Feeling and acting socially responsible is inextricably linked to our identity. The fact is we were born that way, it forms part of our DNA, and it is our vocation. All of this translates into our way of doing banking that is fundamentally different from other players in the sector, and furthermore, it is profitable, efficient and fair,” said WSBI President, Isidro Fainé, as he welcomed some 280 participants to the 26th WSBI World Congress on 7 July in Paris. His speech was followed by a welcome from ESBG President, Dominique Goursolle-Nouhaud.

The two-day event was entitled ‘Regionally rooted, globally responsible’. Sustainability was the key topic at the centre of the discussions and panels, as savings and retail banks seek the most effective ways to move forward on the topic and contribute to addressing the pressing environmental needs. Notably, it was the topic of two very different keynote speakers: environmentalist and mountainaineer, Reinhold Messner, and Elena Caruncho, President of the European Authority’s Chairperson, José Manuel Campa. “Sustainability considerations are becoming a key element of the way such banks operate”, said Campa during his intervention entitled ‘The role of banking in transitioning to a sustainable economy’. Sustainability was also the central topic of the panel ‘Can Green & Innovative drive Recovery?’, a discussion among speakers from the European Bank for Reconstruction and Development, the Roger Federer Foundation, the European Commission, the Centre for Finance, Technology & Entrepreneurship, and a video intervention by the Secretary of State for Digitisation and Artificial Intelligence of the Government of Spain, Carmen Argüegas.

The panel ‘Sustainability Developments in Policy and Regulation – Favourable for Locally Focused Banks?’ covered the topic with a fruitful discussion among speakers from the Bank of Uganda, CaixaBank, Swedbank and Saudi Arabia’s Social Development Bank. An ‘on the couch’ chat among speakers from UNESCO and ANS Bank moderated by Groupe BPCE gave an interesting account about Banking and environmental challenges with the definition of biodiversity and the methodology to measure environmental impact at its core.

European Commissioner for financial services, financial stability and Capital Markets Union delivered the video keynote speech ‘Priorities in financial services regulation. The key topics of social responsibility and financial inclusion and education were covered from a variety of angles during the 26th WSBI World Congress on the panels: Global pandemic recovery plans. The importance of financial literacy, social responsibility – Turning mission into action, and ‘Bridging the knowledge gap for job creation: the role of financial inclusion, education and skillset building for a strong MSME sector’.

Introductory remarks the role of ACRI in supporting education and skillset building for a more inclusive society. A boost for a strong MSME sector in Italy was the speech kindly delivered by Giuseppe Ghirotti, Chairman of the International Relations Committee at ACRI Italy, an authority on financial inclusion among our WSBI-ESBG members.

Another pressing topic for the banking industry, which has been speeding up changes in the sector in the last few years is digitalisation. This was the topic of two extremely interesting panels: ‘Between bricks and clicks: the role of the banking branch in the digital era’, presented a variety of realities, from bank branches as the main channel in Tajikistan to a full ecosystem of solutions for the customer based on 25 years of mobile banking development in Zambia. The panel ‘Future-proof banking: How do savings and retail banks support customers in the times of digitalisation and innovation?’ provided the outlook from the perspectives of WSBI-ESBG members Laurent Mignon, CEO of Groupe BPCE; Helmut Schleweis, President of the German Savings Banks Association (DSGV) for its initiates in German; and Sabarakcho Moshangi, CEO at Tanzania Postal Bank.

A gala dinner, with the Eiffel Tower as the protagonist of a breath-taking view, was kindly hosted by WSBI-ESBG member Groupe BPCE and the CEO of BPCE, Laurent Mignon warmly welcomed the participants in his speech delivered at the beginning of the gala dinner.

The PARIS DECLARATION
At the end of the WSBI World Congress, the association’s members approved the Paris Declaration, a joint call to policy makers to develop a set of principles for designing taxonomies that are centred on pragmatic and science-based targets.

‘As WSBI members are present in remote areas, close to the people, and focus on SMEs and private households, they are aware of the necessity of having ambitious, yet pragmatic, progressive and proportional, targets’, says the document, which is available online.

The Declaration called for taxonomy design principles that encourage interoperability and mutual recognition to promote cross-border sustainable finance and to reduce compliance costs. It points out the need for a common language to ease comparability while preventing duplication of efforts and points to the EU-China Common Ground Taxonomy (CGT) as a promising first step in the right direction.

The WSBI President, Isidro Fainé, closed the World Congress with a message of optimism despite the short-term turbulent context the world is living.

