

# news & views

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## Supporting local growth and development

WSBI releases institutional position to G20 (see page 14)

Sustainability matters (see page 23)

How to better help people to better manage their money (see page 40)



WSBI



ESBG

Helping savings and retail banks thrive.

# INSIDE THE NUMBERS: WSBI IN ASIA-PACIFIC REGION

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→ Did you know?

**Some 1.1 billion** people in the Asia-Pacific region seek banking services from WSBI members there

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## WSBI MEMBER PRESENCE IN THE REGION:

- **25 members in 17 countries**
- **66,827 outlets / branches**
- **602,477 employees**
- **Total assets: US\$3.5 trillion**

# Supporting local growth through locally focused banks

By Chris De Noose, Managing Director  
WSBI-ESBG

A recent article in *The Economist* magazine states how banks need to reach the “elusive 10%”<sup>1</sup> return on equity. The piece rightly pointed out the need for operational efficiency to help boost banks’ bottom line.

Being efficient is stock and trade for banks, but so is “social” performance. Retail, regional, responsible banks are especially keen on this front. WSBI-ESBG members give billions to pioneering foundation work, have tens of thousands of branches and connect digitally with young and not-so-young.

Global investors seek returns – on equity, assets or otherwise. However, these “electronic herds” do not help build the *real* economy. Locally focused banks do, meeting people’s needs by money safekeeping, securing personal data, executing payments, and granting loans for home purchases and business, namely SMEs.

Beyond the day-to-day world of banking, a bigger game is at play. Shifts in public opinion have put globalisation under the microscope. Critics of a global system say it leads to economic decline and rips apart the social structure of once-prosperous cities and towns. If that is true, then locally focused savings and retail banks are ideally placed to address it. Our member banks help prepare communities in a globalised world. In fact, our members provide service through mobile, online to some 1.7 billion people around the globe.

As savings and retail banks take on all sizes and legal forms, they play an essential role to ensure diversity, which remains crucial to maintaining the stability of the financial system. Concentration of economic and financial resources fails markets, economies and people.

**Our member banks help prepare communities in a globalised world.**

## A NEW PARLIAMENT SHOULD BET ON SAVINGS AND RETAIL BANKING

In Europe, the new European Parliament and new Commission present an opportunity to show that savings and retail banks support Europe in a big way. EU policymakers and stakeholders need to back us too. The best way is to apply a proportionate approach to banking rules. That argument is spelled out in our ESBG memorandum to EU policymakers released earlier this year as well as our G20 institutional positions paper released in June. American member ICBA’s “regulatory relief” efforts have been embraced by US policymakers. It receives growing support from policymakers in Asia, Latin America and Africa.

Taking a proportionate approach avoids unnecessary regulatory obstacles that prove costly and inefficient. A proportionate approach will be especially important to create a more sustainable and inclusive economy. If policy falls short, expect more calls from populists for disruption that will hurt, not help people and communities around the world.

We hope you enjoy this edition of *News & Views*, which explores G20 event in Tokyo that addresses the globalisation challenge. Relatedly, we share breakthroughs by Scale2Save partner PostBank Kenya, P.T. Bank Tabungan Negara (Persero) in Indonesia, and highlight how member APAP in the Dominican Republic helps the hearing impaired. There efforts demonstrate that innovative, locally focused banking help people and economies to thrive in a globalised world.

<sup>1</sup> The Economist: “How to fix Europe’s lenders”, 4 April 2019. <https://www.economist.com/finance-and-economics/2019/04/04/how-to-fix-europes-lenders>

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## SUPPORTING LOCAL GROWTH AND DEVELOPMENT

**As savings and retail banks take on all sizes and legal forms, they play an essential role to ensure diversity, which remains crucial to maintaining the stability of the financial system.**



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10



12

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26



40

## LEADERS

- 3** Supporting Local growth through locally focused banks
- 6** No free pass for FinTechs: A U.S. perspective
- 8** Swedish banking: Change in the wind

## FEATURES

- 10** ADBI-WSBI Tokyo event recap: Getting the policy right and unleashing the role of inclusion-oriented banks
- 12** Keynote address by Isidro Fainé
- 13** Address by Shlomo Ben Ami
- 14** WSBI releases annual institutional position to G20 decision-makers
- 17** Conference conclusions by Chris De Noose

## ESBG NEWS

- 18** What's next for Europe? What the EU election results mean for Europe's savings and retail banks
- 19** Just released: ESBG releases high-level messages on Capital Markets Union
- 20** Regulatory sandboxes, innovation hubs explored in ESBG position paper
- 21** Sparkassen-Finanzgruppe gathers behind "Gemeinsam Allem Gewachsen": "Together - up to anything"
- 22** ESBG Spotlight: Session four a success, fifth edition in June
- 23** Sustainability matters: Supporting local growth and development

## INNOVATION CORNER

- 26** Open Banking in focus at WSBI Innovation workshop
- 27** Initial coin offerings & crypto-assets
- 28** Case study: BTN helps distribute government aid through innovation in Indonesia
- 29** The future of blockchain in the European banking system

## FINANCIAL INCLUSION

- 30** WSBI member Centenary Bank and Finca Uganda join Scale2Save family
- 31** Interview with Anne Karanja, Managing Director PostBank Kenya

## WSBI NEWS

- 34** WSBI endorses UNEP FI Principles for Responsible Banking
- 35** WSBI managing director on mission to Peru to meet member, regulators
- 36** FEPCMAC up close: Social responsibility helps poor mothers
- 37** Latest outreach by WSBI in the Latin American Region
- 37** Mark the date: Asia Regional Group Meeting, Cambodia

## FINANCIAL EDUCATION

- 37** WSBI hosts webinar on empowering young people
- 37** Next Webinar: Digital authentication and onboarding
- 38** Case study: PostBank Kenya promoting savings, financial education
- 40** How to better help people to better manage their money: Interview with Patrice Cros
- 42** Belarusbank takes part in Global Money Week celebrations

## SHORTS

### EU elections: let's get to work!

At the time of writing these lines, the European Parliament has voted the nomination of Ursula von der Leyen as new President of the European Commission. The new European Parliament is all set to go, with David Sassoli (S&D, Italy) as President and Roberto Gualtieri (S&D, Italy) as the chairman of the Economic and Social Committee, one of the most important committees for ESBG members.

The EU has done a great job since the financial crisis. Just think of the Banking Union, one of the greatest European successes of the recent past.

But let's look forward: new challenges are ahead of us and we should all together show the same optimism and boldness with regards to Sustainable Finance. Europe has the leadership in this field, with the work that has been done on disclosures, benchmarks, green bonds and taxonomy. Given the considerable amount of investments needed to reach the targets of the Paris Agreement, public and private initiatives are crucial and much needed. As we have done for the last 200 years, Europe's savings and retail banks are ready to play their role of transmission wheel between finance and the real economy. Let's get to work!

# No free pass for FinTechs: A U.S. perspective

**The following opinion piece by ICBA CEO Rebeca Romero Rainey first appeared in Independent Banker magazine.**

Innovation is a key driver in the community bank industry and has been a significant focus of the Independent Community Bankers of America for quite some time. In fact, as I'm writing this, I'm on a flight to Little Rock, Arkansas, where we're celebrating our inaugural demo day for our ThinkTECH accelerator program in partnership with the Venture Center.

Community bankers are embracing innovative FinTech products and services, and the ICBA ThinkTECH accelerator is proof of that. The FinTechs coming out of this community bank-focused program will partner with our industry to help create the high-tech, high-touch future that is community banking.

And while we continue to spur innovation opportunities, the community bank commitment to a level regulatory playing field is fundamental — as shown during years of advocacy to achieve regulatory and tax parity between banks and credit unions and Farm Credit System lenders.

Online lenders and their representatives in Washington might be forgiven for thinking the regulations they face are more than enough, but the fact remains that their regulatory workload is relatively light compared to full-service banks.

Let's start with the industrial loan company charter (see inset for description). There's no secret why FinTech companies like Square, SoFi and Nelnet are so interested in this rather obscure charter — because of its significant regulatory advantages. A loophole in the federal Bank Holding Company Act allows commercial and tech companies to own or acquire ILCs without being subject to Federal Reserve consolidated oversight or the act's prohibitions on engaging in commercial activities.

This loophole not only puts ILCs at a distinct advantage to their fully regulated competitors, it also subverts the goals of holding company oversight. Consolidated supervision allows the Fed to understand and monitor holding companies to avoid risks to their subsidiary depository institutions. Parent companies are expected under U.S. banking law to serve as a "source of financial strength" to their subsidiaries. Conversely, regulators must ensure that parent companies experiencing difficulties will not drain their banks' liquidity to prop themselves up — creating systemic risks for the banking industry while exploiting its federal safety net.

Another fatal flaw of the ILC charter is that it violates the nation's policy of separating commercial activities from banking. ILCs are the functional equivalent of full-service banks. Federal law prohibits all other such entities, whether federally or state chartered, from being owned by commercial companies. The fact that ILCs are the fashionable charter of choice these days for tech firms seeking to benefit from the federal safety net and reduced oversight demonstrates the need for policymakers to close off this loophole with a permanent moratorium on new ILC charters.

While the ILC loophole dates to 1987, community banks are meanwhile seeking to ward off additional regulatory inequities before they are implemented. The Office of the Comptroller of the Currency's proposed special-purpose national bank charter for FinTech companies would subject online lenders to more oversight than they currently have, but it raises questions concerning the regulatory framework that will govern the supervision of these firms.

Under the OCC proposal, these companies would be subject only to limited safety and soundness supervision and examination and would not be subject to the Community Reinvestment Act. Further, it remains unclear whether the owners or affiliates of OCC-chartered FinTechs would be regulated in the same way that the Bank Holding Company Act restricts the commercial activities of bank holding companies — raising the same concerns over banking and commerce as the ILC charter.

A series of recent earnings, underwriting and compliance problems at online marketplace lenders illustrates the need to ensure their regulatory, capital and liquidity requirements are no less stringent than those that apply to insured depository institutions. This would help ensure not only regulatory consistency among providers, but also a safe and sound financial system — particularly with the introduction of entities that have had serious funding and capital issues despite not yet having experienced a serious economic downturn. Finally, the OCC should obtain statutory authority from Congress to create the special-purpose FinTech charter and issue rules subject to notice and comment that prescribe its scope and requirements — ensuring it proceeds on a sound legal footing.

In lieu of these flawed charter options, FinTech companies could instead follow the lead of Varo Bank, a mobile-only FinTech whose application for a full national bank charter was recently approved by the OCC. If fully approved, Varo Bank will be subject to full array of national bank regulation and supervision. If Varo Bank has a holding company, it will be subject to consolidated Fed examination and oversight, as would any other de novo national bank. This is what regulatory consistency looks like.



**REBECA ROMERO RAINEY IS PRESIDENT AND CEO AT THE INDEPENDENT COMMUNITY BANKERS OF AMERICA.**

To ensure a fair and open financial services marketplace, community banks advocate a regulatory framework for FinTechs that is no less stringent than that which applies to insured depository institutions. It is the only way to ensure the responsible growth of tech innovations and a customer-friendly financial system. ●

## INDUSTRIAL LOAN COMPANIES IN THE UNITED STATES

An industrial loan company, sometime called a industrial bank, is a state-chartered depository institution in the United States that is eligible for FDIC deposit insurance and exempted from the technical definition of a “bank”. They are generally subject to the same banking laws and regulations as other bank charter types. They have an exemption from the U.S. Bank Holding Company Act of 1956, which means corporate owners of an industrial bank do not necessarily have to be bank holding companies. This enables non-financial companies to own and operate an industrial bank. Historically, this class of institution has been available in the state of Utah and only a handful of other states. Industrial banks are subject to the same regulatory and supervisory processes as any other bank. Industrial banks are authorized to make all kinds of consumer and commercial loans and to accept federally insured deposits, although an industrial bank may not accept demand deposits if the bank has total assets greater than US\$100 million. All industrial banks deposits are insured by the Federal Deposit Insurance Corporation (FDIC).

Source: Utah Department of Financial Institutions

## ABOUT ICBA

WSBI member ICBA - Independent Community Bankers of America - creates and promotes an environment where community banks flourish. With more than 50,000 locations nationwide, community banks constitute 99 percent of all banks, employ nearly 750,000 Americans and are the only physical banking presence in one in five 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 neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers’ dreams in communities throughout America.

# Swedish banking: Change in the wind

**SWEDISH SAVINGS BANKS ASSOCIATION MANAGING DIRECTOR EWA ANDERSEN TALKS ABOUT A NEW SAVINGS MODEL FOR THE COUNTRY, PROPORTIONALITY AND REGULATION, AND CHALLENGES AROUND A CASHLESS-SOCIETY IN THE NORDIC COUNTRY.**



**EWA ANDERSEN (LEFT) INTERVIEWED BY A JOURNALIST AT ANNUAL ALMEDALEN POLITICAL FORUM IN GOTLAND ISLAND, SWEDEN.**

## **PRIVATE SAVINGS MODEL: A PROPOSED POLICY THAT COMPLEMENTS STATE PENSIONS**

For the Swedish Savings Banks Association, one of the most important questions here in Almedalen this year is to put a spotlight on the Swedish pension system. It is very important for any state to have economic development. And it is important with a sustainable pension system to remain robust in the economy. Therefore, we have now suggested a new model of pension savings – a simple but solid way of getting people liable to private savings, next to the state savings.

