young people were more likely to give money to their friends, especially male friends. That hardly occurred in Morocco.

MOTHERS MATTER

What this suggests for financial service providers and others interested in promoting financial inclusion among young people is that a close look at the young person-parent relationship, and especially their relationship with their mother, will pay dividends in terms of working out how to connect young people to financial institutions.

This raises the question: Could mothers become an ally in promoting the accumulation of savings in a young person's bank account or in the purchase of health insurance or in the use of some other type of financial service?

WSBI, BRAC Uganda Bank Ltd join forces for Scale2Save project

> **TO DIGITISE LOW-BALANCE SAVINGS THROUGH SCALE2SAVE**
> **PROJECT TO HELP LOW-INCOME EARNERS IN RURAL, REMOTE AREAS, ON BOARDING 164,000 PEOPLE**

WSBI and BRAC Uganda Bank Ltd (BUBL) look to widen financial inclusion in Uganda by digitising low-balance savings accounts.

Outlined in a memorandum of understanding signed recently by both organisations under WSBI's Scale2Save programme – a partnership between WSBI and Mastercard Foundation to help establish the viability of small-balance savings accounts – BUBL looks to develop a Wise Save savings product. The Scale2Save-supported project will provide accounts to approximately 164,000 people at the bottom of the pyramid, especially women earning low incomes, in rural and remote areas.

The Managing Director of BRAC Uganda Bank, Jimmy Adiga said: "Evolving in early 2019 from a microfinance institution to a Tier II bank, BRAC Uganda Bank Ltd now positions itself to not only provide greater value to the hundreds of thousands of clients already served, but also to achieve greater financial inclusion in Uganda. The new banking license now enables us to offer Ugandans; savings accounts, money transfer services, deposit-linked insurance and other financial services besides credit products."

The newly established bank will aim to support low income earners and micro depositors that have been financially excluded from the formal banking system, to gain further access to finance. This will be achieved through implementing easier means to transact, simplified financial literacy and digital education, end-to-end digitisation of the Wise Save savings product and its channels, right from initial on boarding to transacting.

On top of a vast branch network consisting of 32 branches and 131 satellite offices spread across Uganda, the bank plans to deploy roving agency banking services, offering banking services within the community. Similar to "susu" collections in West Africa, the offer comes at no extra cost to customers. They also plan to offer their Wise Save account bundled with micro deposit insurance cover for every account holder.

The bank will also work with the research team from its sister organisation, BRAC International to test ultra-poor graduation – particularly in trying to disprove existing theory that the ultra-poor cannot possibly be motivated to save. The "Ultra-Poor Graduation" approach is a comprehensive, time-bound and sequenced set of interventions that aim to graduate people from ultra-poverty to sustainable livelihoods.

WSBI Managing Director Chris De Noose concluded: "BRAC Uganda Bank sees a huge upside to digitise the Wise Save account. By doing so, the low-income segment can access a savings product tied to a mobile wallet for greater convenience when accessing financial services. That means harnessing new technology while configuring BUBL's agency banking and mobile banking platforms."

Bank Asia's agent banking services in Bangladesh

Agent banking is a win-win-win for all parties involved. It plays an important role for financial inclusion too. Acting as "proxy banks", agents provide a cost-effective way to serve individuals and small businesses needed to stimulate local development and economic growth, especially in remote areas.

Proven successful in Latin America, Africa, India and the Far East, agent banking has taken hold in Bangladesh. There, WSBI member Bank Asia launched in 2014 its agent banking network when the central bank allowed agent banking in the rural areas where banks have no branches.

News & Views explores BankAsia's success in agent banking.

Bangladesh, a South Asian nationwell-known as the birthplace of microcredit has appeared gradually as the role model for innovative agent banking services. During last six years, this supplementary channel has helped "reach the unreached" and take banking services to the marginalised and excluded rural masses.

Agent banking means providing banking services to the "last mile" customers through engaging entrepreneurs under a valid agency agreement. Bank Asia introduced Agent Banking in 2014 with the objective of ensuring greater financial inclusion and increasing the outreach of the services to unbanked population. This technology-driven banking concept also aimed at ensuring appropriate security and providing real-time services to the customers. In span of only six years this specialised banking service witnessed a substantial headway in terms of the number of agents, accounts and deposits. The single initiative impacting seven sustainable development goals (SDG) to build a better Bangladesh.