“The WSBI community of banks is facing the future with hope and optimism. An optimism that translates into specific actions for social progress. This is evidenced by our impeccable track record in the way we do banking, where financial inclusion is our flag and with our philanthropic actions, where our priority is to help these most in need through a wide range of social and educational programmes”, said Mr Fainé.

WSBI-ESBG is looking forward to marking its 100th anniversary with an event to take place in Milan in 2024.

SCALESAVE SIDE EVENT
WSBI’s programme for financial inclusion, Scale2Save, held a closing knowledge sharing event on 6 July in Paris with focus on the achievements of this six-year partnership with the Mastercard Foundation: over 1 million people banked in Africa and a substantial contribution to the understanding of products and services that can boost financial inclusion. Scale2Save, to come an end in August, worked with local banks and microfinance institutions in Côte d’Ivoire, Kenya, Niger, Morocco, Senegal and Uganda. It implemented eight innovative projects to reach out to the lowest income people. As projects were implemented, Scale2Save also contributed to building knowledge about the key elements of sustainable business models to serve this segment of customers, often underserved or completely excluded from formal financial services.
INTERVIEW WITH MR. WISSAM FATTOUH

Mr. Wissam Fattouh has been the Secretary General of the Union of Arab Banks since November 2010. He is an expert in Arab and International banking and financial sectors, acquiring over 25 years of experience in this domain and through extensive and close relations with MENA Region, Europe and United States of America, in addition to regional/International financial supervisory and regulatory bodies.

As a new partner of WSBI, how would you evaluate the current and future cooperation between UAB and WSBI?

It was with a great pleasure and honour for us at UAB to sign a memorandum of understanding with the World Savings and Retail Banking Institute (WSBI), which paved the way for long-term cooperation and collaboration between the two institutions and their members. This relationship has already many years, and we hope that WSBI participated in UAB’s events and vice versa. Moreover, I would like to announce in this interview that the two platforms conducted events, (1) UAB and WSBI, which aimed at detecting the role of retail banking in the Arab banks in achieving the sustainable development goals, and how Arab banks can balance between the developmental role and operational goals. I also hope that this cooperation will continue and flourish, and hopefully, we can conduct additional common events and projects.

What are the main strategic trends today in the banking sector in the Arab region?

Our estimates show that these banks manage aggregate assets of about 4.2 trillion dollars, with a deposit base of about 2.7 trillion dollars. To highlight the relative size of the Arab banking sector, note that its aggregate assets represent about 15% of the Arab region GDP, and the deposits represent about 90% of the Arab GDP. The banks in the Arab region play a crucial role in the economic and social development in their countries, due to the limited roles of other funding mechanisms (e.g. including capital markets), which are not well developed in the majority of the Arab countries. In particular, the GCC countries in particular are witnessing two major developments: (1) mergers and acquisitions, and (2) fast digital transformation. These two phenomena have been in fact pushed by the spread of Covid-19 pandemic over the last two years. In addition to other economic and operational factors. Regarding the first phenomenon in particular, the GCC countries in particular are witnessing an unprecedented wave of bank mega-mergers, within and across-borders, which is resulting in the establishments of very large banks, such as the Saudi Arabia’s SAMA and the First Abu Dhabi Bank, in addition to many other operations under process. Coupled with the quick technological change, mergers and acquisitions are indeed changing the banking landscape in the Arab region.

As we are going through extraordinary times, from your point of view, what are the key challenges that the Arab Banks currently face?

The Arab banks faced challenges over the past two years, represented by the spread of Covid-19 pandemic and the resulting unprecedented lockdowns. Fortunately, to confront the repercussions of the pandemic and to limit its effects on the economic, financial and banking sectors, the majority of Arab governments and central banks adopted supportive initiatives, measures and policies. On top of these measures was ensuring the continued flow of credit to the economy, mainly through the Arab banks. Banks in their turn played a supportive role by extending the maturity of loans, lowering interest rates, and injecting even more loans to the economy.

We thank our 26th WSBI World Congress Sponsors and Partners

The spread of the pandemic and the resulting lockdowns have made digital transformation a necessity for all institutions and organisations in order to resume operations and continue serving their customers. In fact, with the increase in global trends towards the adoption of digitisation, the spending on technological infrastructure, specifically artificial intelligence considerably increased, where for instance - the global spending on this kind of technology in businesses exceeded $50 billion in 2020, and is expected to reach $110 billion in 2024. Thus, digital transformation is one of the most important pillars of the future of the financial and banking sector, as customers are increasingly moving towards carrying out their banking transactions through electronic applications and smart solutions.