In Sweden, our total pension consists of the national retirement pension and the occupational pension paid by employers. The third part, known as a private part, unfortunately does not work out fully as it was intended. We now need another incentive model to encourage citizens to act forcefully with their private pension savings. To be specific, we want the state to put in 20% of the amount that every Swede puts in as private pension savings. It will be “locked” as long as the state savings are. We took the opportunity to inform both concerned politicians and the Swedish public – and until now we have only received positive reactions to our proposed model.

## **PROPORTIONALITY MATTERS**

For Swedish Savings Banks Association, another important question here in Almedalen is to highlight the need for proportionality woven into regulations.

Once a year Almedalen in Visby, out on the Gotland island in the middle of the Baltic Sea, becomes the most important arena for business talks in Sweden. During one week every year, always in the beginning of July, anyone with an interest in Scandinavian economy and politics comes here to ensure eye-to-eye contact and updates with their accountable politicians.

Of course, when so many powerful women and men get together, this is the perfect place to be if you also want to talk big business or to be a part of the bigger picture when it comes to political issues or regulations – especially on financial markets.

The issue about proportionality is of course not easy for us nor easy for the instances controlling the financial markets either. The thing is, I think, that we all want stable and solid banks out there – but right now, we have a missing key when it comes to what I call “Concrete Proportionality”. The level of risk is so different from one bank to another – depending on for example business volume, type of main business and if they act worldwide or not – that you cannot let all banks or financial institutes obey under the exact same accumulated set of rules, or *acquis*. Obviously, the framework can and should be the same – but the small print must be customised and based on the total risk, not the fact that “it is a bank”. In my opinion, it is not appropriate that a tiny regional bank, mainly within the mortgage business, should report the same parameters as if they instead were a multinational investment bank. It just does not make sense. It is very natural if the legal text is formulated in general terms, but what we hope for when pointing out some main issues in our branch here in Almedalen is that regulations, addressed by the Swedish supervisory authority, shall use the proportionality and apply it in a very concrete way.

### **SWEDISH CENTRAL BANK PUSHBACK TOWARDS CASHLESS SOCIETY: BANKS PAY PRICE**

Before ending this report from the Baltic region, I also want to mention that in great contrast to many other European countries, Sweden is moving towards a cashless zone – with roughly 20% of all trade not doable paying cash, but with other means of payment.

This may sound sensational, but is not surprising in the context where fewer and fewer Swedes use cash on a daily basis – and more and more embraces card or digital devices when shopping and transferring money.

Having said that, and with a majority of the Swedish population pleased because they have chosen this themselves through their buying behaviour, it is a bit strange that we have an emerging situation. Announced by the central bank, regional banks can get forced to pay the bill for descended cash infrastructure, meaning the back-office costs accrued for handling, distributing, securing, and processing cash and coin. If not a major part of consumers’ demand for cash services, it cannot be some kind of a social problem that requires national legislation or corresponding actions. But this is exactly what representatives for the Swedish central bank are planning as we speak. For the record, we can note that the central bank itself once gave over the responsibility for cash management to the private sector, and nowadays – when the modern consumer no longer requests currency notes to any significant extent – the same central bank committee want the private sector to pay for natural limitations within the cash infrastructure. That sounds more than strange to my ears, and if any issue with the cash infrastructure should be on the agenda today, it is the roll of the central bank as the guarantee of Swedish means of payment. Not the private sector as a possible payer for a shortcoming and an old-fashioned way of transfers. ●

### **SPARBANKERNAS RIKSFÖRBUND**

With 59 savings banks, 205 branches, 3300 employees and 2 million customers, the Swedish Independent Savings Banks (Sparbankernas Riksförbund) are the 5th largest group of banks in Sweden. The savings banks idea is based on a strong local presence and an active involvement in the local development of businesses and municipalities.

The association of Swedish independent savings banks aims to create value for its members by means of an active lobbying in Sweden and the EU. It also negotiates the relationship with Swedbank, one of the biggest financial institutions in Scandinavia, which has grown out of the Swedish savings banks environment and where the savings banks have a 10% shareholder stake.

# ADB-WSBI Tokyo event recap: Getting the policy right and unleashing the role of inclusion-oriented banks



ISIDRO FAINÉ

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

Mr. Shlomo Ben Ami, Vice-president of the Toledo International Center for Peace, also addressed the audience, presenting his views on sustainable finance. He said: "Sustainable finance, an all-socially and culturally engulfing concept that links

finance to its social role, exactly where local and savings banks have always been embedded. Sustainable finance is becoming mainstream finance. Embedding environmental, social and governance (ESG) principles in a new normal for finance will facilitate its alignment with the broader objectives of society and move to the achievement of the G20's own goal of "solid, balanced, sustainable and inclusive growth".

**Some 80 WSBI members, policymakers, industry representatives and academics gathered in Tokyo on 5-6 June to explore policy areas related to the 2019 G20 Japan presidency that affect locally focused banks.**

Organised jointly with the Asian Development Bank Institute (ADBI), the two-day conference explored the important role locally focused WSBI member banks play in responsible and sustainable banking in a digital age. The conference focused on policy and academic responses to getting the right public policy and unleashing the role of inclusion-oriented banks.

Conference participants dove deep into pressing issues for retail banking in the framework of G20 Japan presidency priorities, such as better regulation, financial inclusion, digitisation and sustainable finance. The event also fostered a constructive dialogue between industry and policymakers, as well as discussions and exchanges with like-minded organisations.

Following ADBI Dean Naoyuki Yoshino's opening remarks, WSBI President Isidro Fainé kicked off the event, providing a welcome address.



NAOYUKI YOSHINO

He noted: "WSBI is strongly committed to promoting responsible and sustainable financial services in the digital age. We are aware that this is a huge task and that we face challenges and obstacles as well as multiple opportunities. I am convinced that 'Poverty stops where savings start'. Financial inclusion and financial education are currently a priority in the agendas of public authorities and financial institutions. As savings and retail banks, we have always had an active role in this field.



SHLOMO BEN AMI



YASUYUKI KAWASAKI

Mr. Yasuyuki Kawasaki, Vice-Chairman of local WSBI member Sumitomo Mitsui Banking Corporation (SMBC) highlighted the important efforts the bank has delivered in the field of financial inclusion, especially via its Indonesian subsidiary BTPN. This institution developed innovative products for specific market segments such as rural women and pensioners.

Before starting the panel discussions, various keynote speeches were delivered in the framework of the G20 Japan presidency priorities. Bank of Japan's Director General of Public Relations Shinobu Nakagawa shed light on financial education and literacy initiatives in Japan followed by Financial Services Agency of Japan Director, Tomohiro Miura, who spoke about financial education in the 100-year life society. The last keynote speaker, Japan Business Federation Senior Managing Director Katsunori Nemoto delivered joint policy recommendations to the G20.

## PANEL DISCUSSIONS

Dialogue among stakeholders began shortly after, divided into four moderated sessions.

The first session, moderated by Tanzania's TPB Bank CEO Sabasaba Moshingi, explored the promotion of savings as a solution to our challenges. The second session, moderated by WSBI Managing Director Chris De Noose, focused on savings as the path to sustainable financial

inclusion as well as the best way to promote household savings given the change of customer behaviour in a digital age. Session 3, moderated by DSGV Director Wolfgang Neumann, addressed pressing questions such as how can regulation keep pace with tech breakthroughs. The fourth and last session, moderated by pinBoxSolutions Co-founder and Director Parul Seth Khanna, discussed financial inclusion for elderly people and included a speech by Shinkin Central Bank's Senior Managing Director Hiroshi Sudo on the challenges of the aging society for the Shinkin Bank Group.

WSBI Managing Director Chris De Noose ended the first day of debates with closing remarks, highlighting four main areas where policymakers and governments can help savings and retail banks help people. The second day of the conference focused on academic debates where academics and researchers shared and presented insights from their papers on a wide range of themes such as financial development, financial inclusion, financial literacy, credit guarantees and FinTech. ●

## ABOUT THE ASIAN DEVELOPMENT BANK INSTITUTE

The ADBI is the think-tank of the Asian Development Bank. It provides intellectual input for policy makers in Asian developing countries by conducting research with a focus on medium- to long-term development issues of strategic importance that affects the region and through capacity building and training (CBT) activities. The ADBI has been supportive to the role and contribution of traditional locally focused banks in local economic development.



LEARN MORE ABOUT THE CONFERENCE  
AT [BIT.LY/2X6C4WI](https://bit.ly/2X6C4WI) OR BY SCANNING  
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# Keynote address by Isidro Fainé, WSBI President, to the ADBI-WSBI G20 event

## G20 AND LOCALLY FOCUSED BANKS: PROMOTING RESPONSIBLE AND SUSTAINABLE FINANCIAL SERVICES IN THE DIGITAL AGE.

**Note: Opening greetings redacted to shorten speech length for this publication.**

I would like to begin by briefly talking about WSBI. Our institute has more than 100 members with a presence in almost 80 countries, with its unique business model that focuses on retail banking on a local and regional level. The WSBI, which was founded in Milan in 1924, helps to create opportunities for everyone, rather than just a few.

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

Our organisation has a strong presence in the Asian-Pacific area, one of the world's leading regions of economic growth, with 25 members in 17 countries and more than 1 billion customers. In fact, Asian and Pacific countries represent around 40% of the world's GDP and recent studies suggest that in 2050 their share of the world economy will reach more than 50% of the world's GDP.

Japan's economy has maintained a steady growth in the last few years. The culture of the "Land of the Rising Sun" is based on a unique synthesis between tradition and modernity. Its institutional environment boasts: excellent education and infrastructure systems, and dedication to its culture of effort, which have made Japan one of the world's largest and most successful economies.

Returning to the WSBI, our main priorities for the current mandate, which the last General Assembly approved, are as follows:

- Promoting financial inclusion and financial education, as well as sustainable development.
- Highlighting the importance of retail banks to regulators and policy makers, as promoters of wealth through support to individuals, families, SMEs,

- large companies and Institutions.
- Reinforcing our Regional Groups on five continents.
- Advocating and increasing the visibility of retail banks on a global scale.
- Exchanging best practices and know-how, which for us is an unbeatable model, and in line with our DNA,
- Fostering Social Welfare programmes in order to improve the poorer and weaker segments of society. Last but not least,
- Acquiring new members.

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

- global economic growth,
- international trade
- and the regulation of financial markets.

In addition to these priorities, our organisation published the New Delhi Declaration last November, during the 25th World Congress of Savings and Retail Banks, establishing five commitments:

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

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

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

Financial inclusion and financial education are currently a priority in the agendas of public authorities and financial institutions. As savings and retail banks, we have always had an active role in this field. Promoting financial inclusion is part of our heritage and constitutes the core of our mission.

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

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

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

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



READ THE REST OF HIS ADDRESS AT [BIT.LY/2FYyc7S](https://bit.ly/2FYyc7S) OR BY SCANNING THIS QR CODE.

# Address by Shlomo Ben Ami, vice-president, Toledo International Center for Peace

Known for his subtle and frequently wicked sense of humour, Winston Churchill never started a speech with a joke. “Why would I give them what they expect?”, he said. I will humbly follow the great man’s advise and start with a statement that is, moreover, the underlying motif of my address: History will not forgive us if we fail to give a humane and social dimension to liberal capitalism and its brainchild, globalization – already severely questioned by the 2008 crisis – and we let them be reformed by the rising forces bent on destroying them altogether. Sustainable Finance and socially integrated local and savings banking are part of a much complex solution, of course.

I will make my case in a rapid march through the following chapters: the long shadow of 2008; the mission of Sustainable Finance with an emphasis on climate risks and opportunities; the effects of geopolitics; and the changing concept of work.

The 20th century was an age of extremes in which state socialism led to the Gulag, nationalism to the hecatomb of two world wars, and liberal capitalism to cyclical periods of depression. Liberalism survived, though, as a vision of *laissez faire* and freedom from tyranny.

But, the 2008 crisis exposed the monumental flaws of its neoliberal version based on lower taxes on the rich, deregulation of labour and markets, wild financialisation, and globalisation. Growth is lower than it was in the quarter-century after World War II, and most of it has accrued to the very top of the income scale. The World Bank warns of extreme poverty that would affect more than 700 million people, particularly in Sub-Saharan Africa.

Not that the advanced economies would have much of a growth; it is forecasted at 1% average; higher in emerging economies such as China (6%), and other Asian economies (5%).

Ten years since the global financial crisis, trade tensions are rising, and confidence in multilateralism, the backbone of global stability since World War II, is crumbling. The obscene income inequalities and the appalling concentration of wealth are a major reason for the rise of anti-globalist populism, nationalist protectionism and authoritarianism. John Maynard Keynes’ warning that political extremism is the child of bad economics was vindicated as a decade of austerity ate away at the welfare state, and denied people the social and community protection of the past.

When Nobel Laureate Economist Joseph Stiglitz speaks of progressive capitalism as the response to the current malaise, he is in Sustainable Finance territory, that of a balance between markets, the state, and civil society, and that of socially focused regulation over the environment, health, and occupational-safety. Which further underlines local banks’ vital promise of an economy that puts man and society at its centre, consolidates local communities, and enhances social cohesion.

2008 rhymes with 1929; it taught us what can be the systemic effects of the collapse of too-big-to-fail financial institutions. Although according to a recent report of the Financial Stability Board, market sentiment has improved and financial conditions have eased since the start of 2019, one needs to be vigilant about the loosening seen in lending standards, bubbles of elevated asset values, and high private and public debt. There are still also questions as to the extent of financial institutions’ exposure to riskier instruments.

