Long-awaited WSBI World Congress is to leave its mark on 2022 global finance agenda

Only a month left until WSBI President Isidro Faine will officially open the banking sector’s prime event of the year. A world gathering where the leaders of the savings and retail banking community will meet and network with top level stakeholders from the political, regulatory, business and economy fields. The aim will be to provide clear answers to some of the most pressing questions about the future of banking in today’s highly volatile and rapidly changing environment, which has been shaken by the consequences of the pandemic and the Ukrainian crisis.

B ut this does not mean that either challenges have disappeared, they are still there. How can savings and retail banks live up to their role as leaders in responsible and sustainable banking in times of such turbulence, when the climate emergency is also omnipresent. Keynote speaker, Reinhold Messner, the South Tyrolean mountaineering legend, might have something to say about that. Being the first person to climb all 14 peaks in the world that stand above 8,000 metres and having witnessed the environmental hazards there, he can surely suggest how to reverse the trend, with the assistance of financial institutions like the WSBI member banks.

The European Commissioner and long-time Member of the European Parliament for Ireland, Mairead McGuinness, will honour us with a speech. She will dwell in the role of savings and retail banks in the current complex times. Israeli former Minister of Foreign Affairs Shlomo Ben-Ami will provide a comprehensive overview of the current geopolitical situation and how it affects the global banking and financial systems. As Vice President of the Toledo International Centre for Peace, he will also have something to say about the political and economic landscape in Europe in the context of the Ukrainian crisis.

As always, the World Congress will feature top-notch panels, tackling a variety of topics related to financial sustainability, innovation and digitalisation, social responsibility, financial education and literacy as well as the Covid-19 consequences and post-pandemic recovery plans.

High-level representatives from central banks around the globe will debate on how sustainability developments in the field of policy and regulation will have an effect on the operations of regionally rooted banks. At the same time, our members will provide their perspective on a future-proof banking model. This model would definitely include the local bank branches in the digital era as well as an environmentally responsible model of operations.

Another core element of the savings banks culture, social responsibility and societal impact, will also come to the spotlight with concrete examples coming from WSBI members as well as renowned social investors. Last but not least, financial education will mark the end of the first day, with a comprehensive discussion about the role of financial inclusion, education and skillset building for a strong MSME sector in Africa, as part the WSBI Scale2Save project.

During the closing keynote, the Chairperson of the European Banking Authority Jose Manuel Campa will explain his views about the future of savings and retail banks. As usual, we will close the event with President Faine, taking stock of the major developments in the last World Congress in New Delhi four years ago, and presenting his vision for the next decade and in view of the 100th WSBI Jubilee to be celebrated in October 2024.

26TH WSBI WORLD CONGRESS

Meet our Keynotes

MAIREAD MCGUINNESS
An award-winning journalist by profession, Ms. McGuinness has been serving as the European Commissioner for Financial Stability, Financial Services and the Capital Markets Union since October 2020. She was former Vice-President of the European Parliament since 2014. During her time in the Parliament, Ms. McGuinness sat on a range of committees, covering agriculture, environment, public health, budgets, petitions and constitutional affairs. Her legislative work included the European Climate Law, the revision of medical devices legislation, and CAP reform post-2013. As an Irish MEP representing the border region, she was outspoken on Brexit and the consequences for the EU and Ireland.

Ms. McGuinness’ keynote speech at the WSBI World Congress will primarily focus on the role of savings and retail banks in reinforcing the EU’s financial stability, especially during the current turbulent times.

REINHOLD MESSNER
Reinhold Messner was the first person to climb the 14 world peaks above 8,000 metres as well as the Seven Summits (the highest points of each continent) without the use of oxygen. Reinhold Messner is an active advocate of “pure alpinism” that would reduce the environmental impact of climbing activities.

After his 1999-2004 mandate at the European Parliament with the Greens/EFA group, he has focused on his mountain museums in his homeland and his foundation, which aims to assist mountaineous people around the world cope with the consequences of climate change and the negative impact of excessive tourism.

Since 2002, the foundation has helped local communities in the Himalayas and elsewhere to cope with natural disasters. Reinhold Messner systematically funds to rebuild hospitals and schools while at the same time supporting students through grants and scholarships.
By Alessia Benevelli & Ilaria Ragni

Russia’s military incursion into Ukraine has caused the largest humanitarian crisis in Europe since the Second World War with millions flying their country. At the same time, it has triggered various actions and reactions from the European Commission and EU regulators that heavily affect banks.

ESBG members have raised to the challenges that the crisis in Ukraine has created. On one hand, they are sharing knowledge and best practices in a coordinated way to tackle the challenges as they arise. On the other, European savings and retail banks have reaffirmed their commitment to social responsibility with direct actions and initiatives to support people in need.

**THE ESBG TASK FORCE ON UKRAINE**

One of the main challenges is that banks are required to assess the adequacy and effectiveness of internal controls and governance to ensure compliance with the packages of economic and individual sanctions imposed by the EU. The unprecedented number and speed with which new sanctions measures are imposed bring several questions and interpretation and implementation issues. At the same time, sanctions may trigger cyberattacks on EU entities, forcing banks to increase their vigilance.