Financial technology has started to gain strong momentum in a number of Arab countries since 2012, and it is estimated that the number of financial technology companies in the Arab region exceeded 250 by the end of 2020. Hence, financial technology has constituted a revolution over the past few years in the Arab financial systems, as the emerging companies in financial technology in the region have succeeded in providing a diverse package of financial services, including payments services, digital currencies, money transfer, as well as lending, crowdfunding and wealth management, in addition to services Insurance. Therefore, the Arab banks and financial institutions are undertaking considerable changes in their business models by expanding the adoption of technology and improving customer engagement, and in many cases by entering into partner- ships with financial technology (fintech) start-ups to improve their competitiveness and increase reliance on modern technology in providing financial services.

Nonetheless, while there are clear benefits from fintech and digital transformation, banks and regulators face challenges of maintaining the stability of the banking system, oversight and protection standards for the new delivery channels that financial institutions provide via fintech. For banks, the main risks arising from the expansion of the use of technology include cyber risks, which rise with increased reliance on fintech, as the level of cyber threats on systems such as the application programming interface, cloud computing and other new technologies increases the interconnectedness in the banking system and makes it more vulnerable to cyber threats.
Beyond advocacy: WSB-ESBG as platform of exchange among members

By Janine Barten

WSBI and ESBG are not only associations that represent members and defend their interests, but they also have an important role in providing platforms where members can exchange views and share best practices. In this article, we will present the latest initiatives that our Banking and Technology Network (BTN), our Marketing and Communications Network (MCN), and our High-Level Group on Digitalisation and Innovation.

OUR BANKING AND TECHNOLOGY NETWORK: DISCUSSING LATEST TRENDS AND DEVELOPMENTS IN TECHNOLOGY

With roots in the last century as a Committee, and revamped into a Network in 2013, the Banking and Technology Network (BTN) is a forum where digitalisation challenges, experiences, knowledge, and best practices in the areas of Information Technology (IT), digitalisation, innovation, and new technologies are shared. BTN members are senior managers from all the regions that WSBI and ESBG represent. Currently, the BTN meetings are virtual, but hybrid meetings are foreseen in the future.

Each BTN meeting usually consists of two presentations from members, a policy update from the WSB-ESBG adviser on a topic of general relevance, and a chance for exchange. There is plenty of room for discussion and questions during these network meetings. Members are encouraged to share best practices, concerns, and lessons learned from their initiatives in their organisations. Each meeting is centred around a particular topic consulted with the members beforehand. Some of the topics covered in past meetings are cloud computing, digital identity, cybersecurity, artificial intelligence, open banking, customer engagement, and digital currencies.

“At the Banking Technology Network, members follow the latest trends and developments in the crypto industry. Decentralised Finance (DeFi), Ethereum 2.0, non-fungible token (NFTs), layer 2 solutions, and blockchain identity systems, etc., said David Alonso, Technology and Innovation PMO Manager at CECA Bank and Chairman of the network since early 2021. “Tracking and understanding these innovations is the best way to be prepared to offer new products and services to our customers,” he added.

During the BTN meeting on 7 March 2022 and focused on crypto-assets and blockchain/Distributed Ledger Technology (DLT), Mr. Alonso gave a presentation on the blockchain platform Elastos, elaborating on the benefits, challenges, and implications of the project. Cyril Vigné, Coordination Blockchain at Groupe BPCE, spoke with members about Know Your Customer (KYC) compliant services on a public blockchain in a retail banking environment. The presentations were followed by a policy update on the proposed EU Regulation on Markets in Crypto-Assets (MiCA) and the DLT pilot regime by Astrid Navarro, Legal Adviser at WSBI-ESBG, and a roundtable exchange on crypto-assets and blockchain/DLT.

The most recent meeting was held on 2 June 2022 and focused on crypto-assets as well. Christian Castro Torres, Head of Public Affairs of CaixaBank, shared members about the prudential treatment of crypto-assets and other ongoing initiatives, which are just the beginning. New developments are key to set up a reasonably structured way to be prepared to offer new products and services to our customers,” he added. A second presentation was given by Andreas Kennemar, Chief Operating Officer at Safello, a Belgian digital identity application, and were followed by a roundtable exchange on these topics.