**“History will not forgive us if we fail to give a humane and social dimension to liberal capitalism and its brainchild, globalization – already severely questioned by the 2008 crisis – and we let them be reformed by the rising forces bent on destroying them altogether.”**

2008 showed the need for financial institutions to be able to sustain the most severe stress tests possible in times of upheaval. The year also showed that finances cannot be de-linked anymore from social and ethical concerns. ●



READ THE REST OF SHLOMO BEN AMI'S  
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# WSBI releases annual institutional position to G20 decision-makers

**WSBI published in June its latest set of institutional positions related to G20 policy areas to enrich policy exchange on G20 priorities. The 10-page document calls on G20 policymakers to recognise and encourage the role played by savings and retail banks in the real economy and to ensure appropriate regulation for more sustainable economic growth.**

## POLICY ASKS

WSBI and its members provide the document to G20 leaders and their implementing partners, sharing concerns and proposals described below.

### 1. Promote savings

WSBI would like to highlight that savings remain a potent force to address growth and financial stability.

Savings help economies build up funds that feed financing models and serve as the engine for economic expansion. Mobilised national savings nourish local infrastructure investment and narrow the global infrastructure finance gap, which reduces risk exposure to foreign debt. For citizens, household savings help people become resilient against shocks faced in life and avoid over-indebtedness.

Savings are also crucial for future retirement provision and promote social cohesion, notably but not exclusively in countries with a fast-aging population. Locally focused savings and retail banks can play an important role to promote this behaviour.

WSBI encourages the G20 to launch a global-wide initiative to instil a savings culture. This will address falling average national household savings rates – for instance in OECD countries – and historically low savings rates in many parts of the world after the financial crisis.

There is need for G20 leaders and implementing partners to support and enable further developing economies to build up the relevant banking infrastructure required to mobilise domestic savings efficiently. This is imperative for countries where people still keep their savings outside of the formal banking sector.

More must be done on the digital front too. Emerging digital financial service players facilitate payments and consumer borrowing. However, digital financial inclusion, which has gained more attention in recent years, should not be looked at from a purely payment and credit perspective.

There should be no “mission drift” when widening digital financial inclusion and consumers over-indebtedness should be avoided. Finally, savings and retail banks are well positioned to channel household and corporate savings into infrastructure investment, MSMEs finance and green finance.

### 2. A diverse banking market serves all walks of life

Society gains greatly from a diverse banking landscape with a high level of competition. Indeed, while a competitive banking market serves people and communities better, banking consolidation may leave customers with a smaller choice of product and service offerings and non-competitive pricing. This may also result in low incentive to serve the vulnerable customers who often face huge barriers to handle their banking matters.

### 3. Proportionality tailored to national context

A diverse banking structure depends on applying banking rules proportionately. Disproportionate rules impair the competitiveness of savings and locally focused retail banks and prevent them from operating on equal footing within the market.



At the same time, a proportionate approach ensures compliance with standards set at international level and helps reduce the growing distortional effects of bank rules. Taking this approach not only creates a level playing field but also has knock-on effects that promote broader goals, namely economic growth and a more stable financial system.

Implementation of international standards or guidelines designed for large, globally active credit institutions must be customised rather than “applied to” the entire global banking sector. A “one-size-fits-all” approach leads, for instance, to unnecessary and burdensome reporting requirements.

#### 4. Sustainable finance for the real economy

Society demands more sustainable economies. A sustainable future, in particular tackling climate change and strengthening social cohesion, remains a pressing priority for citizens, businesses, local communities and policymakers alike.

A successful transition to a sustainable economy will only happen if everybody works together with the right policy framework. Savings and retail banks are willing to do their part to support this change.

Shifting to a more sustainable economy will imply important changes to key sectors such as housing, agriculture, energy, transport and manufacturing. Those are areas where savings and retail banks contribute. They should continue being engaged in the shift towards a sustainable future. In this regard, WSBI would like to recall that the financing models of retail banking and investment banking are fundamentally different.

Policymakers should design sustainable finance policies adapted to the specificities of retail banking and support a diversified banking sector.

WSBI members warmly promote initiatives to channel more funds into sustainable projects. In order to make sustainable solutions more compelling at local, national and global levels, incentives should be given to the real economy, which includes private households and SMEs.

#### 5. Foster innovation

Policymakers, regulators and supervisors should create and apply a regulatory framework that supports innovation while upholding a level of financial stability as well as data and consumer safeguards that form the base of citizen’s trust in the financial sector. “Right-sizing” regulation for all firms that offer financial services creates a level playing field between regulated and non-regulated service providers; this while ensuring new players operate safely and soundly.

**“Society demands more sustainable economies. A sustainable future, in particular tackling climate change and strengthening social cohesion, remains a pressing priority for citizens, businesses, local communities and policymakers alike.”**

In addition, policy should help promote and acknowledge the need to equip people with digital skills and help them become more digitally “aware”. This makes them better placed to identify risks as informed citizens and consumers.

#### 6. Fight social exclusion, especially on the digital front

WSBI welcomes that the G20 has worked on a set of high-level principles for action on digital financial inclusion. That effort could guide country-level actions to harness digital financial services and delivery mechanisms. This would help expand access and usage of financial services safely for underserved market segments.

While digitisation continues to sweep over banks, physical branches become less essential to processing customer transactions. The brick-and-mortar networks of locally focused banks are adapting their traditional functionality to the changing needs of customers, for instance adding up the role as social contact point and facilitating customers’ access to digital banking.

In this way, savings and locally focused retail banks help foster social engagement, healthier lives and help people attain sound education levels. They factor in the needs of the vulnerable and non-digital users, thereby keeping a human touch.

#### Why the G20 is important to WSBI, its members

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

The G20 is the most significant forum to discuss issues relating to global economic growth and financial market regulation in the aftermath of 2008 financial crisis. Although the G20 possesses no executive powers, nor are its decisions binding, decisions agreed by the heads of state and government in the framework of the G20 have been implemented significantly by its members.



**WSBI RELEASES ANNUAL INSTITUTIONAL POSITION TO G20 DECISION-MAKERS**

**A COURSE OF ACTION: WHAT GOVERNMENTS CAN DO**

Governments can play a leading role in supporting inclusive and sustainable growth. Below is a set of ways how:

**Empowerment: Raise people's awareness about the power of savings**

- Cultivate a savings habit amongst the citizens. As one of ways to achieve it, consider deploying a savings campaign such as celebrating World Savings Day. Held each 31 October, it places focus on the importance of saving.
- Start a culture of savings at an early age through school banking. Designed for young students to learn to manage money as part of the school curriculum, school banking programmes remain a proven and effective way to educate young citizens using a learning-by-doing approach.

**Develop public and private partnership to support vulnerable sectors**

- Support wider availability of lines of credit for micro entrepreneurs and smallholder farmers. Incent banks to extend partial credit guarantees to them and set up necessary financial infrastructure such as credit bureaus, collateral registries or social credit schemes such as subsidised micro-credit programmes.
- Address the need to build out an infrastructure – both financial and physical that includes mobile networks, transportation.

- Coordinate better at national level to make sure that central banks, finance ministers and banking supervisors work hand in hand with national authorities and bodies in charge of nonfinancial areas.

**Tackle digital financial inclusion challenge**

- Encourage and support viable, innovation-focused business model design that aligns financial service providers' offering to customer needs and behaviours in a sustainable way.
- It should be clear that digitization is not an end in itself and that the human factor, including the ability to promote and sustain trust in the formal financial services system, should not be neglected. Policy makers should foster innovation; however, risks associated such as data protection should be carefully managed.
- Ensure correct balance between innovation and risks. Legislation should be written in a both technology-neutral as well as in a business model-neutral way. Weave the proportionality principle into all aspects of new and existing regulation.



**READ THE WSBI INSTITUTIONAL MESSAGES TO G20 DECISION-MAKERS AT BIT.LY/2MSR1AN OR BY SCANNING THIS QR CODE.**

# Conference conclusions by Chris De Noose, WSBI-ESBG Managing Director

**CHRIS DE NOOSE SUMMARISES POLICY DEBATE DURING THE ADBI-WSBI CONFERENCE IN TOKYO.**

It is safe to say that we thoroughly debated main aspects of this year's conference theme "RESPONSIBLE AND SUSTAINABLE BANKING IN A DIGITAL AGE". Let me share with some valuable takeaways came out of the conference.



First, governments need to respond swiftly to the change of our society and technological changes. Another takeaway was that, governments should incentivize investments by individuals and pay attention to the raising poverty challenge amongst the old generation. This can be done by formulating more bankable infrastructure investment projects in growing and developing countries as infrastructure demands are enormous. A third learning was that sustainable development finance is becoming the 'new normal'. Financial service providers have to embed the social and environmental risks into their business models.

## FINANCIAL EDUCATION AND FINANCIAL INCLUSION

The conference confirmed that there is no doubt access to savings is an important part of financial inclusion and financial inclusion is extremely important

to fight against social inequality.

The experience of Japan in financial education gave us new insight too. Critical to the success of financial education efforts is the leading role and coordination mechanism driven by government, with participation from different national stakeholders. Those efforts include cultivation of a savings mind-set amongst citizens.

One way to instil this mindset is to consider deploying a savings campaign. The World Savings Day, which WSBI organises each year, is a proven way. Held each 31 October, it places focus on the importance of saving. Another way to start a culture of savings is by educating people at an early age through school banking. Designed for young students to learn to manage money as part of the school curriculum, school banking programmes remain a proven and effective way to educate young citizens using a learning-by-doing approach.

## RESPONSIBLE INNOVATION, DIGITAL FINANCIAL INCLUSION

On embracing responsible innovation, we should tackle the digital financial inclusion challenge together. Encourage and support viable, innovation-focused business model design that aligns financial service providers' offering to customer needs and behaviours in a sustainable way. Policy makers should foster innovation. There is need to manage the risks associated with innovation. One example is data protection. Policymakers should seek a correct balance between innovation and risks.

## PROPORTIONALITY NEEDED

Legislation should be written in both a technology-neutral as well as business model-neutral way. Finally, we recommend that policymakers weave the proportionality principle into all aspects of new and existing regulation.

We outline these policy recommendations in the *WSBI Institutional Messages to G20 Decision-makers* provided to conference attendees and available on the WSBI-ESBG website. Inside you will learn more about savings and retail banks' stance on responsible and sustainable growth.



**READ THE WSBI INSTITUTIONAL MESSAGES  
TO G20 DECISION-MAKERS  
AT [BIT.LY/2MSR1AN](https://bit.ly/2MSR1AN) OR BY SCANNING  
THIS QR CODE.**

# What's next for Europe?

## What the EU election results mean for Europe's savings and retail banks

**SEBASTIAN STODULKA, HEAD OF THE ESBG LOBBYING DEPARTMENTS TELLS US WHAT TO EXPECT IN THE COMING PARLIAMENTARY TERM.**

### PODCAST#8: EU ELECTIONS, ESBG MEMORANDUM UPDATE

WSBI Exchange Podcast Episode #8 follows the EU elections and the related ESBG memorandum released earlier this year. Sebastian Stodulka (01:15), who heads up our regulatory affairs department at ESBG, talks about sections on sustainable finance and financial education. Natalie Staniewicz (13:17) follows with a talk on the digitisation and innovation and how it relates to EU policymaking.



**LISTEN ON THE WSBI-ESBG YOUTUBE CHANNEL AT [BIT.LY/2RZVVRM](http://bit.ly/2RZVVRM) OR BY SCANNING THIS QR CODE.**

Last May, European citizens voted on their representatives in the European Parliament to defend their interests in the EU for the next five years. This year's election had a turnout of 51%, an increase of 8.3 percentage points from the previous election in 2014. It is also the first time since 1999 that more than half of adult citizens voted. This trend is promising for Europe!

And there are more reasons why this Parliament is unique: 40% of the MEPs are female and 435 MEPs or 58% have never sat in the EP before. In Slovakia, the percentage of new MEPs reached 85%, in France 69%, in Germany 52%. On the political side, we have witnessed the end of the "grand coalition" between the centre-right EPP and the centre-left S&D, with stronger results for the liberals in "Renew Europe", the Greens and the Eurosceptics.

This Parliament, that is thus new in more than one sense of the word, faces great challenges in the next five years: internet giants such as Google and Facebook, which have entered the world of financial services, will need to be more regulated without blocking the digital motor of the world economy. Also other digital and innovative phenomena, such as crypto currencies and artificial intelligence, will be part of the regulatory debates in the coming months and years. Moreover, cybersecurity is becoming an ever bigger threat. One of the biggest challenges will be the shift towards more sustainability. If the EU wants to meet the goals of the Paris climate agreement, considerable investments will be needed to revamp Europe's energy, transport and farming sectors. Where will the money come from?

What can be considered as sustainable? How much will each of us have to contribute? These and other topics will be heavily discussed by the European Parliament during this 5-year term.

While the regulatory "tsunami" for financial services, which followed in the aftermath of the economic and financial crisis seems to be over, ESBG will keep on fighting for a more proportionate application of the rules. Furthermore, we also expect the institutions to keep building the Capital Markets Union, putting efforts into achieving a Europeanised deposit insurance and transposing the last elements of the Basel reforms into EU law. Finally, some key legislative acts for savings and retail banks will be evaluated and possibly adjusted, including the Mortgage Credit Directive, Consumer Credit Directive and MiFID II.