In this context, ESBG took the initiative of establishing a dedicated Task Force shortly after the outbreak of the Ukrainian crisis at the end of February. The idea was to create a platform for members to exchange views and best practices on how to contribute to easing the struggle of fleeing Ukrainians and to identify possible needs for joint actions against the authorities. The first meetings of the Task Force on Ukraine took place on 23 March, 7 and 29 April, and 30 May, and saw the participation of more than 20 representatives from ESBG members.

During the meetings, participants shared current practices and challenges in the opening of basic bank accounts for refugees and discussed the European Banking Authority (EBA) Opinion on the application of Customer Due Diligence (CDD) measures to asylum seekers. Some members reported that no adverse regulation have been implemented in their Member State, while others implemented specific regulations that allow the use of the national Ukrainian ID as a replacement for passports – this is especially important to ensure refugees can open basic bank accounts in Europe.

Based on the request of members, ESBG collected input and submitted its common position to the EBA call for feedback on facilitating access to basic payment accounts for refugees. Members also exchanged views on possible options to ensure that refugees can access money during weekends such as issuing prepaid cards, keeping branches open during the weekend, and acting on remittances.

Another discussion topic focused on the barriers related to converging Hryvnia banknotes into Euro and other EU currencies.

**SAVINGS AND RETAIL BANKS WALK THE WALK OF SOCIAL RESPONSIBILITY**

The humanitarian crisis triggered by Russia’s military actions is unprecedented. Given that Ukraine is the 54th most populated country in the world with nearly 44 million people, the number of refugees arriving in the EU has been increasing day by day. When Andrea Extra, Chair of the Supervisory Board of the European Central Bank (ECB), invited European banks to suspend or materially reduce fees on transfers to Ukraine, ESBG members did not hesitate in waiving them entirely. Some ESBG members even did it beforehand, on their initiative.

With social responsibility as a core value, ESBG members have been undertaking direct humanitarian actions to help refugees and provide them with first aid support. Opening basic bank accounts for free, turning corporate restaurants into a care center for Ukrainian families, sending coaches to the Polish-Ukrainian border to facilitate the transport of refugees in Europe, and allocating funds for emergency assistance and support to Non-Governmental Organisations are just a few examples of the actions taken by European banks to help. Some of the actions ESBG members have been implementing to this end in the last few months are presented below:

- **Associazione di Fondazioni e di Case di Risparmiamento (ACRI) (Italy)**: On 7 March, ACRI allocated an extraordinary contribution of 2 million euros to support the activities of Non-Governmental Organizations (NGOs) assisting Ukrainian refugees fleeing their country.
- **CaixaBank (Spain)**: Since late February, CaixaBank has been leveraging its network of branches in Spain to assist asylum seekers and refugees fleeing Ukraine. Ukrainian refugees in Spain are eligible for several free services, regardless of which bank they use. Since the early stages of the emergency, CaixaBank set up interpretation and translation services to make it easy for newly arrived people from Ukraine to sign up for basic financial services. As other customers in vulnerable situations do, Ukrainians can open a Social Account at CaixaBank, which includes a checking account, a bank card, and access to online banking free of charge. Moreover, customers of Ukrainian banks are allowed to use CaixaBank’s entire network of ATMs in Spain for free.
- **Deutsche Sparkassenvereinigung (DSGV) (Germany)**: As of 27 April 2022, the German Savings Banks Association had provided refugees with more than 156,000 bank accounts. Refugees can easily apply online for a Girdepunkt account with their ID thanks to a simplified procedure. Moreover, DSGV is providing all relevant information on bank accounts in Ukraine and is working on extending the reach of its platform for job seekers, etc. DSGV is also supporting the initiative *Unternehmen für Ukraine* (Businesses for Ukraine), which connects volunteers with refugees looking for temporary accommodation. By the end of April, the initiative offered temporary accommodation to 24,000 people in 150 German cities, offering almost 570,000 beds, which makes *Unternehmen für Ukraine* currently the platform with the most beds offered. *Unternehmen für Ukraine* is steadily expanding its regional and super-regional partnerships with civil society organizations and municipalities and all information is offered in 4 languages, namely, Ukrainian, Russian, English, and German. Moreover, Sparkasse Südwest of the Savings Banks Finance Group has provided more than 110,000 euros in monetary and in-kind donations for projects in favor of those affected by the war in Ukraine. Those projects supported by the Sparkasse Chemnitz include those which are aiming to help refugees and delivery of aid to Ukraine, the furnishing apartments, and projects aimed at pets left behind in Ukraine.
- **Erste Bank Group** (Austria, Croatia, Czech Republic, Hungary, Romania, Slovakia): Together with its subsidiary banks and ERSTE Foundation, Erste Group has been implementing a comprehensive package of humanitarian support measures for Ukrainians. For instance, since Monday 14 March 2022, the Caritas Day Centre at Erste Campus in Vienna has been welcoming Ukrainians in need from 7:00 a.m. to 7:00 p.m. - seven days a week. People on the move also have access to WiFi and quiet zones. A children’s play corner is also provided for the little ones thanks to SOS Children’s Village. In addition, all payments from Erste Group accounts to Ukraine are free of charge, with any fees incurred being reimbursed after the transfer to facilitate private aid payments and donations to organizations. Erste Group’s subsidiary banks offer free access accounts for Ukrainian refugees to facilitate money transfers. Moreover, Erste Group will support its partner organizations Caritas and the International Red Cross with donations of one million euros each. In addition, the Romanian subsidiary bank BCR donated a total of 100,000 euros to Save the Children, the Red Cross, and Romanian government initiatives. The foundations in the Czech Republic and Slovakia donated about 480,000 and 50,000 euros, respectively, to Caritas and the local offices of People in Need. Erste Bank Hungary and its employees have so far donated more than 50,000 euros to the hotel and its people. ErSTE Foundation will also provide a special budget of 1 million euros for financial and medium-term aid for the people of Ukraine. With the help of Ukrainian and European partner foundations, organizations in Ukraine are supported by a fund for direct and, logically, to evacuations, and to ensure their safety.