The last in person meeting of the High-Level Group before the pandemic took place in Singapore in 2019, where a WSB-ESBG delegation of senior representatives seized the opportunity to attend the Singapore FinTech Festival. Although the meetings of this platform were suspended in the last two years due to the pandemic, WSB-ESBG is now bringing this group back together again in a hybrid format. The most recent meeting took place in June and topics like Business Intelligence, KPIs and digital identity featured on the agenda. Presentations were given both by WSB-ESBG members and an external speaker from itosme, a Belgian digital identity application, and were followed by discussions to share respective insights and views on the topics. For the fall of 2022, both an online meeting and another hybrid meeting of the High-Level Group are foreseen.

By organising these networks, WSB-ESBG is giving members the opportunity to learn from each other about best practices, share experiences, build an international network, and stay up to date regarding recent developments. We believe that we are stronger together and these networks are one of the ways in which we put this principle into practice.

NEWS FROM LATIN AMERICA

Banco Atlántida promotes digital banking through financial education in Honduras

I
n the midst of the new technological developments in the banking sector, it is essential that users have the tools to easily and quickly introduce them. That is why Banco Atlántida, leader in digital banking in Honduras with the most complete ecosystem of digital services, provides the use of its platforms Atlántida Online for online banking and Atlántida Móvil for banking on mobile devices, through a series of education and mass communication strategies among which the web portal with more than 90 tutorials show step-by-step how to carry out transactions safely and conveniently.

The initiative is part of the bank’s comprehensive strategy called ‘Digital Where You Are’, which aims to ensure that more people can use digital channels, supporting them in the transition to switch to digital means. This encourages users to break down the barriers to accessing banking services and allows it in use from anywhere.

The tutorials are a dynamic and educational resource that show transactions from how to open a savings account on the mobile phone, the payment of public services, payment of credit card, transfers between accounts to buying dollars amongst other 400 transactions that can be done without having to go to a physical branch.

The portal is available on the website and customers can intuitively navigate to build user experience, search for the tutorial they need according to the transaction they are going to carry out or the type of segment they belong to at any time.

With the rise of short videos on social networks, a trend that is becoming more and more popular, Banco Atlántida resorts to this method to show customers how easy and safe it is to carry out these transactions without having to travel, saving time and money.

At the end of 2021, more than 5 million visitors to the portal were registered and since then it has continued to update to provide more useful content.

In addition, the bank will continue promoting the mass promotion of alternative channels and financial inclusion, through its TV program Digital Donde Estés (Digital wherever you are), which is the first program of its kind on national television in Honduras and it is also transmitted through Facebook live.

In the midst of the new technological developments in the banking sector, it is essential that users have the tools to easily and quickly introduce them.

Janine Barten is the WSB-ESBG adviser on digital finance and innovation.
How can the finalisation of Basel III standards in the EU keep banks safe and the economy strong?

By Roberto Timpano

The "Basel III: Finalising post-crisis reform" standards, commonly referred to as "Basel IV", are changes to international standards for bank capital requirements that were agreed upon by the Basel Committee on Banking Supervision (BCBS) on 7 December 2017. In the European Union (EU), the new rules shall enter into force on 1 January 2025 with some transitional arrangements that lead up to 2020 and 2032.

The "Basel III: Finalising post-crisis reform" standards, commonly referred to as "Basel IV", are changes to international standards for bank capital requirements that were agreed upon by the Basel Committee on Banking Supervision (BCBS) on 7 December 2017. In the European Union (EU), the new rules shall enter into force on 1 January 2025 with some transitional arrangements that lead up to 2020 and 2032. One of the key elements of the Basel IV reform, due to its impact on banks' capital requirements, is the famous output floor. As the name suggests, this is a measure that sets a lower limit (floor) on the capital requirements (output) that banks calculate when using their internal models in comparison to the same result obtained using the standardised approach to credit risk. Its aim is to reduce the excessive variability of institutions’ own funds requirements calculated using internal models, thereby enhancing the comparability of institutions' capital ratios. It will be gradually introduced from 1 January 2025 over a period of 5 years, starting from 50% to its final value of 72.5% by 2030.

Besides the 5-year phase-in period, the European Commission has introduced some additional transitional arrangements to spread out the impact of the output floor up to 8 years in its new Banking Package (i.e. the legislative proposal issued in October 2021 transposing the Basel IV standards in the EU regulatory framework), specifically in relation to exposures to unrated entities, low-risk mortgages, derivatives and others.