Let me assure you: the next five years will in any case remain intense and you will hear a lot from the lobbying department of ESBG! As a start, please be invited to read through our considerations on the crucially important topic of sustainable finance, which is a longstanding commitment of Europe's savings and retail banks. ●



**READ OUR POSITION ON SUSTAINABLE FINANCE AT [HTTP://BIT.LY/2LXNUVC](http://bit.ly/2LXNUVC) OR SCAN THE QR CODE.**

# Just released: ESBG releases high-level messages on Capital Markets Union

## ASSOCIATION SAYS CMU NEEDS PROPERLY FUNCTIONING LENDING MARKET.

ESBG published on 17 June a pair of high-level messages on the EU Capital Markets Union. The two-page position welcomed efforts by the European Commission to create an integrated capital market in the European Union with the launch of an action plan of more than 30 measures and actions started in 2015 and completed in 2019. As the new Commission should set up the new priorities for the next five years, ESBG sees that fostering an EU Capital Market Union (CMU) should remain a key pillar to trigger growth and jobs.

European investment levels in 2019 remain low, especially in some EU Member States and European capital markets are less competitive compared to the global level. The association adds that the European Commission should find the best way to foster CMU, considering also what will happen after Brexit as for certain markets EU stakeholders will be still dependent on UK players. In order to finance the real economy, a right balance has to be found when deciding on the most appropriate policy mix.

ESBG provides the Commission with two main recommendations:

### 1. Fostering both capital markets and banking markets

ESBG is convinced that it would not be in the interest of the European economy (considering that is strongly based on SME structures) to favour funding from capital markets over traditional bank lending. In our opinion, a success of the CMU is not conceivable without a properly functioning lending market. SMEs rely significantly on bank loans for funding (70% of outstanding SME external funding in Europe comes from banks), and evidence shows that bank lending remains the favourite sources of SME financing for 51% of SMEs.

CMU should be seen as a supplementary vehicle, not a primary path to support SME financing. The CMU should build on a strong and efficient banking system. Banks and capital markets work together and do not stand side by side. The stability of the financial markets in Europe can be strengthened by the CMU, paying particular attention to the great importance of credit financing, by adequately reducing risks and treating them according to the principle of individual responsibility and in particular subsidiarity. Maintaining the diversity of the European banking landscape also contributes to financial market stability. It must therefore be a high priority to preserve this plurality of the European financial sector. Proportionality and differentiation according to business models must not be called into question by the further development of the Capital Market Union.

ESBG believes that a policy of complementarity remains the best way forward to create a stronger and more competitive European Union. It is equally important to promote the lending capacity of European credit institutions. This is where savings and retail banks in Europe can help. Backed by their long-standing experience in the regions, their wide network and proximity to the local companies enables them to build an irreplaceable knowledge and trustworthy relationships. It also puts savings and retail banks in an ideally placed position to help empower the economy and boost sustainable, inclusive and smart growth by granting loans to SMEs.

### 2. Access to capital markets for all investors

ESBG believes that a new European Commission plan for a 'CMU 2.0' should be used to identify and remove burdens

presented by bureaucracy with the objectives of ensuring capital markets stability as well as providing capital markets access to all investors. Since the CMU aims at unlocking capital around Europe, increase in the participation of retail investors in EU capital markets is necessary.

Therefore, in our opinion, the next CMU plan should be focused on:

- Restoring investor trust and raising confidence in capital markets.
- Increasing financial education. Well-informed investors will make responsible investment decisions from the range of available capital markets products that are more adequately suited for their needs.
- Raising access to securities. Broad sections of the population should have access to securities. For this reason, the further development of the CMU should first lead to a revision of financial market legislation, in particular MiFID II and PRIIPs. The regulations should then be examined to see whether they actually bring added value for customers. This added value should then be compared with the possible negative effects for customers and the expected cost burden for the institutions (cost-benefit analysis).



LEARN MORE ABOUT ESBG'S EU CAPITAL MARKETS UNION POSITION AT THE WSBI-ESBG WEBSITE, OR GO TO [BIT.LY/2XWTPIU](https://bit.ly/2XWTPIU) OR SCAN THIS QR CODE.

# Regulatory sandboxes, innovation hubs explored in ESBG position paper

**ESBG says innovation facilitators should be subject to a common approach to prevent unfair competition, regulatory arbitrage.**

Similar risks, similar regulation. Firms that deal with FinTech only should not benefit from a separate regime, but instead there should be a broadening of the existing regime that already regulate financial incumbents, ESBG argues in a recently published position paper on the regulatory treatment of innovation facilitators.

This issue becomes particularly sensitive when dealing with FinTech tools, considering the fact that the possibility to access to regulatory sandboxes and innovation hubs might grant a considerable advantage. The association representing savings and retail banks in Europe notes, therefore, that the problem associated with regulatory sandboxes and innovation hubs (and similar regimes) consists mainly in the lack of a common approach and responses to regulatory and supervisory issues. To address the problem, ESBG suggests that the following actions be considered:

- A clear EU framework and mechanisms established with clearly defined rules, based on the following features:
  - (i) ensuring a level playing field amongst firms using FinTech and those that are not, and amongst different firms, regardless of their nationality the industry they belong to or their dimension/scale;
  - (ii) granting consumer protection and financial stability, and
  - (iii) applying the principle in supervision 'similar risks - similar treatment.'



- Regulatory sandboxes should be open to every kind of FinTech firms, including not only newly founded financial institutions, but also incumbent institutions and technology provider;
- As access to sandboxes and innovation hubs give both operation and regulatory advantages to firms using them, selection criteria for sandboxes and innovation hubs need to undergo a thorough discussion involving firms and authorities.
- To ensure a level playing field with those outside the sandbox, transparency on the results of the test should be ensured.

## SSM FINTECH SUPERVISION – INDUSTRY DIALOGUE

The Single Supervisory Mechanism (SSM) organised end of May a dialogue in Frankfurt on FinTech with the industry. The main objective of this initiative was to enhance the visibility of supervisory initiatives in the FinTech area and to gain insight into how FinTech affects the banks' business model. The SSM selected three technologies, taking into account the impact of the technology on the business model, its maturity and the potential risk impact: credit scoring via artificial intelligence, robo-advisory services and cloud computing.

- Credit scoring using AI impacts the banks' business model via upscaling – the fact that banks can use big data to provide credit scores to clients with no credit history; via cost efficiency and by improving the client experience by removing burdensome manual steps.
- Robo-advisory opens up private banking to clients with lower capital and enhances cost efficiency.
- Cloud computing reduces costs and allows for a higher flexibility and scalability. Cybersecurity is probably better addressed by the cloud service providers than by the incumbent banks and an astute use of cloud computing allows handling large volumes of data and making better decisions for customers.

The fact that the SSM and EU agencies such as the European Banking Authority (EBA) and the European Securities Markets Agency (ESMA) are looking into the supervisory implications of these technologies shows their potential disruptive effects if left unattended. WSBI-ESBG attended the SSM FinTech supervisory industry dialogue and will continue engaging with policymakers in the area of financial technology.



**READ POSITION PAPER AT THE WSBI-ESBG WEBSITE, OR GO TO BIT.LY/31YDZ8B OR SCAN THIS QR CODE.**

# Sparkassen-Finanzgruppe gathers behind “Gemeinsam Allem Gewachsen”: “Together - up to anything”

Germany Chancellor Angela Merkel spoke on 15 May at the opening session of the 26th « Sparkassentag », or "savings banks day". Held in Hamburg, the German city where the first European savings bank was founded in 1778, the annual event marks how since its founding until today, savings banks focus on financial and social inclusion of citizens. Chancellor Merkel, echoed that point in her remarks.



ANGELA MERKEL

## OPENING PRESS CONFERENCE

On the eve of the German Savings Banks Day in Hamburg, the WSBI-ESBG member DSGV organised a kick-off press conference with DSGV President Helmut Schleweis.



HELMUT SCHLEWEIS

## HAMBURG DECLARATION

A "Hamburg Declaration" was released the day of the press conference. The key terms within the Hamburg Declaration are words such as "common" or "community". They permeate in all eight sections of the Hamburg Declaration, the range of topics ranging from the municipal to European level: "A village, a city or a whole country are attractive only by the people who live there together," formulated the overall board of the German savings banks for example. Likewise, the panel agrees: "The economic, social and environmental challenges of the future are so great that they can only be solved jointly by European states."



## "TOGETHER: UP TO ANYTHING"

The motto of the 26th German Savings Banks Day "Together - up to anything" expresses challenge and confidence alike, – in the preface of the "Hamburg Declaration". As the core task of the savings banks, they state: "Sparkassen ensure financial and thus social participation." For centuries, through economic and political crises and across different political systems, this has distinguished the savings banks and distinguished them from their competitors.



According to the declaration, engaging in participation also means securing "prosperity for all" for the Sparkassen-Finanzgruppe. It is important to shape globalisation and digitization "so that all people can exercise their right to economic and social participation permanently and reliably."

In terms of economic policy, the Sparkassen-Finanzgruppe clearly supports German medium-sized companies or "Mittelstand": The preservation of efficient medium-sized economic structures is not self-evident in an increasingly globalised and digitized world.

Therefore, the Sparkassen-Finanzgruppe demands "more commitment to such structures and the necessary framework conditions." Savings banks, Landesbanken and their affiliated partners therefore maintain close business relationships with three quarters of German companies.

They finance almost one in two start-ups and provide more than 40 percent of all corporate loans.

"We are part of the local community – and that's how we understand each other," says the DSGV Board of Directors summing up the "Hamburg Declaration". Elementary for the committee is to invest in cohesion in Germany: "The strengthening of the community, the building of bridges between different population groups and more mutual understanding are crucial future tasks of our country."

LEARN MORE ABOUT THE DSGV AT  
[WWW.DSGV.DE/EN.HTML](http://WWW.DSGV.DE/EN.HTML)

# ESBG Spotlight: Session four a success, fifth edition in June

## A NEWLY DEPLOYED ESGB OUTREACH PROGRAMME HITTING ITS STRIDE

The fifth ESGB Spotlight held in June helped savings and retail banking stakeholders gain insight and exchange views on EU-related policymakers affecting the financial sector. The information-rich, brown-bag-inspired sessions, convened in Brussels, bring in experts from throughout the EU policymaking bubble, including the latest with Daniel Gros, Director at Brussels-based policy think tank the Centre for European Policy Studies (CEPS).

### SPOTLIGHT 5: WHAT SAFE ASSET FOR THE EURO AREA?

Held on 24 June, the CEPS head explored with attendees the idea of a “safe asset” for the euro area, engineered by pooling and tranching sovereign bonds.

Driven by the hope of re-arranging, and thereby strengthening, the current system of sovereign bond markets, there are many voices that support this idea and publicly advocate for it. Those who support the safe asset concept for the euro area also argue that higher investments and economic growth could be triggered.

Other stakeholders, by contrast, state that neither the political reality, nor the current market conditions are right to proceed with the development of a safe asset. Gros delved into questions in the debate that remain unanswered: who should issue a safe asset? Which rating would it get? Regarding the stabilisation of the bond markets, would it necessarily be more successful than an increased diversification of sovereign risks on balance sheets?

## NEXT SPOTLIGHTS

In addition to the well-known EU Institutions, Brussels is host to many think tanks and even more consultancies, all with expertise in specific domains. Knowledge and intelligence, or the way to apply the acquired skills, is key for any organisation. We already indicated in other articles of this edition of News & Views that the new European Commission will take an important series of initiatives in the coming months. ESGB will use this spotlight programme to monitor these developments and welcomes suggestions for topics and speakers.



## WSBI Progress Report: What have we been doing at WSBI over the past few months?

Quite a lot actually. In the international advocacy field, we published our institutional positions to the G20 decision makers with messages focussing on the promotion of savings and sustainable finance, on financial education and on the need of a proportionate application of rules and supervision.

We also exchanged experiences in the field of innovation, rural finance and digital financial inclusion and organised a webinar focusing on school banking and its potential for financial education and inclusion.

WSBI's partnership with MasterCard Foundation has been very active. Two new partners have signed up and a study on Savings and Retail Banking in Africa has been published.

Last and certainly not least, WSBI is proud to announce that our members have reached the World Bank's Universal financial Access 2020 Goal of 400 million new accounts and 1.7 billion customers.

Stay up-to-date with everything we do at WSBI by exploring our website and following us on social media (Via Twitter @WSBI\_ESBG, via LinkedIn (Company page WSBI or responsible banking group).

WSBI members can read all details about our activities in the WSBI progress report, with an introduction via video message by the Managing Director. They should also receive the CEO Letter with specifically tailored information as well as the high-level messages of the WSBI presidential letter.

If you are a WSBI member and you do not receive these publications, send an email to [ceoleter@wsbi-esbg.org](mailto:ceoleter@wsbi-esbg.org).

**CHECK OUT THE WSBI MANAGING DIRECTOR VIDEO AT [HTTPS://YOUTU.BE/KQG0X06EWUM](https://youtu.be/KQG0X06EWUM)**

# Sustainability matters: Supporting local growth and development

**ESBG Head of Regulatory Affairs Sebastian Stodulka shares with News & Views readers his recent address to the Nordic countries' financial services trade unions body Nordic Financial Union. He shared with them how locally rooted banks play an important role to support economic growth and development in communities in Europe.**

At ESBG, we like to use the metaphor that locally focussed banks form the “engine” that drives local growth and development. That metaphor especially sticks for savings and retail banks that comprise ESBG’s membership. Those institutions come in all sizes and legal forms and look set to help Europe become more sustainable.

In an age of globalisation, people at local level depend on savings and retail banks. Those banks serve local economies and help ensure “pluralism” within the European banking sector, which is critical to maintaining the stability of the financial system. That translates into a diversified banking sector driven and sustained by loan provision to households and SMEs – also during market shocks that arise from time to time – and ultimately supports local growth and development for the long-term.