**Another convoy of buses to the Polish-Ukrainian border and help evacuate people wishing to return and those who have already arrived in Spain thanks to the actions of Erste and CaixaBank and a second convoy was scheduled for the end of April. In addition, in early March CaixaBank put in place a platform that allows making financial donations, at no cost, to humanitarian organizations that are assisting people affected by the crisis. Under the banner ‘Everyone with Ukraine! Choose how you want to help!’ the digital platform enables free-of-charge donations to humanitarian and organizations such as UNICEF, ACNUR, the Red Cross, Aid to the Church’s Need and Save the Children. As of 24 March, this platform had already facilitated the transfer of 2.6 million euros in donations.**

Among the wide range of measures to facilitate aid to the Ukrainian people, CaixaBank collaborated with the CaixaBank Volunteers Association, with more than 5,000 members spread throughout Spain, to mobilize
**Peruvian savings banks push financial inclusion through digital and green products**

By Fernando Ruiz Caro

The Municipal Savings and Credit Banks (CMAC) in Peru are working to be at the forefront of the digitalisation of the microfinance sector, a trend accelerated by the Covid-19 pandemic, to serve people in vulnerable situations. In 2021, the Peruvian Federation of Municipal Savings and Credit Banks (FEPICMAC for its acronym in Spanish) worked through strategic alliances and corporate projects with the main goal of supporting the various components of an entirely digital capital credit flow in the Municipal Savings Banks, considering all the steps, from the client’s request to the final disbursement of credits to micro and small companies (known as Mypes in Peru, short for Micro and Small Enterprises). At the same time, progress has been made to support the process of incorporating digital onboarding by fostering a closer relation with specialised providers and negotiating corporate rates for the service.

On the sustainability front, since 2017 both the CMAC and the FEPICMAC are incorporating good international practices for the protection of the environment and communities into their different areas of work. A socio-environmental risk credit policy was put in place in 2018, and was updated with specific aspects on the conservation of biodiversity and climate change in 2020.

In the first quarter of 2019, the CMAC were the first entities in Peru to launch green microcredits under the commercial name ‘Eco-save, your smart credit’, a fact of which we are particularly proud. This product enabled the acquisition of two kinds of equipment: solar panels with and without electrical connection, hot springs and solar pumps; and light electric vehicles to be used as taxis, among other applications. This corporate project was awarded the Green Latin America award 2020. Another considerable achievement is the scaling up of credits exclusively for the agriculture, livestock and fishing sectors.

A ‘Biocredit’ that will allow the financing of eco-efficient equipment for the agricultural sector was awarded the Green Latin America award 2020. It is a financial product to be used as taxis, among other applications. This corporate project was awarded the Green Latin America award 2020.

Further, in the road of creating green financial products, we are preparing a ‘Bicredit’ that will allow the financing of eco-efficient equipment for the agriculture, livestock and fishing sectors.

We are confident that the current year will bring greater social and environmental impact by the CMAC, through the implementation of products and services conductive to greater financial inclusion of the unbanked, and specialised financial products for the micro, small and medium enterprises that the CMAC serve.

Fernando Ruiz Caro was president of the FEPICMAC in the period 2019-2022.

**NEWS FROM LATIN AMERICA**

WSBI’s members in Peru

FEPICMAC joined the World Institute of Savings Banks and Retail Banks (WSBI) in 1999, during the General Assembly that took place in Dakar. It represents 11 Municipal Savings and Credit Banks (CMAC) who aim to achieve financial inclusion through both savings and credit. FEPICMAC supports the CMAC system through technical advice, training services, business management advice, and the execution of corporate projects. In addition, it acts as a facilitator of national and international strategic alliances to support the competitiveness and consolidation of the corporate image of the CMAC System. The current president of the FEPICMAC is Jorge Solís Espinosa, elected in April for the 2022-2025 period.
**Banco Caja Social contributes to the post-COVID recovery by supporting micro-enterprises**

By Diego Fernando Prieto Rivera

The consequences of the pandemic have undoubtedly triggered new challenges to overcome poverty. In Colombia, despite significant reductions since 2010, between 2019 and 2020, the poverty index increased by 4.5 percentage points, reaching 49.6 per cent. However, the actual number of people affected by the economic recession in the previous year.