More concretely, during the transitional period, institutions can apply a preferential risk weight of 65% to their exposures to corporates without an external rating, provided that the PD is less or equal to 0.5%. This corresponds to an investment grade rating. For unrated corporates, however, the output floor requires a preferential risk weight of 65% to the remaining part of the exposure (input) that banks need to hold in order to keep their own funds. For low-risk mortgages, the output floor requires a preferential risk weight of 45% to the remaining part of the exposure (input) that banks need to hold in order to keep their own funds. For unrated corporates, the underlying structural factor is the reliance of most European corporates on bank financing over capital market financing, for various historical, legal and structural reasons. In contrast to the United States where only around 25% of the corporates use bank financing, European banks play a pivotal role in the economy providing a staggering 80% of financing to corporates in the EU.

Against this background, it becomes important that the EU co-legislators consider an alternative that makes the arrangements permanent, or at least phased out based on the actual observation of structural changes. In the case of low-risk mortgages this could be the share of mortgages securitised and out of the bank's prudential scope. In the case of unrated corporates, the share of corporates rated by eligible rating agencies. Failing to implement credible solutions for these structural factors would put the European economy in danger and create a cliff edge effect once the transitional arrangements will be completely phased out.

Moreover, since the same underlying structural factors prevail for institutions applying the standardised approach, an extension of the transitional arrangements to institutions using the standardised approach for credit risk should be logically considered. This would ensure a level playing field should the transitional arrangements become permanent, thus creating a higher degree of consistency between risk and capital weights both for institutions applying internal models and covered by the output floor and for institutions applying the standardised approach.

From a legislative perspective, the initial proposal of the European Parliament's Rapporteur on Basel IV, MEP Jonás Fernández (S&D, Spain), to restrict the scope of the transitional arrangements and to remove the possibility to extend them or make them permanent has been heavily objected to by other political parties and might change during the negotiations. The French Presidency of the Council has instead left the transitional arrangements untouched in its compromise proposal issued in June, just before the end of its mandate. The newly established Czech Presidency is now driving negotiations among member states based and aims to reach an agreement by year end.

Another important element relating to the output floor is its level of application. In order to avoid fragmentation of the banking market, the Commission has proposed to apply it at the highest level of consolidation, just as prescribed in the Basel reform. Within banking groups, this is coupled with a re-distribution mechanism of the impact incurred at the highest level of consolidation across the parent and the subsidiaries. This mechanism allows EU banking groups, which are bound by the output floor, to allocate capital within the group more effectively compared to an application at the individual level, while still reflecting the respective riskiness of the group’s presence in each Member State.

However, host-countries have balked at the plans of the Commission, to the point that the French Presidency suggested in its compromise proposal to apply the output floor at all levels throughout a banking group but leaving open the option for countries to go for consolidated level if they want to. Although the political debate in the Council seems to have deviated from the Commission’s proposal, which was balanced, it is important that the EU sticks to what is prescribed in the Basel framework and applies the output floor at the highest level of consolidation. This would allow to recognise diversification effects and avoid any unintended impact on specific business models. Otherwise, banks will be incentivised to optimise capital requirements and opt for cross-border branch rather than subsidiary structures, also known as “branchification”, which is often not well-received by host country regulators.

A third element that Europe should carefully consider in relation to the output floor is its interaction with EU specific capital buffers, in order to avoid any undue capital increase compared to the international standards agreement. A political consensus on this aspect seems established, and the European Central Bank (ECB) has already committed through its March 2022 Opinion on the banking package to neutralise unwarranted arithmetic effects on Pillar 2 requirements arising from the introduction of the output floor.

In conclusion, the EU decision makers should aim for a proportionate and balanced implementation of the Basel IV standards within the EU regulatory framework. This can be achieved by properly taking into account the specificities of the European banking market, while at the same time respecting the international agreement.

"The EU decision makers should aim for a proportionate and balanced implementation of the Basel IV standards within the EU regulatory framework. This can be achieved by properly taking into account the specificities of the European banking market, while at the same time respecting the international agreement."

Roberto Timpano is WSBI-ESBG's Senior Economic Adviser.
From open banking to open finance

By Astrid Benevelli

Coming into force on 15 January 2018, the Revised Payment Services Directive (the so-called PSD2), promised to unlock the potential of open banking in Europe. Less than five years later, this promise is finally beginning to take shape as the first steps to go beyond open banking, in a move towards open finance.

THE BEGINNING OF OPEN BANKING: THE REVISED PAYMENT SERVICES DIRECTIVE (PSD2)

The purpose of the PSD2 was to increase pan-European competition and foster innovation in the payments sector. By enabling the sharing of payment account data on the customer’s request, PSD2 paved the way for a new era in banking. The era of open banking, an ecosystem that provides third-party providers with open access to consumer banking, transaction, and other financial data via the use of application programming interfaces (APIs), was long awaited and promised to disrupt the payments ecosystem by demolishing the barriers to the entry of new players in the area — typically fintechs. Customers are requested to grant their consent to let the bank allow such access. Use cases include comparing the customer’s accounts and transaction history to a range of financial service options, such as aggregating data from current banks, finding personalized investment recommendations, creating marketing profiles, or making new transactions and account changes on the customer’s behalf.