Diversity has an added benefit: It provides people with a choice. Close to customers and the communities they serve, ESBG members serve people wherever they live – whether in rural areas, a city or anywhere in between. To get even closer to customers, they deploy digital channels – online and through user-friendly and safe apps for mobile phones and tablets. Being close to the main customers – the people, households and the SMEs created and expanded – occurs regularly through ESBG members’ 50,000 outlets, equivalent to a third of the market. A multi-pronged approach is the best way to build a close relationship with customers, to get to understand them and their needs, and to provide tailor-made financial services they seek.

The Nordic region provides a prime example of this reach. In roughly 90 places there, Swedish savings banks are the last remaining bank with a branch presence.

## POLITICAL BACKING FOR DIVERSITY: THE SME FACTOR

The need for locally focused savings and retail banks echoes in Germany too. German Chancellor Angela Merkel underlined it as much in her mid-May remarks to attendees of the German Savings Banks’ annual Sparkassentag, or Savings Banks Day. Chancellor Merkel backed the need for a diversified banking sector. She asked savings banks in Germany to keep offering their services in remote areas, even if this is not an easy thing to do.

**“In an age of globalisation, people at local level depend on savings and retail banks. Those banks serve local economies and help ensure “pluralism” within the European banking sector.”**

Merkel rightly pointed out the need for local banking, because not only people need banking services but also to nourish Germany’s world-renowned Mittlestand, the SMEs that drive the country’s industrial prowess. Policymakers in Europe acknowledge ESBG members role throughout the European Union. Locally focused banks have a big stake in making sure that Europe’s real economy – SMEs in particular – grow, employ and export.

Figures help grasp the commitment ESBG member savings and retail banks make to finance the real economy. Data show they are some of Europe’s most important providers of SME finance, with €500 billion

in SME loans on the books. One third of SME financing in Europe comes from ESBG members.

While that statistic is telling, perhaps we need to answer *why* ESBG members do so well on the SME financing front. Studies reveal that the vast majority of European SMEs prefer loans by credit institutions as the primary source for external funding. We argue that our members have long-standing experience in the Europe’s regions, and proximity to local businesses enables them to build irreplaceable knowledge, and cultivate and maintain trust-based relationships with SMEs. This ultimately spurs sustained growth and jobs.

## RESPONSIBLE BANKING: DOUBLE-BOTTOM LINE APPROACH

ESBG members’ business model is not just retail-oriented and locally focused, but also responsible. We take a so-called “double bottom line” approach to banking. That means ESBG members balance the need for financial sustainability and a return to society. Banks need to be profitable to be sure, but the question

arises about what to do with the profit. ESBG members are not merely shareholder-driven financial institutions that only look for profit maximisation. In fact, parts of the annual profit is reinvested in the local economy.

This benefits both markets and the society in which ESBG members operate. Being socially responsible, our members provide around €1.7 billion annually to philanthropic activities. That translates into funding for the arts, cultural programmes, sport, education and social projects that help, for instance, the youth, immigrants and the elderly. →



The report sheds light on the effects felt by finance employees and consumers seeking financial advice and services caused by compliance demands stemming from (perhaps not always proportionate) legislation.

### THE YEAR 2050: A KEY DATE

We need to look into our future. That future will be built on sustainable finance, a hot topic indeed within banking and policy circles, and for good reason.

To address climate and environmental issues, European decision-makers have rightly set the aim to channel more funds into sustainable projects. Overall, ESBG warmly welcomes this, but there are still many open questions.

While at the NRU, I asked attendees to imagine a factory that emits quite some carbon emissions. One day the factory's managers approach their local bank to ask for a loan for a new, modern filter, which would reduce the factory's carbon emissions. From a bank's point of view, and from your point of view, would this loan qualify as sustainable, as green?

A split response to my question asked to the Copenhagen audience did not come as a surprise, (To be clear, a majority of people said "yes, this should be a green loan".) especially after witnessing the debate unfold in Brussels. This is why the European Commission desires to create gradually a unified classification system ('taxonomy') on what can be considered an environmentally sustainable economic activity. The Commission claims this to be the "first and essential step in the efforts to channel investments into sustainable activities".

Moving on from the taxonomy challenge, a crucial aspect to make sustainable solutions attractive is for focus placed on giving true incentives to the real economy – namely private households and SMEs.

Savings and retail banks, with their long-term-oriented business model, provide the financial means to private households, SMEs and local authorities to go for projects, such as improving energy efficiency in the building envelope, which includes better-insulated housing and other public and private structures.

### SUSTAINABILITY: MORE THAN "GREEN"

Perhaps most important, sustainability should be framed as more than "green". It is of utmost importance to highlight the social dimension of sustainable finance. European institutions should also make sure that regulation around sustainability always takes into account a policy measure's social impact. More specifically, does it avoid side effects that might restrict, for example, access to financial services, or cause unwanted social effects? It is not just ESBG that has flagged this point. In its Action Plan on Financing Sustainable Growth, the European Commission rightly points out that the concept of sustainability rests on environmental and social considerations alike.

In short, the challenge remains to get sustainable finance right and linking it with local growth and development. That is our mandate for the future. However, being sustainable – and, in particular, socially committed – is not new to savings and retail banks. Our members stand ready to leverage their experience, knowledge and local networks to work together with policymakers to help deliver on this mandate.

It is crucially important to have a diversified banking sector, with strong locally focussed savings and retail banks, and a proportionate and well-balanced regulatory regime. When these elements are in place, Europe will be on the right route towards further economic growth, financial stability, and a sustainable future. ●

**“Policymakers increasingly acknowledge proportionality. It is being weaved into some legislation, including the latest “risk reduction measures package.”**



THE WSBI-ESBG WEBSITE FEATURES  
A POSITION ON SUSTAINABLE FINANCE.  
SEE IT AT [BIT.LY/2KF6I7Z](https://bit.ly/2KF6I7Z) OR BY SCANNING  
THIS QR CODE.

# Open Banking in focus at WSBI Innovation workshop

## EXPERTS CONVENE IN PRAGUE FOR THE LATEST EDITION

WSBI gathered experts from banking, FinTech and startup industries for another Innovation workshop which took place on 26 June in Prague, Czech Republic. Co-hosted by WSBI members Česká spořitelna and Erste Group, the workshop focused on open banking and how to leverage APIs, data and partnerships in order to benefit from new business models and become more customer centric.

### EMPHASIS ON CEE REGION

Determined by the geographical location, the event gave significant attention to the developments and challenges of open banking in Central and Eastern European financial markets. Martin Medek, Head of Open Banking at Česká spořitelna, presented open banking examples from Česká spořitelna and Erste Group Bank while Maciej Kostro, Board Advisor at the Polish Bank Association, shared an overview of open banking developments in Poland and Polish API Standard.

Fintech & Insurtech Independent Advisor Tomasz Jakubczyk discussed how to create attractive products and services for millennials and presented an example of Cashap, a banking and e-commerce app for youngsters in Poland.

### LESSONS FROM OTHER MARKETS

A rich programme for the latest edition of WSBI Innovation workshop included cases from other markets. Peter Vesco, General Manager of instant salesware Rezolve, shared his insights on how to combine finance and commerce and how to integrate the concept of platformisation. Adam Soukal, CEO & Co-Founder of Czech FinTech Startup Roger, talked about his experience in introducing business finance system for SMEs that allow them to take charge of their cash flow quicker and easier. Gil Cohen, General Manager EMEA at Israeli FinTech startup Open Legacy, introduced the participants to the state of play of open banking and Fintech ecosystem in Israel, as well as his

experience with legacy transformation, APIs and partnerships. The partnership topic continued with Per Aström, Open Banking Manager at Swedbank, who presented his tips on how to build and keep successful partnerships between banks and FinTech startups.

### INTERACTIVE DISCUSSIONS – KEY FOR SUCCESSFUL WORKSHOP

Experience exchange and active group discussions are important elements of every WSBI Innovation workshop. This time participants discussed the state of play, the challenges and the next steps in the following areas:

- Implementing PSD2 and looking ahead into open banking
- Integrating the concept of Platformisation
- Partnerships – how to establish viable partnerships in an open banking ecosystem
- Data & Value-added Services
- Moderated by experts in respective areas, the group discussions allowed participants to debate workshop topics more in-depth.

## ABOUT WSBI INNOVATION WORKSHOPS

WSBI Innovation workshops are a series of smaller scale events that aim to gather a small group of audience and encourage the engagement of all participants. Representatives from all participating institutions are encouraged to share insights, raise questions, brainstorm and provoke discussions and debates in all the sessions.

The latest edition in Prague attracted participants from Austria, Belgium, Czech Republic, Germany, Hungary, Israel, Norway, Poland, Russia, Spain, Sweden, Switzerland and the United Kingdom.

### WSBI and innovation

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

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



SEE FULL PROGRAMME AND SPEAKERS OF THE WSBI INNOVATION WORKSHOP IN PRAGUE AT [WWW.WSBI-ESBG.ORG/EVENTS/PRAGUE2019](http://WWW.WSBI-ESBG.ORG/EVENTS/PRAGUE2019) OR BY SCANNING THIS QR CODE.



VISIT THE WSBI INNOVATION DIGITISATION HUB AT [WWW.WSBI-WSBG.ORG/KNOWLEDGESHARING/INNOVATIONHUB](http://WWW.WSBI-WSBG.ORG/KNOWLEDGESHARING/INNOVATIONHUB) OR BY SCANNING THIS QR CODE.

# Initial coin offerings & crypto-assets

## WSBI-ESBG RELEASES POSITION PAPER SAYING REGULATORY TREATMENT NEEDED FOR BOTH

**WSBI-ESBG released in June a position paper that aims to raise attention to the association's views on the need for regulatory treatment of initial coin offerings (ICOs) and crypto-assets.**

Albeit small in value and scope when compared to financial markets, the development of crypto-assets markets and of the related ICOs has attracted a lot of attention from businesses looking for an access to alternative sources of finance and investors drawn by the promises of quick gains. As savings and retail banks caring for both our corporate and retail clients, WSBI-ESBG welcomes that policy makers are taking an interest in the regulation of these new assets and activities.

### CONCERNS: ABUSING TRUST, CIRCUMVENTING FRAMEWORKS

WSBI-ESBG is concerned by the numerous reports of abuses of retail investors' trust on innovative services providers, as well as the emergence of highways circumventing policy frameworks carefully crafted over the last decades, accompanied by the use of blockchain technology.

In particular, regulatory uncertainty on ICOs leaves room for a growing part of the economy that remains in regulatory limbo, helping new firms flourish at the expense of heavily regulated competitors and investors' protection. Cryptocurrencies and stablecoins lack a clear regulatory approach from EU authorities. As with ICOs, this implies increasing investor protection challenges.

Those challenges include:

- **The growing risks stemming from the impact cyber-attacks can have on the ICO market.** This needs to be addressed.



For instance when a crypto exchange has their crypto-currencies stolen. The lack of clarity on which 'white papers' must be applied (e.g. in some cases the Prospectus Regulation may apply and in others it may not, while sometimes even applying the regulation might need an adaptation to the different technological environment). This lack of clarity often provokes inexistence due diligence performed by investors, attracted by quick gain promises, and may result in scams and relevant financial losses for retail investors.

- **The lack of identification of investors, as well as the non-application of market abuse regulations to crypto exchanges,** allow a high degree of speculation and market manipulation through techniques such as, dumping, spoofing, front running or whales<sup>1</sup>.
- **The anonymity of wallet holders and the existence of blockchains specifically designed to ensure secrecy over the sender, the receiver and the amount transferred,** create virtually risk-free ways of laundering money originating from criminal activities or hiding the financing of terrorist organisations.
- **The uncertainty on the value of tokens pre- and post-sale increases risks of price volatility,** which could cause financial instability issues in the future.

- **There is a significant lack of clarity regarding the fiscal rules applying to tokens raised through ICOs and other crypto-assets.**

For these reasons, while WSBI-ESBG welcomes the continuous development of crypto-assets and ICOs, decisions need to be made when applying the EU financial markets regulatory framework to these new assets or services without undue delay. Because of their similarities on many aspects of traditional assets or services – such as financial instruments and initial public offerings – it is paramount that, on the one hand, investors benefit from an equally high level of protection, and, on the other hand, a regulatory level playing field is ensured.

### REGULATORY WORK ON ICOS AND CRYPTO-ASSETS

Both ICOs and crypto-assets are tackled at international level by the Committee on Payments and Market Infrastructures (CPMI) and Financial Stability Board (FSB) and at EU level by the European Banking Authority (EBA) and European Securities and Markets Authority (ESMA). WSBI-ESBG welcomes the work done by international and European policy makers to monitor the risks raising from crypto assets' market. →

<sup>1</sup> For examples of glaring market abuses that would result in jail time if it would take place in financial markets: <https://www.wsj.com/graphics/cryptocurrency-schemes-generate-big-coin/>

## INITIAL COIN OFFERINGS & CRYPTO-ASSETS

EBA and ESMA reports<sup>2</sup> on crypto-assets properly assessed the conditions for the application of the current regulatory framework to different types of crypto-assets. However, following the work from the supervisory authorities, legislators need to take action and regulate the areas where the policy framework is still not clear or inexistent, or where it needs some sort of adaptation. As a first step, EU legislators need to define a proper classification of the categories of crypto-assets.

### RECOMMENDATIONS TO TACKLE EFFECTIVELY RISKS

- **Market venues for virtual currencies and tokens must be organised.**  
In particular, there needs to be guarantees in terms of: price transparency; the fight against money laundering by submitting traders,

platforms or issuer of crypto-tokens to AML regulations; Applying rules on market abuse/manipulation to cryptocurrency trading platforms; and information disclosure.