In this context, the mission of the Grupo Social Foundation, parent company of Banco Caja Social, which is to help overcome the structural causes of poverty to build a just, supportive, productive, and peaceful society, is especially relevant.

Faithful to its purpose of being the Banco Anexo de los Colombiano (Colombian Bank) since its inception in 1975, in 2017 Banco Caja Social began rethinking how to strengthen its support to micro-enterprises. The aim was to learn using its experience and ways of approaching it that might contribute to the integration in the market where it fulfills its mission, which plays a fundamental role in the country's economic recovery.

The learning process began in 2018 by ‘walking alongside’ mortgage loan clients and micro-entrepreneurs whose ability to meet their obligations had been affected by the economic recession in the previous year. The board of directors granted broad powers to the administration to propose solutions to customers that would help them overcome the impact of the recession and thus guarantee the sustainability of their productive activities or the ownership of their homes.

The outcome from this exercise served as the basis for powerful actions in terms of scope and solution, allowing Banco Caja Social to extend benefits to a greater number of clients in times of need. Providing the Bank’s employees with skills to approach customers with empathetic listening abilities and a genuine service spirit was a core element of the success achieved, which led to complementing the staff training plan.

In 2019, the staff of the Specialized Microfinance Unit (UAM) received electronic devices that allow a client on an and approval processes to be carried out on site on a more timely and smooth manner. In parallel, and with the purpose of continuing to consolidate Banco Caja Social as the Banco Anexo de los Colombianos, progress was made in the experimental phase of the Customer Support initiative, which explores breaking paradigms in banking.

The result is the Banco Caja Social Support Program, an initiative with an empathetic and comprehensive approach that allowed us to get a thorough understanding of our customers’ situations. The program creates the conditions and proposes the financial solutions to help those customers overcome the effects of shocks and save their productive activities and/ or ownership of their homes, often their main family asset. The lessons learned from this experimental stage have been incorporated into management level, seeking to take the initiative to a larger scale.

In 2020, amid the economic shock generated by the Covid-19 pandemic, we sped up the consolidation of the Support Program for Micro-entrepreneurs, seeking to get closer to our customers and offer them adequate solutions to cope with their struggles.

As the economy recovers, the Support Program has enabled the conditions that guarantee the sustainability of the productive activity and/or housing ownership. Thanks to innovative mitigation alternatives, the solutions offered effectively help the Micro-entrepreneur overcome difficulties and contribute to strengthening their assets and to economic stability.

**This Banco Caja Social initiative contributes to overcoming poverty and the general challenges caused by the pandemic by supporting the economic recovery of micro-entrepreneurs.**

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**FAIRREMIT: remittance platform by WSBI and UPT**

By Murat Kastan

WSBI has been actively involved in the global policy debate on setting a fair value framework for international remittances. The Institute’s work on fair remittances practices dates back to 2003 when it crafted its “Fair Value Remittances” promotion that pushes end-to-end transparency and accountability in migrating from cash to account-based remittances. It served as an input to the 2007 World Bank/ Bank of International Settlements (BIS) International Guiding Principles.

FairRemit was developed further the “Fair Value Remittance Framework” to respond to the needs of its member and non-member financial institutions seeking to set standardized contractual terms and conditions governing how remittances, in both physical and financial instruments, are set at origin and at the destination, notably the very effective tool for improving overall market efficiency, notably through greater choice and better service quality for customers. Those banks aim to offer customers a more ethical value proposition while boosting overall economic impact. By doing this, the Bank Accountable and BIS General Principles for International Remittance Services and Work towards reaching the Sustainable Development Goal number 10 that specifies that by 2030, the transaction costs of remittances should be reduced to less than 5 per cent and that should eliminate remittance corridors with costs higher than 5 per cent.

In this respect, WSBI and Turkey-based UPT Oded Hirsch (UPT) agreed to launch a new remittances framework that enables participating banks worldwide to offer remittances under fair commercial conditions. As part of the project, UPT built a unique remittance platform called FairRemit in order to process international remittances. The framework is built on the Fair Value Remittance Framework. UPT’s intention is to offer a wide product range and reduce the high costs in a cooperative and competitive manner under the umbrella of WSBI.