However, since the beginning of this new era, it became clear that PSD2 alone was not enough, as several payment functionalities were beyond its scope, such as payment guarantee, future dated payments, delegated Strong Customer Authentication, among others. In addition, both banks and third parties have highlighted that the full benefits of innovation and competition could only be unlocked by the cooperation between market participants and with the establishment of common standards.

THE TRANSITION TOWARDS OPEN FINANCE

A flourishing data-driven market – be it in payments, financial services, or between different industries – should be based on principles of mutual benefits and potential monetisation of resources and infrastructure by all market participants, and thus should take a different approach to PSD2. In other words, it is essential to move away from the logic of PSD2, whereby banks must provide access to their accounts to payment service providers without any contractual relation and without any compensation for enabling the access to the payment account data through a costly infrastructure. Cooperation between market participants and further standardisation are key drivers of data sharing. On this basis, in November 2020, the Euro Retail Payments Board (ERPB), a high-level strategic body tasked with fostering competition and innovation, established in 2015 by the European Central Bank, launched the preliminary work to establish a scheme that would ensure wide market adoption and harmonisation, while allowing innovative and competitive approaches by scheme participants.

REGULATION

Ninety days, the last day of a period of 90 working days following the date of the decision of the European Commission, has come and gone, and the ESBG-WSBI joint stakeholder letter has been published. The letter, signed by the ESBG, WSBI and large EBA members, is a testament to the need for more harmonized regulation in the area of anti-money laundering and counter-terror financing.

The letter, titled “Legal advice with expertise in Anti-Money Laundering and Counter Terrorism Financing policies,” calls for a more harmonized approach to the implementation of the Anti-Money Laundering Directive (AMLD) and the EU’s fight against financial crime.

The letter highlights the need for a common approach to AMLD implementation across the EU, noting that the current fragmented approach has resulted in significant differences in regulatory interpretations and implementation, which can lead to significant risks and costs for financial institutions.

The letter also calls for a more holistic approach to AMLD implementation, one that focuses on the risks and vulnerabilities of the financial system, rather than a one-size-fits-all approach.

The letter concludes by calling for a common EU approach to AMLD implementation, one that is based on a risk-based approach and that takes into account the specific needs and circumstances of each country.

By Astrid Benevelli

The letter calls for a more harmonized approach to the implementation of the Anti-Money Laundering Directive (AMLD) and the EU’s fight against financial crime.
INTERVIEW
EU wallet: The ecosystem program that will transform banking

INTERVIEW WITH OLIVER LAUER

Oliver Laufer is the head of digitallabourberlin and represents the Identity and FinTech department at the Germany Savings Bank Association (Deutscher Sparkassen- und Giroverband, DSGV), a WSBI-ESBG member organisation. DSGV is the umbrella organisation of the Savings Banks Finance Group (Sparkassen-Finanzgruppe), who is active on the market through over 520 companies. Oliver Laufer is also co-chair of the European Credit Sector Associations (ECSAs) Task Force on Digital Identity.

ESBG: Can you briefly explain what the Digital Identity Wallet (DIW) is and what is so innovative about it?

Imagine you are driving your car and you are pulled over by the police for a random check. You look for your driving license and realise it is inside the wallet that you forgot at home. With the Digital Identity Wallet (DIW), you could simply open an app on your mobile phone and share the relevant information with the police officer. More technically speaking, the DIW will be a mobile and/or web app to use, and combine digital, tokenised, and app-based credentials. These credentials can be qualified ones, meaning certifications and documents provided by public entities, or non-qualified attestations provided by private entities.

With the DIW the customer will not only be able to decide which credentials they want to hold in their digital wallet, but also where, when and for what purpose to use their digital identity. Only the customer is aware of its usage, thus ensuring full privacy, just as they already do today in their physical wallet.

ESBG: What could be the EU DIW mean?

If, as the European Commission’s proposal currently says, the EU DIW will be usable cross-border, any EU citizen will be able to use the wallet in any participating EU country from the comfort of their home. Powered by these capabilities and the European Commission’s willingness to move the digital trust in Europe to the next level, the DIW will become the first standardised DIW ecosystem with an enormous potential to drive the digital business model transformation at the EU and even the Member States.