- **Crypto assets should be properly legally defined and classified among existing or new categories.**  
WSBI-ESBG sees a need for global coordination and alignment. The “case-by-case” approach of national supervisors can only be temporary while a global coordination on the application of the existing regulations takes place.
- **Adapt a regulatory framework for ICOs.** It is of great importance to develop an EU framework for ICOs, and the secondary markets and platforms where crypto-assets are exchanged. WSBI-ESBG would

support a comprehensive analysis by EU regulators on the necessary adaptations that the regulatory framework needs in order to integrate ICOs on the diverse set of rules applying to other forms of raising capital.

WSBI-ESBG supports the innovation brought by the development of crypto-assets and ICOs. But this innovation should not allow a new era of fraud, deception, money laundering, tax evasion and financial instability, the very reasons why the banking sector is exceptionally regulated.



READ THE ENTIRE POSITION AT THE WSBI-ESBG WEBSITE AT [BIT.LY/2X9LDE0](https://bit.ly/2X9LDE0) OR BY SCANNING THIS QR CODE.

2 <https://eba.europa.eu/documents/10180/2545547/EBA+Report+on+crypto+assets.pdf>

## Case study: BTN helps distribute government aid through innovation in Indonesia

**In Indonesia, P.T. Bank Tabungan Negara (Persero) – BTN, along with the Ministry of Social Affairs and other state owned banks, have a big responsibility for distributing government aid, also known as household Government Household Conditional Cash Transfer (CCT).**

But distributing these funds has challenges. One is implementing the Know Your Customer policy for poor households. Thanks to the ingenuity of digitalisation, there is a solution: the Combo Card – an integrated e-wallet and debit account.

Going digital has greatly helped CCT recipients. Before the switch, poor households were queuing when receiving their CCT program benefits in the form of cash or commodity through the bank agent network. Bank agents are now registered and equipped with the bank’s electronic data capture (EDC) system,

which has government CCT disbursement features. Households can now disburse the CCT through ATM channels and the entire state-owned bank agent network spread throughout the country.



While the government CCT programme collaboration has taken hold, so too has financial inclusion. People are more aware that everyone in Indonesia can have access to basic financial services. In fact, more than 6 million poor people have the “Kartu Keluarga Sejahtera” (pictured) – the Indonesia Welfare Household Card – to disburse more than IDR 11.3 trillion funds (US 7.9 billion).

BTN's efforts fall in line with their financial inclusion, consistency and accountability principles.



# The future of blockchain in the European banking system

**WSBI MEMBER CECA'S THINK TANK FUNCAS DISCUSSES THE IMPLICATIONS OF BLOCKCHAIN TECHNOLOGY FOR MARKETS AND BANKS IN EUROPE IN ITS BIMONTHLY PUBLICATION.**

**The following is an excerpt from SEFO, Spanish and International Economic & Financial Outlook.**

For European banks, the potential benefits of using blockchain technology do not diminish the controversy surrounding it. From scalability challenges to the “blockchain trilemma” of recording information correctly, cost efficiently and in a decentralised way, the European banking industry is navigating the risks and regulatory issues of blockchain as it takes a global lead in the adoption of this new technology.

Blockchain technology has sparked intense debate in recent years. In the financial industry, this debate has centred almost exclusively on the rise, and more recently on the relative decline, of cryptocurrencies and the risks of these instruments. However, blockchain technology has far wider implications for markets and banks. To get in front of emerging challenges, the European banking industry has spearheaded some key blockchain-based platforms,

including for trade finance. These initiatives have recently been backed by the European Commission, which made the financial applications of blockchain technology a central part of its 2018 FinTech Action Plan.



**READ THE FULL ARTICLE AT [BIT.LY/2RDRPD0](https://bit.ly/2RDRPD0) OR BY SCANNING THIS QR CODE.**

# WSBI member Centenary Bank and Finca Uganda join Scale2Save family



The Scale2Save programme implementing committee (PIC) approved on 8 May new partners in

Uganda. WSBI member Centenary Bank and Finca Uganda are now on board. FINCA will leverage new technologies to build a new business model geared towards sustainable savings mobilisation. Centenary Bank will test two components the bank considers critical to how accounts are acquired and savings mobilisation by the mass markets. It intends to introduce and test a 'No-Frills' account; a basic mobile phone operated savings account, specifically designed for the low-income consumer and offered through Centenary Bank's mobile banking channel, CenteMobile.

It will also explore influences and impact of friends and family in uptake and active use of savings accounts within the retail and mass market. The Scale2Save PIC further approved a separate randomised control trial (RCT) research project that measures the impact of traditional and digital financial education tools, and focus on behavioural aspects. Research will be conducted by Finca International in collaboration with Harvard University.



LEARN MORE ABOUT SCALE2SAVE AT THE WSBI WEBSITE, GO TO [BIT.LY/2XE6UC1](https://bit.ly/2XE6UC1) OR SCAN THIS QR CODE.



## HAVE A LISTEN TO PODCAST #7

WSBI releases Scale2Save research on African savings and retail banks

Episode 7 focuses on Africa and Scale2Save – a programme designed to establish the viability of small-scale savings in six African countries. It is a partnership between WSBI and the Mastercard Foundation. WSBI Director Ian Radcliffe, who leads the Scale2Save programme, talks about the new Scale2Save report on savings and retail banking in Africa. He also touches on future research, the Scale2Save Peer Review Workshop in Kenya, and a snapshot of projects taking place on the ground.



SEE ALL THE VIDEOS AT THE WSBI-ESBG YOUTUBE CHANNEL. LISTEN TO THE VIDEO ON SOUNDCLOUD OR SCAN THIS QR CODE.



# Interview with Anne Karanja, Managing Director PostBank Kenya

## Tell us about PostBank Kenya

PostBank Kenya serves people spread throughout the nation. With some 658 agents as of March 2019 – and the number will grow – along with our 98 branches, we complement branch and agents with a robust mobile banking platform.

PostBank Kenya has a long history. We started operations in 1910. We became a legal entity in 1978 through the Kenyan legal framework. We operate through an act of parliament. The reason they created KPOSB was to use it as a vehicle that would mobilise savings for national development while inculcating a savings culture and encouraging thrift. That is our core mandate, but we also do other financial intermediation, such as international money transfer services, agency banking for other banks. But our core mandate is to mobilise savings.

## Who are your core customers?

Our customers are ordinary Kenyans at the so-called “bottom of the pyramid”, ordinary citizens who hold US\$100 up to US\$1000 in savings. That said, we cater to all income segments and age groups. Why? Because being a government-bank that was created to inculcate a savings culture among Kenyans. We want to impart with people an attitude, idea, or habit by persistent instruction. We do not want to leave anybody out.

## How much of a culture of savings exists in Kenya?

It is there but we need to do more. Kenya is a consumer society. The level of savings to GDP is a bit low, around 8 per cent. In other countries the savings level reaches more than 50 per cent. Therefore, we have a big job to do to nudge Kenyans to save. That's were programmes like Scale2Save, a partnership between WSBI and Mastercard Foundation, can help us.

Our Scale2Save project tries to establish the viability of small-scale savings through village savings groups, harnessing our agent banking network, our M-Chama platform and “Bank-in-a-Bag”. I will share more about this in a bit.

## What are the barriers to savings in Kenya?

*Disposable income* is a big barrier, because you can't save what you do not have. *Distance* is another, which is being addressed in Kenya though alternative delivery channels, agent and mobile banking. The other barrier is *perception*: that savings only occurs when people have a lot of money – i.e. “only the rich can save”. This is something we are trying to address.

As I said earlier, in Kenya we have a consumption-driven society. The majority of Kenyans find they have nothing to save, because they consume a lot, and sometimes seek consumer loans.

## Tell us about ‘Bank in a bag’

We developed *Bank in a Bag*, part of our Scale2Save project work, after we realised that Kenyans are looking for more convenience. We need to go where they are, so we created a “kit” inside a backpack that uses technology tools, more specifically a laptop and router, to be used by our staff on the ground to open an account anywhere. That means opening accounts in homes, at colleges, at the market. In a sense, Bag in a Bag is a mobile branch.

## Why don't people go to branches?

Our core customers are very busy people, working in markets, trying to eke out a living. We found that they could not leave their businesses to go to a branch. They buy and sell their wares, are travel all over the country, and look for convenience.



**“Disposable income is a big barrier, because you can't save what you do not have. Distance is another, which is being addressed in Kenya though alternative delivery channels, agent and mobile banking.”**

## What does the Bank in the bag look like? When does it work best?

Like I said before, Bank in a Bag is a branded backpack with a laptop linked to a core banking system through a router. The laptop allows in a short period of time for PostBank Kenya staff to open an account and customise it. The customer, after signing up, goes home with a card, and does not have to visit a branch unless they have good reason.

The Bank in a Bag works best where there is a congregation, where people assemble in big numbers. We have staff assigned to seek them out and open accounts for them. →

**INTERVIEW WITH ANNE KARANJA, MANAGING DIRECTOR POSTBANK KENYA**

For example, staff go to the marketplace, schools, colleges, even bus stops. As we open accounts for customers, the same staff are also telling customers about the benefits of savings – our mandate at PostBank Kenya. By doing this, we help address the need for Kenyans to understand *why* they should save, *why* it helps them navigate better through life, and *how* to create financial freedom. We then open accounts for them.

**Tell us about PostBank’s work with savings groups. What innovation do you employ to reach them?**

Savings groups are one of our target customers. In Kenya, group savings is very popular. Savings groups here consist of around 15 to 30 people who come together to save. What we realise when we work with groups is that sometimes their objectives are not very clear as to why they are saving. The majority save for consumption. They save money throughout the year and receive their share pay out at year’s end.

With our ultimate goal in mind – instil in people a savings mindset – we go in to teach them how to create objectives for savings. We have a delivery channel that we purposely created for groups, a mobile banking platform called M-Chama. It is designed especially for groups. Savings group members open accounts and conduct business transactions. Through M-Chama accounts, groups can deposit deposits and distribute them to group members. Through the system, members are able to see what their savings group officials are doing. That makes groups more transparent, accountable and convenient.

Individuals can receive money and place it into the group bank account using the linkage with the mobile banking platform. They use the platform when they are meeting. The group uses it when they give loans to their members through the savings pool the group has amassed. Individuals within the group also tap into the platform.

**How has this helped savings groups? What was it like before?**

Before the current mobile platform, we would just open accounts for the savings groups. The groups would gather, collect money and assign the treasurer to keep the funds at his/her home. Issues arose, however, because money could be stolen if there is a housebreak. Savings group officials sometimes exploited this, unfortunately, which caused many of the savings group to disintegrate. Through M-Chama, transparency lets members know what money is going in and out of their individual accounts and transactions by the group. Members see transactions done on behalf of the group by the officials of the group, such as the treasurer, chairperson and secretary. Members are fully confident with the group thanks to the M-Chama mobile banking platform.

**Who do you work with to make savings groups work?**

We work with and sign a memoranda of understanding with NGOs in the business of bringing groups together. That said, sometimes groups form without NGO help.

We also seek support at political level. Women politicians are particularly keen to see savings groups develop in local areas to combat poverty. We tap into political forces at county level and at government administrative level to set up groups.

To do this, the first step is to talk about the importance of savings with people, emphasising it does not matter how much one saves. We share a message that through consistent savings, people will be able to pay school fees, medical bills and when they are done with basic needs, they can invest the remainder. When that happens, people create a new world for themselves.

Once they are convinced to form a savings group, we call another meeting. All members in that group assemble, to hear from someone from our field team. This process requires PostBank Kenya to recruit and

train sales ambassadors so that when we link with the groups, ambassadors continue the relationship with the groups, which means at times adding members, being the front-facing representative of the bank. We find it a cost effective way to keep groups in touch with us through face-to-face activity.

In a nutshell, we plug groups into the mobile banking system, give group officials credentials along with registering group members. Members can then monitor what officials are doing. They are able to deposit money through a PIN number and withdraw money through USSD code, which requires us to train them so that they know their way around the two transactions.

**What is the main challenge dealing with the savings groups?**

*Distance* is the first main challenge dealing with the groups. Groups are scattered all over the country. Kenya is 7 percent bigger in land area than France with 25 per cent less population. So it can become very expensive if we have to employ staff to monitor and follow up with the groups. That is where the sales ambassadors can be quite handy because they are the ones who reach out to these groups.

The agency network helps too, addressing the distance challenge, especially as they cover areas where PostBank Kenya has no branch presence. When customers need more money than can be provided through the mobile platform, the agents are used. Now their role is that they complement our 80 branches. Agents are shops, supermarkets, other businesses, so banking is a small part of what they do. They can receive deposits, give withdrawals, execute bill payments and give account balance information.

**Why is it critical to handle low-income people in Kenya? Why is it important for PostBank Kenya?**

One main reason is that we want to be impactful in improving people’s financial status.

Alleviation of poverty cannot be done without taking into account what the low-income earner, our main customer segment, does with their money. The product we offer them is the one that has the biggest balance within our balance sheet. Therefore, this demonstrates that low-income people are bankable, and they can sustain our operations. So we are banking them.

**What's the business case for banking low-income earners?**

The business case for banking low-income earners is that they understand that they are banking to create a better world for themselves. We serve them because it is our core business, our core mandate that we were founded on: to inculcate a savings culture among low-income earners.

Low-income earners become micro-entrepreneurs, and as they grow their businesses, they improve their income, and ultimately their lifestyles. They pay taxes, hire workers and become a building block of national development that takes hold in local economies.