As launching processor for WSBI’s Fair Value Remittances Framework and by the agreement, UPT commits to offer their remittances platform to participating banks willing to process remittances under fair and transparent conditions. FairRemit aims to bring all banks worldwide to remittances under fair and transparent conditions. The board of directors granted broad powers to the administration to cooperate on the project. The project will allow all banks to become a member by a single agreement and a single API. While the integration is simple, FairRemit allows all parties to send and receive money transfers by settling accounts (free of charge) at Aktif Bank in your own country. All transactions take place within the books of Aktif Bank which means that this settlement can happen 7/24. The account service provided by Akıf Bank is completely free of charge.

Multiple delivery options: Cash, bank account, mobile payments, and remittance account

Fair fees, fair FX rates: Standardised and transparent contractual terms for each transaction

Simple, secure, and fast: UPT remittances are processed instantly in a user-friendly interface. Available in app platforms, such as iOS and Android, and through mobile channels like branches, agents, internet banking, mobile banking, terminal, etc.

Key Advantages of the FairRemit platform are:

- Members will be the product owner and decide customer prices
- Member will be able to implement the service to its all channels as branches, agents, internet banking, mobile banking, terminal, etc.
- Single API connection: To be connected with all the participating institutions, the parties will be integrated to each other via API technology
- Single agreement: Participants only need to sign Master Agreement with WSBI
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**MORE ABOUT UPT**

Being the first global money transfer and payment platform across Turkey, UPT offers various alternatives on a single infrastructure. UPT became a WSBI member since 1975. The Bank Accountable and BIS General Principles for International Remittance Services and Work towards reaching the Sustainable Development Goal number 10 that specifies that by 2030, the transaction costs of remittances should be reduced to less than 5 per cent and that should eliminate remittance corridors with costs higher than 5 per cent.

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**NEW PRODUCT FROM UPT: UPTION**

We stepped into the digital world with the UPTION app which was launched in the last quarter of 2020. Due to the global pandemic, transformation in the money transfer industry as in all sectors was inevitable and UPT’s response to client needs has come very timely. Thanks to UPTION, customers no longer have to leave their homes, visit banks or branches to send or receive remittances, they can initiate all their transactions via mobile devices.

With UPTION, you can send money to 176 countries, including a network of more than 750,000 service locations in 176 countries and territories. The company’s main mission is to process each remittance with the awareness of all factors and as a company mission and knowledge-based responsible for providing the high-quality service with competitive prices.

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EU MiFID 2: If it’s broken, don’t fix it

By Matteo Cuda

After four years of application, the EU Markets in Financial Instruments Directive (MiFID II) is a legislative framework that poses significant challenges to the industry, especially after the 2008 financial crisis. MiFID II, and its corresponding regulation (MiFIR), started to apply in January 2018, with the aim of bringing significant improvements to the functioning and transparency of financial markets. To assess the overall functioning of the regime after 4 years of application - and alongside the so-called MiFID Quick fix as part of the Capital Markets Recovery Package (CMRP) - the EU Commission is expected to publish the broader legislative proposal to review the MiFID II on areas that would merit targeted adjustments as part of the Retail Investment Strategy.

From ESBG’s perspective, this is a great opportunity to achieve both: the improvement of some further MiFID II provisions that have not been subject to the Quick fix and further harmonisation of the provisions of the different investor protection rules which are currently set out in a number of sector specific legislative instruments.

In this regard, ESBG has highlighted several priorities that should be addressed as part of the review. One of our main calls is for keeping the current rules regarding inducements, meaning the payment of commissions to third parties for advising prospective investors and selling financial products, in other words: the commission-based model.

INDEUCMENTS ARE WORKING PROPERLY AND TRANSPARENTLY

The current MiFID II regulation sets out requirements on the provision of investment advice and around the payment of commissions and other forms of inducements to sellers of financial products. In the case of investment services and activities, investment firms must, for example, inform the prospective client whether any advice provided is on an independent basis, about the range of products being offered and any conflicts of interest that may impair independence. Use of inducements is already restricted i.e. any payment must be designed to enhance the quality of the relevant service to the client and it must not impair compliance with the investment firm’s duty to act honestly, fairly and professionally in accordance with the best interest of its clients. Any payments to investment firms for the distribution of investment products must also be clearly disclosed. ESBG considers that this current legal framework effectively protects clients against potential conflicts of interest. Most of the main advantages of this regime is that it allows investors of all kinds and sizes to have access to advice, rather than limiting it to the wealthy and urban investors more likely to pay a commission to obtain advice.

A potential ban on inducements would go against the Commission’s explicit aim to increase the participation of retail investors in financial markets (a key pillar of the Capital Markets Union) because retail investors are more likely to need the advice. One also must keep in mind, that commission-based advice is particularly advantageous for clients with low financial literacy who will need further explanation on sustainability in the course of the investment advice. We need the participation of these clients in the capital market to achieve the very ambitious goals of the EU’s Green Deal. A ban on inducements, would hamper efforts to promote investment in innovative ESG products.