AGENT BANKING: SERVICES RANGE FROM DEPOSITS, WITHDRAWAL, BUSINESS SERVICES AND BEYOND

Bank Asia Agent Banking provides a wide range of banking services to the doorstep of customers which include deposit and withdrawal of cash, open different types of accounts for savings and business transactions, transfer of funds, payment of remittance and utility bills, support small loans for cottage micro and small enterprises and agricultural farmers at an affordable cost. People in any corner of the country are able to receive this structured banking facility with safety, comfort and ease. Owing to the convenience this banking service is expanding rapidly across the country. Bank Asia has taken agent banking services to the doorsteps of grassroot people through Individual outlet Union Digital Center (UDC), institutional outlet Digital Post Office and Micro-Merchant points.

Incorporation of various technological innovations contributed to make this digital service popular to the general public and turned digital financial inclusion efforts tuned into what the people want.

The innovations are:

- Usage of a bio-metric devise in banking transaction instead of physical signature
- NFC-enabled A-card (Agriculture card) for farmers' credit transaction management
- Online Credit Approval System (OCAS)
- Agent Banking SMART App for online transections
- Micro Merchant model for smallholder entrepreneurs to serve end mile customers
- Partnership model in banking system
- Digital banking booth

MD. ARFAN ALI, PRESIDENT AND MANAGING DIRECTOR BANK ASIA

These innovations expedited registrations of around 2 million unbanked and under-banked people with Bank Asia Agent Banking network where 82% of them are rural masses and 60% female. The "droplets" of money deposits from customers amassed reached BDT. 14.72 billion (US$.174 million) in the bank's agent banking channel.

During the last six years, mainly from 2016, more than 9,500 agent outlets have been established across the country, registering around 3.9 million customers who deposited BDT.52 billion (US$.612 million) in this channel in 2018-2019 fiscal, according to the Bangladesh central bank. The journey of agent banking in Bangladesh contributes towards women empowerment. More than250 agent outlets are operated by female entrepreneurs and contributing to adding female customers, thus minimising a gender gap at grassroots level. It also created job opportunities for 25,000 unemployed youths in the country where Bank Asia itself generated more than 15,000 jobs in the entire operation process from grassroots outlets to back office.

Highlights of agent banking in Bangladesh

	Industry status	Bank Asia status
Geographical coverage	All 64 districts	64 districts
Agent points	9500+	3525
Registered customers	4.0 million	1.9 million
Rural customer %	83%	82%
Female customer %	37%	60%
Deposit	BDT 52.00 billion / US$ 612 million	BDT 14.72 billion / US$ 174 million
Loan disbursed	BDT 3,000 million / US$ 35.30 million	BDT 2,590 million / US$ 30.00 million
Employment generation	25,000+ youths	15,000+ youths
Number of banks in AB	23 received and 19 in operation	

*Data up to December 31, 2019
BDT.85 = USD.1

*

To make this effort work, Bank Asia has built strategic relationship with 65 government and non-government organizations and development partners that include the government's Access to Information (a2i) project, UNDP, UNICEF, SwissContact, USAID, UKAID, WorldFish Bangladesh, ACDI/VOCA, Nathan Association London, VSO, German Red Cross, CARE Bangladesh, Dhaka Ahsania Mission, BRAC, Grameenphone, Robi Axiata Ltd and Metlife Alico and thus scaled up this service in a faster manner and reach to unreached.

AN ELDERLY WOMAN IS BEING DELIVERED SOCIAL SAFETY-NET PAYMENT BY A BANK ASIA STAFF AT THE YARD OF HER REMOTE VILLAGE HOME

Apart from regular banking support, Bank Asia disburses the government's Social Safety-net Payment, insolvent and autistic people's allowances, widow or divorced women allowance, freedom fighters' allowance, wages of road maintenance workers, student stipends, food security allowances, salary both government primary and non-government high school teachers through agent network, especially with help of Union Digital Centers(UDCs). For salary payment and to cater the financial needs of Ready-Made Garment (RMG) workers, Bank Asia has set up of digital banking booth inside RMG factories. Introduced for the first time in Bangladesh, this initiative has facilitated banking services to workers, employees and owners inside the factory compound along enhanced training of usage of financial products and services which in the long run reduce time, cost, and thus increase their household income.

Agent banking operations at Bank Asia also established strategical and collaborative partnership with technology companies for e-commerce, which offers access to online marketplace for micro/small entrepreneurs and buyers. This collaboration opens a scope of sustainability for SME clients.

Development entities like non-government organizations and micro-finance institutions (MFIs) are working to link clients with agent banking to provide better financial services.

ELIMINATING TIME AND SPACE, BUILDING 'DIGITAL BANGLADESH'

Already this banking system started eliminating difference of time and space to reach banking service to the customers. Bank Asia is committed to support the Bangladesh government's goal for building 'Digital Bangladesh' as charted out in the vision 2021 by bringing rural people under its agent banking platform. The bank is working with the vision to expand its networks to each and every village of the country within the next couple of years.