You do not have to save a lot of money to get out of poverty or become financially independent. What makes me happy is to follow a saver who continued savings, less than 100 dollars, and school their kids, get a home, and see their businesses grow. We see someone coming from humble beginnings and through savings become an employer. It is very satisfying.

**How many savings groups do you intend to sign up and by when?**

We have recruited 403 groups, comprising of 15 to 30 members each, and aim to have 30,000 groups by year-end 2020. As we sign up the savings groups, we are encouraging the individual accounts to be opened by members of the group. Through 31 March, we have opened 3005 individual accounts. Since women are the biggest participants in groups, they are in a sense our ambassadors to members of their families and those they associate with.

Women are better savers. Their interest is to meet their basic needs fast. That means when a woman is empowered, they are able to empower the people in their homesteads, those they interact with like their peers. They know the benefit of savings and will speak highly of the work our institution does to help them through savings. Some groups form by word of mouth among women.

**How has Scale2Save helped your work?**

Scale2Save has helped tremendously. The programme is a partnership with WSBI and Mastercard Foundation to establish the viability of low-balance savings accounts in countries in Africa, including Kenya. The Scale2Save project by PostBank in Kenya aims to uplift low-income earners to encourage them to continuously save. We do it through groups and individuals.

**Scale2Save research shows that banks oftentimes struggle with customer centricity. What does customer centricity mean for you?**

It means have to keep the customer on top of our agenda. So the customer is king. We need to understand their needs. We need to give them convenience, products that are affordable, make it easy for them to transact. That way we are able to build a long-term relationship with the customer.

It is about offering quality, treating them with dignity and ensuring that we listen, so that they can explain their needs. It means going the extra mile to maintain that relationship.

**What is savings?**

Savings is an engine for economic development. Savings is both for individuals, groups, the nation, and for organisations. Looking at our case at PostBank in Kenya, we are encouraging people to save so that they can create wealth for themselves and become financially independent.

Through savings, you are able to get out of poverty, get out of a miserable lifestyle, and be able to meet your basic needs. Once you have tackled your basic needs, you can start a business and invest in income generating avenues.



LEARN MORE ABOUT SCALE2SAVE AT THE WSBI WEBSITE, GO TO [BIT.LY/2XE6UC1](https://bit.ly/2XE6UC1) OR SCAN THIS QR CODE.



**NEW: VIDEO SNAPSHOT OF THE SCALE2SAVE PROJECT IN KENYA**

WSBI goes to a village saving group to learn about Postbank Kenya's "Bank in a Bag" project, M-Chama digital offer and agent banking. WSBI interviews a savings group member, a Postbank Kenya expert and bank Managing Director Anne Karanja.



SEE THE VIDEO AT [YOUTU.BE/AXZ2ENPNQR4](https://youtu.be/AXZ2ENPNQR4) OR BY SCANNING THIS QR CODE.

# WSBI endorses UNEP FI Principles for Responsible Banking

PRINCIPLES CLOSELY ALIGN WITH VALUES REFLECTED IN WSBI-ESBG CHARTER FOR RESPONSIBLE BUSINESS



## WSBI announced on 17 June its endorsement of the UNEP FI Principles for Responsible Banking.

Endorsed by the WSBI Board, the principles reflect the acknowledgement that banks, including locally focused savings and retail banks that comprise WSBI membership, must be transparent about how their products and services create value for their customers, clients, investors, as well as society. The principles should help banks better align their business strategy with societal goals.

WSBI-ESBG Managing Director Chris De Noose said: "This endorsement is a natural step for our members, as the UNEP FI Principles for Responsible Banking are closely aligned with our values reflected in the WSBI-ESBG Charter for Responsible Business."

WSBI-ESBG, which represents savings and retail banks from some 80 countries and territories, endorsed the following six principles:

- **Alignment:** Aligning banks with society's goals as expressed in UN Sustainable Development Goals and the Paris Agreement within the United Nations Framework Convention on Climate Change (UNFCCC). Banks should focus their efforts in areas where they will have the most significant impact.

- **Impact:** A bank can only increase its sustainability by understanding its environmental, social and governance (ESG) impact. Banks need to reduce negative impacts on people and environment.
- **Clients and Customers:** Banks should work responsibly with clients and customers to encourage sustainable practices.
- **Stakeholders:** Banks should proactively and responsibly consult, engage and partner with civil society stakeholders.
- **Governance and Target Setting:** Implemented by setting public targets, having effective governance and a culture of responsible banking across all business areas. Targets can be set so that a bank commits itself to a standard from top-level management to the working level with dedicated efforts and resources. Every bank joining these principles will be required to set targets and will need to be in line with the Paris Climate Agreement, SDGs and relevant national and international frameworks.

- **Transparency and Accountability:** Banks will need to demonstrate credibly their contribution to society. They will be held accountable by stakeholders for their impact and purpose. Specific info will be needed in the annual reports of banks. Banks who do not abide will be removed from the list.

The UNEP FI Principles for Responsible Banking will be officially launched on 22-23 September 2019 in New York City, during the annual United Nations General Assembly. A first version for comments was released in November 2018 in Paris.

De Noose added: "As an endorsing member, we will inform our members of UNEP FI's work, encourage members to sign up to the principles as individual banks and to join working groups to develop their expertise in the different dimensions of the Principles."

SEE THE WSBI-ESBG CHARTER FOR RESPONSIBLE BUSINESS AT [WSBI-ESBG.ORG](http://WSBI-ESBG.ORG)



# WSBI managing director on mission to Peru to meet member, regulators

**WSBI MANAGING DIRECTOR CHRIS DE NOOSE IN EARLY JUNE JOINED THE PERUVIAN ASSOCIATION OF CREDIT AND SAVINGS BANKS (FEPCMAC) IN LIMA FOR MEETINGS WITH LOCAL AND REGIONAL AUTHORITIES.**

The mission was clear: Help Peruvian member FEPCMAC with their efforts to broaden financial inclusion, kick-start financial education efforts while spurring further economic development in the South American country. Mission accomplished during WSBI Managing Director Chris De Noose's during his two-day visit to Lima.

De Noose met with Peruvian Superintendent of Banking, Insurance and Pensions (SBS) Socorro Heysen Zegarra and her team. Meeting participants discussed the important role played by the Cajas Municipales de Ahorro y Crédito (CMAC) in the development of micro-finance and its contribution to financial inclusion in Peru.

The meeting was an opportunity for Chris De Noose to share WSBI's main policy topics, including Basel, proportionality, supervision costs, sustainable finance, and digitalisation. On regulatory matters in Peru that affect CMACs, De Noose pointed out that due to their experience in the financial market, cajas municipales should be able to issuing credit cards and current accounts. The change would place CMACs on equal footing vis-à-vis competing commercial banks.

He further explained WSBI activities around financial education and access to finance, which for the Peruvian population stands at 30 per cent. There exists no harmonised approach from the authorities regarding access to finance nor financial education. He stressed the importance of education and financial inclusion to achieve the well-being of the population of medium and low socioeconomic sectors.

Mr. De Noose shared the work done by WSBI member savings and retail banks to promote inclusive globalisation. WSBI is committed to serving all customers in the middle and lower economic sectors, and through savings banks and retail banks



– CMACs included – they constitute the link between the global economy and people, small businesses and local authorities.

He then addressed the challenge of banking innovation and digitisation of financial services, the vision of savings and retail banks, and its role in a globalised world, among other topics, echoing the theme of the 25th WSBI World Congress held in November 2018 in New Delhi, India. Zegarra and her team were most keen to receive more information on WSBI-ESBG work on proportionality and soaring regulatory costs.

A second meeting followed with Chris De Noose and FEPCMAC officials meeting with Andean Development Corporation (CAF) in Peru representative Manuel Malaret and its chief executive Luis Pérez to discuss the progress of FEPCMAC-CAF cooperation projects. De Noose introduced WSBI activities while FEPCMAC presented the project it currently runs locally with CAF. Officials were keen to liaise with WSBI on financial education and literacy efforts. They showed interest in supporting the "Pymex" product aimed at micro,

small and medium-sized export business entrepreneurs, and the development of gender projects to support financial inclusion in the country.

The trip finished with a meeting with FEPCMAC President Carlos Fernando Ruiz-Caro Villagarcia, key staff and newly appointed board. FEPCMAC presented its priorities and capacity building projects it undertakes to expand the Cajas Municipales de Ahorro y Crédito (CMAC) country footprint. ●

# FEPCMAC up close: Social responsibility helps poor mothers

## CMAC TRUJILLO'S INITIATIVE TO INCLUDE LOCAL SKILLED WOMEN ENTREPRENEURS IN GLOBAL VALUE CHAINS

The "Manos Tejedoras" initiative is the main social responsibility project done by Caja Trujillo, a member of the Peruvian Association of Credit and Savings Banks (FEPCMAC). A programme of FEPCMAC, "Manos Tejedoras" is designed to strengthen the technical skills of poor mothers with low economic resources, according to a case study featured in the WSBI booklet called in English BANKING.SERVING.THRIVING. – *Bancarizando. Sirviendo. Prosperando* in Spanish.

The case study outlines how initiative participants, mostly heads of household, benefit from a series of training in weaving techniques, which allows them to reinforce their skills and thus create garments and decorations that are then exported to the United States, where have an ready-made market. This project benefits an average of 1,000 people from Alto Trujillo, El Porvenir-Trujillo, in Peru, and directly to 200 women who have participated since last year.

The programme is part of Peruvian federation of savings and credit banks FEPCMAC's efforts to position itself as a strategic representative of the Cajas Municipales de Ahorro y Crédito (CMACs) to the main national cooperation entities

and international organizations, as well as supervisory and regulatory bodies and the various stakeholders participating in the different lines of action of the governments "National Strategy of Financial Inclusion" being developed in the South American country.

They hope by 2017 to continue promoting the process of decentralization and financial deepening on different fronts, such as water and sanitation, social housing and the creation of green financial products for mitigation and adaptation to climate change. This is done through a management model that identifies the best practices in the microfinance sector in other countries and through access to studies through the use of appropriate technologies.

A non-governmental legal entity of public law, FEPCMAC is in charge of coordinating the activities of its members at national level as well as representing the municipal savings and credit system of the country nationally and internationally. It represents eleven municipal savings and credit banks operating in the national territory and whose objective is to achieve financial inclusion through both savings and credit. ●

### ABOUT FEPCMAC

The Peruvian Federation of Municipal Savings and Credit Banks (Federación Peruana de Cajas Municipales de Ahorro y Crédito or FEPCMAC) was created in 1986 and represents all municipal savings and credit banks of the country on a national and international level. The Federation has 11 members. These play an important role in the microfinance sector of the country, thanks to a large geographical coverage in around 100 districts. More than 1 million people have a credit and 2.7 million clients own a savings account. FEPCMAC members have 619 branches and complement this physical presence with new distribution channels, such as "Banca Movil" with already 65.000 clients.



## Latest outreach by WSBI in the Latin American Region

### WSBI IDB JOINT INITIATIVES FORESEEN IN 2019, EARLY 2020

WSBI has collaborated since last year with different divisions of the Inter-American Development Bank (IDB) Group on topics such as inclusive finance, financial education, financing of MiPymes, and banking regulation. WSBI and IDB have exchanged information on regulatory obstacles to financial inclusion in the Americas, to which members there contributed.

Going forward, WSBI will participate formally at the end of October in next FOROMIC – the leading event in Latin America and the Caribbean focused on issues related to financial inclusion and enterprise development. WSBI will guide a specific session at the forum. Held in Punta Cana, the event gives WSBI an opportunity to convene beforehand a GRULAC Steering Committee meeting in Santo Domingo as well more specific exchange among members, similar to the WSBI-hosted event held 21 March in São Paulo. Member priorities will be in focus along with meetings with local authorities to exchange on issues related to financial inclusion and education in a new digital era. WSBI will arrange for attendees a visit with local regulators and supervisors, a regional group level aim.

## Mark the date: Asia Regional Group Meeting, Cambodia



Asia-Pacific member savings and retail banks will attend 9-10 October the 2019 WSBI Asia Regional Group meeting in Phnom Penh, Cambodia. Hosted by Cambodia Post Bank, More information and registration will be announced soon!

Check back to the WSBI-ESBG website at <https://www.wsbi-esbg.org/Events/2019Asia%20RGM>

## FINANCIAL EDUCATION

## WSBI hosts webinar on empowering young people

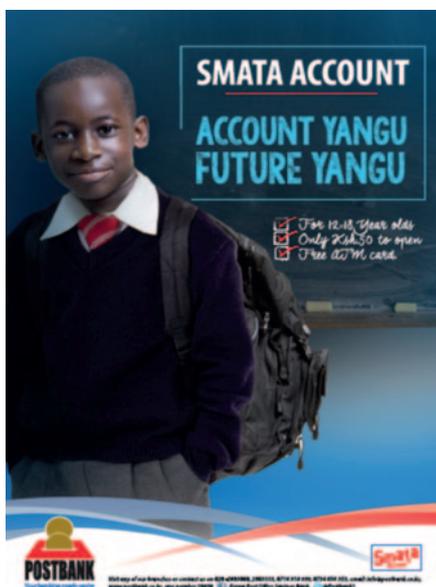
WSBI organised on 26 April a webinar entitled Empowering the next generation! The webinar garnered participants from WSBI membership namely People's Own Savings Bank, Pride Microfinance Ltd and Kenya Post Office Savings Bank. Santhan Yoosiri, Senior Executive Vice President, Corporate Strategy Group, at Government Savings Bank (GSB), explained how GSB's SchoolBanking system is operated within schools, how they overcome account dormancy challenges as well as how to expand outreach with virtual school banking. Lubna Shaban, Co-Director at Child Youth Finance International, also shared some practical information on the opportunities of its worldwide initiative Global Money Week. WSBI is convinced that SchoolBanking promotes a better understanding and more active use of financial services through the financial education and inclusion of children and young people. Stay tuned for more WSBI webinars coming soon!