THE PROOF IS IN THE PUDDING

Two recent KPMG studies – one for the German market1 and one for the French, Italian and Spanish markets2 – show that commission-based advice is best fit to actively introduce investors to financial accidents, their aim was to prevent such accidents from happening in the first place. Ever since, experts from Zweite Sparkasse have been meeting with young people to prevent them from ever becoming customers of Zweite Sparkasse. They educate them on money matters and make them aware of debt traps in day-to-day life. The Financial Life Park, or FiP learning centre has been part of the workshops since its inception too.
Clients with the willingness to pay for investment advice - a smaller number of more wealthy customers - would continue to use this service. However, the broad mass of clients as shown in the two KPMG studies would not be willing or able to pay for advice with average hourly rates starting from 180 EUR. Thus, 56% of French investors and 74% of German respondents are not prepared to pay for investment advice at all. In Italy, 68% of clients are not willing to pay for investment advice and in Spain previous surveys show that 68% of investors would refuse to make an explicit payment if it were 30 EUR, a percentage that rises to 89% if the cost were 100 EUR. In a nutshell, the few investors who are willing to pay a fee would typically pay no more than 50-100 EUR per hour - even these amounts lie clearly under the average hourly rates. These retail clients would retreat from the financial market or be pushed towards online advisory tools if the EU introduced a ban of inducements as it reviews the MiFID II.

The United Kingdom and the Netherlands can serve as examples of which way not to go. In the UK, retail clients with investible assets below 50,000 GBP (approx. 60,000 EUR) typically receive no investment advice at all. Even clients investing between 50,000 and 100,000 GBP are less well catered for. In the Netherlands, mass retail clients have limited or no access to investment advice under 500,000 EUR of investable assets. This contrasts with the median net financial wealth of 10,500 EUR among Eurozone households. For these clients, the thresholds for fee-based investment advice are out of reach.

Finally, the idea that commission-based advice per se encourages conflicts of interest is unfounded. Fee-based advice is by no means exempt from conflicts of interest and is certainly susceptible to problematic incentives (e.g., in the case of hourly remuneration, the adviser has an interest to give advice as frequent as possible).
Gabriele Semmelrock-Werzer is the new woman at the head of the Austrian Sparkasse Association (Austrian association of savings banks). Semmelrock-Werzer: This is the consequence of the ECB’s move to stimulate the economy with its new宽松 policy. But no one could have imagined that we were entering a negative interest rate landscape. I believe that it’s more difficult to understand such incentives, especially in Central Europe, because most people tend to save and low interest rates do not entice them to invest. However, you can see that there is an increase in investments in real estate. Even though it has taken longer than expected in Europe, property prices have naturally risen as a result. Above all, we unfortunately see that young people, who are fond of such interest rates, cannot easily afford new housing and it is simply becoming extremely difficult for them. And those are savings that are being earned during that period. We are in a gradual, protracted period of money depreciation and it is now clear that people who are coming off badly as inflation rises. Preserving assets is no longer possible with a savings book. High yields paid on savings instruments has not been possible for a long time. Particularly here in Austria, a large proportion of savers are in pensions, but also in Italy there is a very high savings rate and savers are now paying for that fact that states took on high levels of debt during the financial crisis and now again in the pandemic. This is why I’m not so confident about the interest rate landscape will change quickly in the future.

Lack of financial knowledge does the rest. Not only the banks, but also the Ministry has recently presented his new financial education strategy. Do you think the issue is gathering momentum now?

Semmelrock-Werzer: I already feel that it is, and this is urgent needed. For a long time, school teaching failed to deal with financial education and so it was mainly the banks that solved this issue with initiatives. Therefore, it is important that much more happens here. We see that financial knowledge is catastrophically underdeveloped in Austria among adults. For example, there is a lot of catching up to do. When we talk about financial education, we also talk about loans and investments. Both the savings banks and the government have a responsibility to enable people to build wealth. And that’s possible in the time at the same moment, with some risk-taking in buying securities. The Austrians must surely learn that. We would also believe that a better education of amounts of money remains unused in savings accounts and become increasingly devalued over time. This is where the role of banks should be emphasized here. I also believe that the savings book as a form of savings account is still justified, even if it costs something at the moment. For short-term needs, I recommend that everyone has a liquidity buffer. The banks also pay for their costs something at the moment. For short-term accounts and become increasingly devalued over time. And it’s still accepted all too readily. We still see that, despite rising inflation, the banks are paying for the fact that states took on high levels of debt during the financial crisis and now again in the pandemic.

The savings bank idea was always a bit of a modern idea.

Throughout the first lockdown, we maintained this high frequency of information and were able to coordinate very well throughout the whole of Austria, which contributed significantly to the reassurance of our customers. We also decided to keep the branches open for our customers. Except in very few cases where it was not possible in terms of resources, we succeeded in doing so nationwide. This was very well received by our customers, but also from the public. In the days of the lockdown there was a real run on the ATMs. Due to the very good accessibility of the savings bank branches and the security of the cash supply it was soon clear that people did not have to hoard their money. This was a very important signal and also proved that it was not a banking crisis, but a health crisis, and we are part of the solution. And we retain this function.