It is expected that the sustainable business model that comprises agent banking is heading towards a journey that takes along entrepreneurs, aggregators, remittance providers, development partners and government to speed up the drive of broader financial inclusion and thus a thriving economy in Bangladesh. ●

Bank Asia

Corporate social responsibility at French savings banks

A VECTOR FOR THE DEVELOPMENT OF REGIONS AND THEIR CITIZENS

Businesses play a fundamental role in our modern societies and for several decades their social responsibility has been a major concern. News & Views broached the subject with Cédric Turini who, as CSR Director of the National Federation of Savings Banks (FNCE), coordinates the efforts of the 15 French Savings Banks and their 35,000 employees in the field.

What are the CSR principles of France's National Federation of Savings Banks?

The FNCE represents 15 Caisses d'Epargne active in mainland France as well as in the overseas territories. The first savings bank was founded more than 200 years ago. Today, the FNCE plays a role in defining, coordinating and guiding the CSR actions of the Caisses d'Epargne, which they put into practice in a large number of their activities, including commercial. These CSR actions go far beyond mere communication and marketing. This is linked to the fact that we are cooperative companies with a historic commitment to our territories and to our 4.54 million members, mainly individuals, each of whom has the same right to vote in general meetings. In addition to being a model of democratic governance, this model is "non-delocalizable" and requires us to contribute to the development of our territories, if we wish to continue to develop.

It is a win-win operation, in which the Caisses d'Epargne can only prosper when the regions and their inhabitants also prosper. We are, so to speak, part of a local "ecosystem" unlike fintech start-ups or neobanks whose action is focused only on services with high added value. Also, they are unlike some large multinational companies which routinely outsource part of their activities when these are no longer considered profitable enough.

The French savings banks don't have that mentality at all. On the contrary, we are ready to develop less remunerative activities if they allow people in fragile situations to find their place in society.

This naturally leads us to financial inclusion, an important pillar of your CSR policy.

In Caisses d'Epargne, financial inclusion is reflected in financial education actions developed by Finances et Pédagogie and, on the other hand, by the microcredits offered by Parcours Confiance. Personal microcredit is a springboard for people on a low budget but who nevertheless have the capacity to repay. Customers use the two to three thousand euros of a micro-credit to pass a driving license, buy a car to go to work or to improve their housing. They are assisted by specialised Caisse d'Epargne advisers and work in close partnership with a large number of local associations, which are essential for social cohesion in our regions.

CÉDRIC TURINI

How does the savings banks commitment to the French regions translate into practice?

The Caisses d'Epargne are the main private financiers of local communities, social housing and the social and solidary economy. They are also a major employer, both directly - with 35,000 employees – and indirectly, with our suppliers and sub-contractors.

As a patron, last year we granted nearly €31 million to more than 1,100 local associations, mainly in the field of solidarity.

Think of Restos du Coeur, the Red Cross or food banks, among others.

If I understood well, the Caisses d'Epargne preferably work with local suppliers?

Yes indeed. We buy around 90% of our products and services in France, mostly from local suppliers present in the territory of each savings bank, for a total purchase amount close to €1 billion. This represents around 23,000 jobs supported. These are tangible benefits for the economy that go far beyond the signing of a simple charter and catalogues of good intentions.
Our responsible purchasing policy is based on a decentralised organisation, and is managed across the Group.

Climate risk is a reality that will have more and more influence on business activity. Do you take it into account?

It is a vast and complex subject.
All banking activities are concerned, as well as all segments of our clientele. Individual customers have increasingly high expectations of banks on the subject and in particular on the allocation of their savings.

While the quality of the service and the tariffs remain the most important loyalty factor, climate-related concerns gain more and more prominence. That is not difficult to understand.

When it comes to climate-related risks, first of all there is the physical risk, the fact that our agencies, our buildings can be damaged. This is something that we have to anticipate. There is also the risk of transition; that is to say the forced march towards less polluting sources of energy, which has effects on the business model of the companies which produce or transform energy but also on the companies which consume a lot of energy and which are already subject to more restrictive regulations. Think for example of the building sector. We need to integrate these risks into our own credit risk assessment, which is what we are working on.

In this area, we are clearly in unknown territory, starting with the difficulty of assessing the environmental impact of certain activities and therefore assigning them an appropriate risk ratio. We must also educate our colleagues in agencies and business centers, while giving them the appropriate tools to carry out this work of tracking and advice vis-à-vis our customers, many of whom wish to develop their model. We are currently testing methods and will deploy training tools. Groupe BPCE is one of the leading banks on the subject and has volunteered to participate in the climate stress tests that will be organised this year by the Banque de France.