ESBG: You are co-chair of the European Credit Sector Associations (ECSAs) Task Force on Digital Identity which ESBG is part. Could you elaborate a bit more on the work of this Task Force?

The ECSAs Task Force was established in February 2021 with the aim of working together on a common position of the EU banking industry’s interests towards the digital identity space. The Task Force consists of around 50 experts from more than 50 countries interested in contributing to an EU-wide approach on the topic of digital identity.

On the one hand, Argentina and Peru have not implemented the eIDAS framework and are rather taking a more cautious approach, inter alia by analysing the steps taken by other countries and participating in international fora towards a regulatory path similar to that of Europe, but the implementation deadlines are not yet clear.

On the other hand, in Africa the push towards open finance has not happened yet. However, open banking is gaining momentum throughout the continent: the Central Bank of Nigeria, for instance, pushed by fintechs eager to expand their financial services offer and solve obstacles that have stood in the way of collaboration with major banks, proposed new guidelines on open banking in May 2021. Work is also ongoing in Kenya, where the Central Bank recently released its vision for a five-year digitalisation plan to modernise the country’s domestic payment landscape.

Similarly, the South African Financial Sector Conduct Authority released a report in 2020 that identified routes to regulation. If implemented, a combination of regulations, standards, implementation, and enforcement will help to bring the full potential of open finance.

The Task Force consists of around 50 experts from more than 50 countries interested in contributing to an EU-wide approach on the topic of digital identity.

I think it not only speeds up the process, but also reduces costs connected to staff engagement and paper usage. The EU Wallet can become the first EU-wide ecosystem, where banks can create new products and services with other wallet partners, not only locally, but cross-border. The EU Wallet can become an EU-Ecosystem-Program by Nature.

And also, digital payments can become more secure. If a payment transaction is additionally secured by Personal Information Data (PID) and the PEPP is also bound to hardware on the phone, this will increase security, thus reduce the risk of fraud and even costs.

ESBG: Looking from a global perspective, do you see chances for the EU DIW outside of Europe?

Currently, I have not thought about this. The EU approach is already very complex, one should consider that it is quite a big challenge to synchronise the interests of 27 Member States. Honestly, I think other jurisdictions are already advanced, when it comes to eID, so I do not think the EU DIW will be used elsewhere. But even if it will not be used in the US, in China nor in India anytime soon, Europe can evolve into a ‘Silicon Valley for Identity and Security Technologies’. The Self Sovereign Identity (SSI) approach of the EU DIW can be considered as a footprint for a global approach to data protection, privacy, and security to be replicated by other countries, similarly to what happened with the General Data Protection Regulation in recent times.

ESBG: What is your expectation concerning physical identity cards?

I do not think they will disappear in the long run.

I believe physical identity cards are here to stay for longer than expected, even if the EU DIW will be a huge success. Actually, ID cards can perfectly be combined with DIWs and the physical card can act as a fallback measure if a mobile phone or a smartwatch do not work, for instance in case it runs out of battery. Although cards can never be as feature-rich as wallet apps, basic features are always available for identification and authentication. Therefore, physical cards are important from an inclusion perspective, for people who do not have a smartphone or do not want to use one.

ESBG: With regard to the timeline, when do you think the consumer would be able to actually use the EU DIW?

In a full production environment, I think customers can reasonably expect to start using their DIW in 2025, with pilots already starting in 2024.
**NEWS FROM SOUTH ASIA**

**Bank Asia Agent Banking:**
An initiative to reach the unreached people for better financial inclusion in Bangladesh

By Jakirul Islam

A number of banks have emerged with several technology-driven innovative banking solutions to accelerate the national financial inclusion drive under prudent directives and support from the central bank (Bangladesh Bank) in Bangladesh. Bank Asia pioneered Agent Banking in 2014 for rural financial inclusion under the auspices of Bangladesh Bank. The bank is extending a large range of banking services to the last mile citizens across the country.

Bank Asia’s Agent Banking with a vast network of more than 5000 agent outlets is reaching more than 5.1 million customers across 64 districts in Bangladesh. Bank Asia, alone represents more than 65% of total female customers in Agent Banking. It serves more than 2.0 million social safety net (SSN) beneficiaries through its Agent Banking.