You have been with the Austrian Savings Banks Group for a very long time. You have been Executive Director of Kärntner Sparkasse since 2011. What are the main changes as the new President and what concrete steps would you like to take at the beginning of your Presidency?

Semmelrock-Werzer: First of all, the office of President has a great responsibility towards the entire savings bank group, which is very diverse. It is important to me to get to know the different concerns of the individual savings banks in the group. As a decision-maker, I can offer personal advice and don’t leave people hanging. At the same time, it is important for me to understand that all savings banks’ customers must be treated uniformly.

Values change over time and particularly significant events such as the COVID pandemic have shown that issues such as sustainability and digitalisation are becoming increasingly important for customers. What role can the Austrian Savings Banks play to do justice to the change in values that can be perceived in society?

Semmelrock-Werzer: Our omni-channel approach and the issue of digitalisation go hand in hand. We don’t want to force our customers to use a form of support they don’t fully understand. On the other hand, our employees take a lot of time to explain new services or applications to customers. As a result we receive a lot of encouragement and our customers become more digital in the long term and feel understood by us. Nevertheless, and this matches our values, our customers know that they can also have personal contact and a contact person. Otherwise they could go straight to Revolut or N26. For us it remains important that we have good online banking, and it helps us that we continue to offer personal advice and don’t leave people out. That’s why I think it’s great that George has such a strong personal touch and is not just another tool.

During the pandemic, banks have shown that their regional anchoring creates an advantage and that proximity to customers is an important parameter in terms of advisory services. Do you think banks, and savings banks, are now seen differently by regulators and politicians?

Semmelrock-Werzer: Unfortunately no, I don’t think so. In my experience, all the signals point in the opposite direction. I find that very worrying and I think it is wrong. Here the authorities are actually working past our reality and the banking supervision in the form of the ECB continues to take the view that the rules should apply uniformly to all banks.

It’s a ‘one rule fits all’ approach. For them, it is completely irrelevant how the respective bank is structured – they lump them all together. My feeling is that the ECB is banking model in mind that, above all, includes the wishes of customers. NEFF II has unfortunately proved to be a poor set of rules and is so restrictive that many customers are excluded from securities transactions. That has little to do with protection.

This will not change much, because we will probably never again get a majority for such regulations. So you have to live with a bad law. It is my intention to keep pointing out these regulatory weaknesses and that and that what you think of a cash ceiling is now back on everyone’s lips?

Semmelrock-Werzer: I think nothing of a cash ceiling. If it is introduced too quickly, this would tax evasion or tax relief and to curb the black economy. In my opinion, arguments put forward as a pretext, such as money laundering or terrorist financing, no longer take place through cash transactions. A cash ceiling has nothing to do with us banks and is a purely imaginary control measure, which I take as a critical view of. I just don’t see the benefit in a cash ceiling. In any case, cash remains a core competence of the bank and should not be abandoned entirely. I would like every branch to still have a cash register, even if it is not sometimes used on a daily basis, because I don’t like customers having to change their money in a supermarket, for example. The fact that the importance of cash as a means of payment is changing is fine and is probably also linked to a kind of change in values to some extent. But cash will always remain relevant, especially in economic terms. After all, failures of online banking or ATM payments will never be 100 percent ruled out. So that our customers don’t have to go to bed hungry, in case of doubt, we always recommend that they also have some cash hidden away. You just have to provide people with a means of payment. We have known this for a long time.

Despite the advancing digitalisation, plans for a digital euro and phenomena such as Bitcoin are not a concern for you?

Semmelrock-Werzer: … and yet it is so.

The Savings Bank Association continues to campaign for cash, even if it comes at a high price, because it is particularly important for customers of the savings bank. In the early days of the crisis and now again in the pandemic.

Financial News & Views

Gabriele Semmelrock-Werzer was born in Carinthia, Austria and comes from Pörtschach am Wörthersee. She attended the Vienna University of Economics and Business and was landed from the Kärntner Sparkasse Bank AG in 1995 after stints at Chase Manhattan Bank and Raiffeisen Bank International Group AG in Vienna. Since 2011 she has been Executive Director and Speaker of the Management Board of Kärntner Sparkasse AG.
FINANCIAL INCLUSION

Scale2Save intensifies knowledge sharing and engagement in Nigeria and Uganda

By Weselina Angelow

WSBI’s programme for financial inclusion Scale2Save has a particularly rewarding first half of 2022, specifically regarding sharing the lessons learned in nearly six years of operations in six African countries. By the end of 2021, nearly a year before the end of the programme, Scale2Save had already surpassed the goal set in 2016 of banking 1 million people. As Scale2Save continues to open the doors of the formal financial systems to low-income people through its work with local financial service providers, it is now increasingly focusing on sharing knowledge. After two years of limiting its events to virtual only, Scale2Save had the pleasure of meeting with stakeholders face-to-face in Nigeria in March and in Uganda in April. We have also added one more case study to the WSBI State of the Savings and Retail Banking Sector in Africa Research Series. The sixth one of the series focuses on the key role of data use to understand how to better serve the underserved.