Why do you do this job, what motivates you every day?

In this business, you are really at the heart of social issues, such as precariousness, the environment but also social innovation and new forms of more responsible economy.

It is stimulating because it questions the raison d'être of the company and allows you to work with a large number of professions and partners, both on very operational subjects, the recycling of credit cards for example and subjects more strategic, such as employee engagement.

Individual customers have increasingly high expectations of banks on the subject and in particular on the allocation of their savings.

It is true that as director of CSR and in our organisational model, I do not have the power to impose decisions, so we must show conviction and a certain rigor to convince and motivate both our managers and our correspondents, even if now CSR has made a place for itself in the organisation of our companies. The question arises less of "why" it is necessary to do but rather of "how" it can be done. In this area, it is important that CSR is as integrated as possible into the company's activities.

What is the role of the regulator in CSR?

CSR is said to start where the law ends, but more and more the law is gaining ground, which is why companies must demonstrate that they are up to the challenges of our time, if they wish avoid things being imposed on them, as was the case for example with the law on the duty of care vis-à-vis suppliers.

This now requires companies to establish and publish a vigilance plan to prevent risks in their supply chain following in particular the collapse of the Rana Plaza in Bangladesh in 2013. We could also cite the Coppée-Zimmermann Law on equality between men and women. But it is also up to us to make our actions better known, that is precisely what we are doing at the Federation with our stakeholders and the general public.

CSR is an increasingly important subject, along with the evolution of society on all continents. Building a sustainable economy, one of the main objectives of the current European Commission, depends largely on the involvement of companies.

World Savings Day coming in October

WSBI, MEMBERS, PARTNERS CELEBRATE WHEN SAVING A BIT, BIG THINGS HAPPEN

World Savings Day is six months out, and WSBI member banks and partners will be celebrating the day, sharing the story of savings. To connect with people, especially young people, WSBI members and staff share the World Savings Day story as World Savings Day ambassadors in local communities, schools, partner organsiations and at locally focused banks.

In 2019, simultaneous kick-off events by members and partners were held, including in Amsterdam with 2019 World Savings Day partner Aflatoun's annual conference. Events were also held in El Salvador with WSBI member Fedecrédito, and the WSBI GRULAC meetings in the Dominican Republic in conjunction with member APAP.

2020 WORLD SAVINGS DAY THEME: "WHEN YOU SAVE A BIT, BIG THINGS HAPPEN"

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

As savings lead to big things, 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 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. It helps people to GROW.

LEARN MORE AT WORLDSAVINGSDAY.INFO

WORLD SAVINGS DAY ORIGINS

It all began on 31 October 1924 when the International Savings Bank Congress (World Society of Savings Banks) convened for the first time in Milan, Italy, At the congress, Italian Professor Filippo Ravizza declared this day the "International Saving Day" on the last day of the congress. World Savings Day, or World Thrift Day as it was also called, informs people all around the world about the idea of saving their money in a bank rather than keeping it under their mattress. A theme often used throughout its history is saving money to gain a higher standard of life and to secure the economy. Examples include in Spain where the first national thrift day was celebrated in 1921. Today, countries all over the world continue to celebrate the day.

DID YOU KNOW:
U.S. COMMUNITY BANKING

→ **Facts & Figures**

Often referred to as America's Favourite Lenders, community banks in the United States:

Comprise
99%
OF ALL BANKS

Provide more than
60%
OF ALL SMALL BUSINESS LOANS

Make more than
80%
OF AGRICULTURAL LOANS

Have more than
50,000
LOCATIONS NATIONWIDE

Employ nearly **750,000** PEOPLE

→ **Did you know?**

According to the U.S. Federal Reserve's Small Business Credit Survey: Report on Employer Firms, community banks in the United States are the small business lender of choice, with 79 percent of independent businesses that used community banks reporting they were satisfied with their overall experience, compared with 67 percent for large banks and just 49 percent for online lenders.

→ **About ICBA**

One Mission: To create and promote an environment where community banks flourish.
The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. Community banks are the only physical banking presence in one in three U.S. counties. Holding more than $5 trillion in assets, nearly $4 trillion in deposits, and more than $3.4 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighbourhoods they serve, spurring job creation, fostering innovation and fuelling their customers' dreams in communities throughout America.
ICBA is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education, and high-quality products and services.

Scale 2Save

Micro savings, maximum impact.

Objective
1 million more people banked

Investment
$16 million

Geographic Scope
6 countries in Africa

Projects
10 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

WSBI

mastercard foundation