### Table 1. Provider-wise client base in Agent Banking

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Clients</th>
<th>Share</th>
</tr>
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<tbody>
<tr>
<td>Bangladesh</td>
<td>2.762.289</td>
<td>18%</td>
</tr>
<tr>
<td>Agrani Bank</td>
<td>508.497</td>
<td>4%</td>
</tr>
<tr>
<td>Others</td>
<td>1.486.864</td>
<td>10%</td>
</tr>
</tbody>
</table>

Bank Asia’s agent outlets doubled over the past three years and it added more than 3.0 million customers over the past years of pandemic. It partnered with azl to expand agent network through Union Digital Centre (UDC) and Bangladesh Post Office (BPO) under PPP model.

- Bank Asia owns more than 26% of total agent banking outlets across the industry.
- 42% of its total agent banking customers are women.
- The agent banking pioneer ranked top in customer acquisition. More than 90% of its customers agent banking are women.
- Bank Asia is the only bank in Bangladesh who received grants from the trust fund to address the gender gap and financial health within the Low & moderate income group people.

### Table 2. Number of agent outlets

<table>
<thead>
<tr>
<th>Bank Asia outlets</th>
<th>Total number</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2019</td>
<td>3,748</td>
</tr>
<tr>
<td>March 2020</td>
<td>5,356</td>
</tr>
<tr>
<td>March 2021</td>
<td>6,400</td>
</tr>
<tr>
<td>March 2022</td>
<td>5,129</td>
</tr>
</tbody>
</table>

Figure 3. Bank Asia Agent Banking Customers

<table>
<thead>
<tr>
<th>Bank Asia outlets</th>
<th>Total number</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2019</td>
<td>875.169</td>
</tr>
<tr>
<td>March 2020</td>
<td>2,657.175</td>
</tr>
<tr>
<td>March 2021</td>
<td>3,568.977</td>
</tr>
<tr>
<td>March 2022</td>
<td>5,104.287</td>
</tr>
</tbody>
</table>

**Bank Asia’s unique ‘Micro-branch’ model to make the rural economy more vibrant**

Bank Asia adopted its pioneering ‘micro-branch’ model in agent banking. Recently it expanded a sizeable network for its microbranched agents under PPP model.

- **Customers can access Bank Asia agent outlets with greater ease when compared to a bank branch and other financial services. Rural customers need to travel a maximum distance of no more than two kilometres to reach a Bank Asia agent outlet, who provide the added advantage of operating beyond typical banking hours.**
- **Bank Asia agent banking to run on bio-metric fingerprint and facial recognition system without any mobile phones at user end.**
- **Bank Asia has defined a fees, charges and commission structure for agents under the commission agent banking.**
- **Bank has defined a fees, charges and commission structure for agents under the commission agent banking.**

**Bank Asia Agent Banking: LESSONS LEARNED**

- **Almost 50% customers are women in agent banking, however only around 2.5%-2.0% are women. Female customers feel more comfortable to deal with a female agent.**
- **Bank faces difficulties in finding suitable women agents who can meet the application criteria.**
- **Agent outlets may act as center of excellence for providing complete digital banking services (payments, purchases, transfer, savings and credit) to the rural citizens of the country.**
- **Public-private partnerships with Union Digital Centers by azl under the ICT Division and Bangladesh Post Office helped to achieve some quick wins in customer acquisition and agent network expansion.**

**LES SONS LEARNED**

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**TRANSITIONING CUSTOMERS FROM OTC MONEY TRANSFER TO FINANCIAL WELLNESS**

In Bangladesh, the OTC trend is very similar to other Asian mobile/e-money markets, such as Pakistan, Myanmar, Vietnam and Cambodia, where OTC transactions made up the vast majority of transactions and served as a significant accelerator in cash market.

However, we should keep it in our mind that MFS agents offering Cash in and Cash out (CICO), money transfer and bill payments services do not essentially create access to formal savings, credit and insurance for the last mile deprived people.

Bank Asia Agent Banking has been serving the rural citizens through a right set of value chain payments, purchase, transfer, savings and credits.

**REFERENCES**


**Jakirul Islam is the Senior Vice President in Bank Asia Limited.**
IMPRESSIONS

26th WSBI World Congress in images

Laurent Mignon, CEO at Groupe BPCE, welcomes participants to the gala dinner kindly hosted by Group BPCE.

José Manuel Campa, Chairperson, European Banking Authority.

Mr. Sabaasha Machingi, Managing Director of Tanzania Commercial Bank.

From left to right: Marie-Véronique Bryon, Training and International Relations Officer, FNCE, Burkhard Balz, Executive Board Member, Bundesbank, Flore-Anne Messy, Head of Consumer Finance, Insurance and Pensions Division, OECD.