INCLUSIVE FINANCIAL SERVICES FOR NIGERIANS TO FUEL ECONOMIC RECOVERY

The Scale2Save team was thrilled to host its first physical event since the outbreak of the Covid pandemic in Lagos, Nigeria, and to have the participation of some 140 executives and experts from national stakeholders, from Fintech start-ups to our local partners LAPO Microfinance and First City Monument Bank (FCMB).

During one and a half days of exchanges, speakers and participants reiterated the importance of inclusive financial services for Nigerian women, youth and farmers as a way to fuel the country’s economic recovery and growth. We strongly believe that, as we intensify efforts to improve financial inclusion, it is important that all stakeholders are a part of knowledge and insight-based discourse as this will improve their processes and help them make financial inclusion-informed decisions. We must focus on adding value to all stakeholders along the service value chain by empowering our financial service provider partners to become savings-driven, customer-centric institutions.

The Mastercard Foundation’s Access to Finance Lead, Mercy Mutua, stressed that financial inclusion is an enabler to help African youth find a way out of poverty. “We acknowledge that a lot has been accomplished but there is a long way to go to address barriers, especially for young rural women. It is important to tailor solutions relevant to context and customer-centric,’ she said in a virtual keynote speech. Commenting on the need to deepen financial inclusion in Nigeria, the Head of Financial Inclusion Secretariat, Central Bank of Nigeria, Dr. Paul Isuoma Oluakpe, stated that financial service providers must target specific customer needs with financial inclusion products.

"There are several products in our financial services space that are too generic. These products are not targeting any value proposition, and are not sufficiently differentiated at the customer level. While there are generic products that appeal to the larger audience, there is a need to drill down at the customer level to target different nuances that exist in the society,“ he said.

In her speech, Ashley Immanuel, CEO at Enhancing Financial Innovation and Access (EFInA), noted that: “We need solutions that meet people’s needs, such as platforms and women-centric products. Providers generally do not design for women, they design for men, but if they design for women, men tend to use these products too.” Following the exchanges, EFInA and WSBI agreed to join forces to work on how segmented customer data will help financial service providers to design more gender-tailored products.

Despite the significant progress recorded so far, stakeholders believe that there is still a long way to attain a satisfactory level of financial inclusion. Confirming this, the Head of Financial Inclusion at First City Monument Bank (FCMB), Adetunj Afolabi, said: “Financial illiteracy is a major barrier to financial inclusion. What we see is a situation where a lot of Nigerians still have this overdependence on the informal financial sector. It takes a long trust-building process to switch them from the informal sector they are familiar with into the formal sector. This is why most of the financial service providers have adopted agency banking where people within the neighborhood are used as bank representatives. This helps to build confidence, trust and convenience into our financial inclusion strategy.”

Following Lamidi, Adetunji Afolabi from the Nigerian Microfinance Platform took the floor and underlined the importance of the advanced technology and wide-spread behavioral research in order to foster inclusive savings and to better understand customer needs with regards to microfinance.

BRINGING UGANDAN STAKEHOLDERS TOGETHER TO COMMIT TO FINANCIAL INCLUSION

Key stakeholders of the Ugandan financial ecosystem came together during our Scale2Save knowledge sharing event in Kampala, which concluded with a joint call to action with concrete steps to boost financial inclusion in the country.

The signatories of this call to action, and initiative of the World Savings and Retail Banking Institute (WSBI) and Scale2Save, are: the Uganda Bankers Association (UBA), Financial Sector Deepening Uganda (FSDU), The Association of Microfinance Institutions of Uganda (AMIFU), The Financial Technologies Service Providers Association (FITSPA), and the Mastercard Foundation.

“We are ready to work with all stakeholders to demonstrate the commitment of the industry, particularly in times of shocks. We are also ready to continue making contributions to the empowerment of low-income customers to seize economic opportunities, build resilience and, ultimately, have a better life,” stated the signatories of the document.

This commitment was announced at the end of our one-and-a-half event entitled ‘Building resilience and economic empowerment for women and youth,’ which brought together some 120 participants, including from our local partners BRAC Uganda Bank, FINCA Uganda and Century Bank. Both the event and the call to action focused on the key drivers of financial inclusion such as customer-centricity, the potential of digital finance and sustainable business models.

Michael Atting-Ego, Bank of Uganda’s Deputy Governor, described the current state of high financial exclusion of women and youth in the country during his keynote speech at the event. “When you consider these observations about our lived reality, you start to see the imbalance that Scale2Save is attempting to address here today. The extent of financial exclusion of women and the youth tantamount to trying to balance a three-legged stool on one leg. This is unsustainable in a country that is working towards socio-economic transformation,” he said.

“I am pleased to participate in this event because the Bank of Uganda shares the objective of democratising access to and empowering the users of financial services, not least by championing the National Financial Inclusion Strategy, and through our strategic plan and operations. But like the multilegged stool, it will take the contributions of all stakeholders and partners to bring about universal financial inclusion,” added Mr Atting-Ego.

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