## Next Webinar: Digital authentication and onboarding

Members keen to learn more about digital onboarding and authentication were invited to join a WSBI webinar held on 8 July. The Spanish-language webinar follows the first workshop on innovation in Latin America held on 21 March of this year. Panels from that event are being repackaged as a series of webinars in Spanish. This first webinar will focus on onboarding and digital authentication. Banks are taking advantage of digital identity to allow for better integration of customers, while guaranteeing security. Experts shared experiences from Latin America and Europe.

# Case study: PostBank Kenya promoting savings, financial education

**POSTBANK KENYA ORGANISES WIDE RANGE OF ACTIVITIES IN SCHOOLS ALL OVER COUNTRY TO PROMOTE SAVINGS, FINANCIAL EDUCATION**



WSBI member The Kenya Post Office Savings Bank (Postbank) has developed tailor-made savings solutions for children, teenagers and young adults. One of their most successful products is the “SMATA” youth account (picture), which targets youth aged 12-18. It offers them an affordable and accessible banking product, putting them in the driver’s seat and in control of their finances. The opening balance of KSh 200 (around US\$2.00) is affordable and helps bringing the youth into the financial system.

Postbank Kenya also offers the “STEP” account, a “smart, trendy, electronic and portable account designed for the youth”. The opening balance is also very low, without charge on deposits and offering branchless banking of course.

## TARGETING THE YOUTH TO FOSTER SAVINGS AND FINANCIAL INCLUSION

Students usually earn money from allowances – pocket money, airtime and transport allowances – through student jobs like babysitting or car washing or even gifts received on special occasions such as birthdays. Yet, they do not have the reflex to put much money aside. Promoting a savings culture among young people is crucial: savings help to achieve long-term goals, deal with unexpected expenses, facilitate future investments, increase wealth and ensure financial survival.

## “Savings represent one of the four pillars of financial independence, together with investing, discipline and avoidance of excessive liabilities.”

Savings represent one of the four pillars of financial independence, together with investing, discipline and avoidance of excessive liabilities. But when it comes to saving, people face several obstacles such as lack of planning and budgeting, high levels of consumption, and life style factors. To address this, a proven solution remains financial education to overcome these challenges and create good habits from an early age.

In Kenya, schools play a special role to achieve this. They act as special distribution channels for disseminating

SMATA accounts. To connect schools with Postbank Kenya, branches identify one or two schools within their area of operation and agree with the school administration on appropriate dates for workshops. Most of the activities at schools take place during Global Money Week. In 2018, activities revolved around the topic “Money Matters Matter”, including drama workshops, drawing and essay writing.

The Bank has been able to visit schools across the country to offer Savings Education & Financial Literacy Sessions with a view to instil savings habit in School youths and children. The Bank has been able to open 216,400 SMATA Savings Accounts with savings balance Kshs. 255,747,552.30 as at December 2018.

## THE FUTURE: SCHOOL BANKING, ENHANCE SMATA CARD

KPOSB’S 2019 plan is to escalate and entrench school children savings through the “School Bank’ Model. This will require stakeholders support, be it schools, education leaders, parents and children.

PostBank in Kenya also plans to further enhance the SMATA account debit card (at an extra cost) to serve as a school identification card – as it will have a photo, name of school, student and admission number. The card will grant students access to school halls, such as the class, library, and dining facilities. The bank sees a continuous need to bank the youth and review product offerings too.

To do the latter, they will administer market surveys to ensure product remains relevant to the changing environment.



Community engagements will remain important too. That means involving adults as parents, opinion leaders, influential persons in the society is seen as a major driver of the product. In addition, savings education needs to continue. Based bank observation that young people are willing to save, more deposits were made than withdrawn. Another aspect of PostBank efforts will be to monitor, evaluate and share performance. Such as forums where performance is communicated triggering healthy competition

On the policy front, they see potential for further contribution to policy formulation. That will involve information sharing to contribute to government policy formulation on low-income youth not captured during transition, youth in informal sector as well as technical and vocational education and training (TVETS).

Market penetration remains a focus too, as need continues for additional efforts to reach out to school youth, especially direct outreach for low-income neighbourhoods.

Relatedly, efforts must encourage account usage, requiring the bank to design incentive programs and promotional campaigns. Branches must engage regularly with all staff and deploy robust programmes.

All of these efforts will work towards their aim to inculcate a savings culture among Kenya's young people.

### WHY IT MATTERS: ABOUT KENYA'S YOUTH POPULATION: AMONG THE WORLD'S HIGHEST

Kenya's youth make up a large proportion of the population, which bodes well for the country's economic prospects. Among the highest in the world, Kenya's ratio of youth (aged 15-24) to the population sits at 20.3 per cent, well above the 15.8 per cent worldwide average and beyond the African level of 19.2 per cent.

Millennials make up one fifth of Kenya's 49.7 million people, according to US-based Population Reference Bureau (PRB) data. At 20.3 per cent (10.1 million), Kenya and Sudan are neck and neck while Uganda outpaces both, at 20.5 per cent. Nigeria, Africa's most populous country at 190 million, hovers at 19 per cent. The West African country has the highest millennials count at 36.4 million. By comparison, there are 75 million millennials in the United States, roughly one quarter of the population, making them the largest U.S. age group.



LEARN MORE ABOUT THE SMATA ACCOUNT  
AT [POSTBANK.CO.KE/SMATA-ACCOUNT](https://www.postbank.co.ke/smata-account)  
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# How to better help people to better manage their money: Interview with Patrice Cros

**"YOU CAN NOT LIVE WITHOUT MASTERING MONEY", SAYS PATRICE CROS, DIRECTOR OF FINANCES & PÉDAGOGIE, WHO SHARES HIS THOUGHTS IN AN THE INTERVIEW WITH NEWS & VIEWS.**



## **Why is financial inclusion so important for people?**

It is clear that throughout our personal and professional lives, we must make decisions that will have financial implications. Without information about the essential mechanisms of personal finance, the citizen cannot develop his life in a controlled and positive way.

## **What is the connection between Finances & Pédagogie and the savings banks in France?**

The association Finances & Pédagogie develops its activities thanks to the financial support of the French Caisses d'Épargne. This financial support is part of the social commitment of the savings banks. This commitment to give a return to society has been the very reason for the creation of the savings banks more than 200 years and this commitment is as strong now as it was then. This financial support is a patronage.

**“Any change in society has an influence on how we view money. Think for example of climate change.”**

We train in money matters without promoting product and banking services. This strict neutrality allows us to work with a wide variety of partners.

## **Could you summarize the activities of your association in a few words?**

In a few words, it's difficult. (smiles) Indeed, our 28 employees carry out a multitude of projects all over France. In 2018, we worked with 870 partners to train nearly 46,000 people! These partners function as relays and multiply our action. Employees of Finances & Pédagogie are thus every day on the road and meet with a wide variety of people: workers in the social economy, refugees, start-up founders, political and economic decision-makers, and young people living in different situations. Thanks to the efforts of our employees and the long-term support of the savings banks, Finances & Pédagogie has become the most important private financial education player in France.

I would summarize that our ambition is to be present at all key moments of the life of French citizens: when entering the workforce, during major decisions of family life (housing, education of children) and finally at the moment of retirement. We pay special attention to populations such as young people and people in situations of economic or social fragility.

## **How can all this attention for financial education be explained?**

Because money occupies a central place in our society, quite simply. And any change in society has an influence on how we view money. Think for example of climate change. The increased awareness of the human impact on the environment leads us to develop energy savings, which have an influence on our personal budget in the form of a reduction of expenditure for energy or in the form of investments in order to make our homes more energy efficient.

Another example is the digital revolution, which is radically changing our relationship with spending money: when it takes just a few clicks to pay for a purchase, it is even more important to control your budget to avoid bad surprises at the end of the month!

At Finances & Pédagogie, we are extremely pleased to see that other actors, both public and private, are aware of this and are willing to work coherently. I am thinking of course of the National Strategy for Financial Education under the aegis of the French central bank.

## **Which financial themes raise the most questions during your training?**

Not surprisingly the management of the household budget. In a society that is becoming more and more complex, it is essential to control your budget. Sound and realistic management helps achieve its goals. Then the training "the bank and the means of payment". Payments are for most citizens the main contact with the financial sector and the

real explosion of digital means of payment raises many questions and even fears. The training "credit, microcredit and over-indebtedness" occupies the third place.

**Taking care of your finances is not always a pleasure. How do you make the material interesting?**

First of all, it is important to realize that financial education is really at the heart of the issues in the life of each of us and therefore of society in general. Our staff do not dispense a theoretical subject in a learned and distant way: they draw their material in the everyday life and adapt perfectly to their public.

Then, the association uses the new technologies of communication. We are constantly strengthening our distance-learning offer and have created a web series "Money in all its forms". We also use the application Pilotebudget, available on

Android and Apple Store, which we developed in collaboration with a dozen other public and private partners.

**Similar activities exist elsewhere in Europe. Do you envisage a collaboration?**

It is clear that European countries face the same challenges when it comes to financial education. At the same time, it is fascinating to note the differences between countries. I am thinking, for example, of Sweden, where cash payments have almost disappeared in favour of digital. The different players have everything to gain from international cooperation. I am thinking, among other things, of the FLIP initiative in Austria. Developed by the Austrian savings banks, this project can certainly serve as inspiration. In this context, the important role of ESG and WSBI in the transfer of knowledge and good practice is essential.

**ABOUT FINANCE & PÉDAGOGIE**

The association Finances & Pédagogie was created in 1957 by the French savings banks. It carries out awareness raising and training on the general theme of money in life, for all audiences. These action programs and these supports are developed thanks to the financial support of the savings banks as part of their societal commitment. The association intervenes in three sectors: social and associative to raise awareness and support, education to empower and businesses to train and inform.

LEARN MORE AT [WWW.FINANCES-PEDAGOGIE.FR/](http://WWW.FINANCES-PEDAGOGIE.FR/)



STUDENTS RECEIVING AWARDS AT « REMISE DES PRIX ÉTUDIANTS POUR LA FRANCE » 2018.

# Belarusbank takes part in Global Money Week celebrations

**WSBI MEMBER BELARUSBANK TOOK PART IN THIS YEAR'S GLOBAL MONEY WEEK (GMW) CELEBRATIONS HELD FROM 25-31 MARCH**



During the preparation phase, the bank participated in the GMW 2019 webinar organized by Child & Youth Finance International (CYFI). Following CYFI recommendations, Belarusbank invited children, school pupils and university students to visit their offices and the 'Thrift Museum'. Participants took part in financial games and various art competitions e.g. painting, photography and writing as part of CYFI's "Learn.Save.Earn." campaign. Other activities included finance-themed education fairs, lectures, and contests, jointly organized with schools, featuring students' work on economics, as well as seminars and lessons.

Participants had the opportunity to meet with successful people living in their neighbourhood, such as businesspersons, employees and top executives. One of the most prominent participants of the events was Groshyk – the mascot and main character from the colourful *Financial Literacy Book* published by Belarusbank in 2017. The book's easy-to-understand fairy-tale format teaches children and young people how to properly manage their money. It contains interesting and useful information, riddles as well as a glossary of the most commonly used financial terms.

Belarusbank also held a country-wide tournament of intellectual games under the bank's Platinum Owl Club. The tournament kicked off with qualification rounds in each of Belarus' six regions, gathering around 900 school-age participants. The twenty winning teams then took part in the final round in Minsk on 31 March.



Belarusbank organized around 500 Global Money Week events with 48,000 primary and secondary pupils, university students and young workers. In the *Year of Small Motherland*, declared for 2018 by the Belarus government, around 60% of the activities and events held during the week were focused in rural areas and small and medium-sized towns. That percentage was in line with 2017. ●

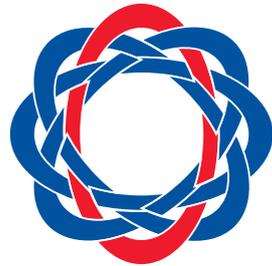
## ABOUT BELARUSBANK

Belarusbank is the largest financial institution of the country offering its customers more than 100 types of banking products and services, including cash settlements, lending, deposit banking, leasing, factoring, cash collection, international and interbank settlements, foreign currency exchange and conversion, plastic cards transactions, consulting and depository services.

**LEARN MORE ABOUT BELARUSBANK AT [BELARUSBANK.BY/EN](https://belarusbank.by/en)**

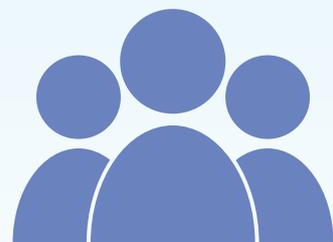
# UPCOMING EVENTS

- **26-27 August – Inclusive Finance Technology and Risk Management International Forum, Jinon, China**
- **27 September – Financial History Workshop, Vienna, Austria**
- **9-10 October – Asia Regional Group Meeting, Phnom Penh, Cambodia**
- **16 October – UFA 2020 Workshop, Washington D.C., United States**
- **18 October – WSBI General Assembly and WSBI-ESBG Cocktail Reception, Washington D.C. United States**
- **23 October – Financial Education Conference, Brussels, Belgium**
- **21 November – Retail Banking Conference, Brussels, Belgium**



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