Financial News & Views

ON SAVINGS AND RETAIL BANKING

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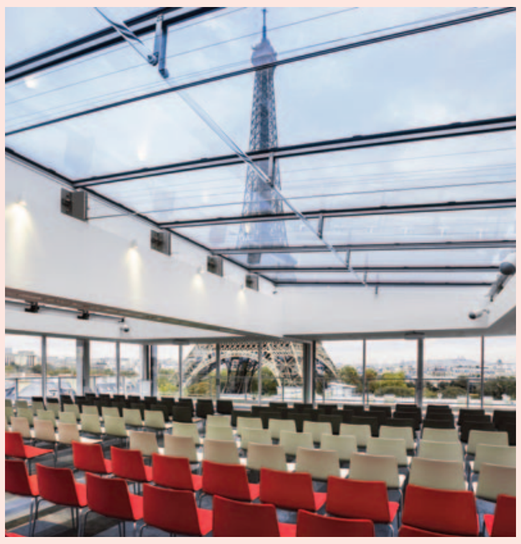
ESBG
EUROPEAN SAVINGS AND RETAIL BANKING GROUP

WSBI
WORLD SAVINGS AND RETAIL BANKING INSTITUTE

WSBI IS A GLOBAL NETWORK WITH MEMBERS IN FOUR CONTINENTS. ITS HEADQUARTERS IN BRUSSELS ALSO HOSTS ITS REGIONAL ARM, ESBG. BOTH ORGANISATIONS REPRESENT THE INTEREST OF BANKS WORKING RESPONSIBLY AND CLOSELY WITH THEIR COMMUNITIES AND SMES.



WHAT'S INSIDE?

WELL SAID!

"Social responsibility is in our members' DNA. It is a clear signal of solidarity that many ESBG members have been already waiving fees on bank transfers to Ukraine. Our thoughts are first and foremost with the Ukrainian people."

Dominique Goursolle-Nouhaud, ESBG President

FEATURED

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.

But this does not mean that other challenges have dissaparead, 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 mounteering 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.

Financial literacy will also be featured during the second day, on a discussion about raising financial awareness for adults, so that they can make responsible decisions about their future. The programme will be future-oriented, focusing on the post-pandemic plans and on how green transition and innovation can drive global recovery by creating jobs in the FinTech sector and stimulating local growth.

During the closing keynote, the Chaiperson 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 since 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 First Vice-President of the European Parliament in 2017-2020.

She served as an MEP from Ireland for 16 years, and was a Vice-President of the 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 mountainous 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 Himalaya and elsewhere to cope with natural disasters. Reinhold Messner systematically fundraises to rebuild hospitals and schools while at the same time supporting students through grants and scholarships.

NEWS

Ukraine: ESBG members reaffirm their social responsibility

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 fleeing 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 ad hoc regulations 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 converting 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 34th 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 Enria, 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 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 Casse di Risparmio (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.

  Since early March, CaixaBank has been offering free money transfers to Ukraine and neighboring countries, where Ukrainian civilians seek refuge: Moldova, Romania, Hungary, Slovakia, and Poland.

  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 a convoy of buses to the Polish-Ukrainian border and help evacuate people wishing to request asylum in Spain. A total of 204 Ukrainians, mostly young women, and children, have already arrived in Spain thanks to this initiative, 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 aid organizations such as UNICEF, ACNUR, the Red Cross, *Ayuda en Acción, Intermón*, and Save the Children. As of 24 March, this platform had already facilitated the transfer of 2.6 million euros in donations.

- **DSVG (Germany):** As of 27 April 2022, the German Savings Banks Association had provided Ukrainian refugees with more than 136.000 bank accounts. Refugees can easily apply online for a *GiroExpress* account with their ID thanks to a simplified procedure. Moreover, DSGV is providing all relevant information on bank accounts in Ukrainian and is working on extending the service to online banking, its platform for job seekers, etc. DSVG is also supporting the initiative *#UnterkunftUkraine* (Accommodation 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 370,000 beds, which makes *#UnterkunftUkraine* currently the platform with the most bed offers. *#UnterkunftUkraine* is steadily expanding its regional and supra-regional partnerships with civil society organizations and municipalities and all information is offered in 4 languages, namely, Ukrainian, Russian, English, and German. Moreover, *Sparkasse Chemnitz* from 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 orphans, aid deliveries 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 refunded after the transfer to facilitate private aid payments and donations to organizations. Erste Group's subsidiary banks offer access to free 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 400,000 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 Ukraine and its people. ERSTE Foundation will also provide a special budget of one million euros for acute 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 aid: logistically, for evacuations, and to ensure their safety.

This also concerns independent journalistic reporting, which ERSTE Foundation has long supported in Eastern Europe.

- **Groupe BPCE (France):** Thanks to the joint effort of all its companies (the *Banques Populaires, Caisses d'Epargne*, Natixis CIB, Natixis IM, *Banque Palatine*, and all the subsidiaries of Groupe BPCE and the Natixis foundation), Groupe BPCE collected a donation of nearly 5 million euros for the French Red Cross' work with Ukrainians. At the same time, Groupe BPCE has also launched a fundraising campaign aimed at its 100,000 employees for the benefit of the Red Cross. In addition, the *Caisses d'Epargne* and the HLM rent-controlled housing companies belonging to the *Habitat en Région* group, a major player in the social housing sector in France, have decided to make an exceptional 1.8 million euros contribution to its solidarity fund to welcome the victims of the crisis in Ukraine and to provide them with emergency accommodation. These donations will enable BPCE Group to contribute to the solidarity actions coordinated by the International Red Cross and Red Crescent Movement in favor of the civilian population and refugees within Ukraine, neighboring countries, and France.

These are just some examples of the actions taken by ESBG members during the first months of the crisis. European savings and retail banks will surely continue to rise to the challenges ahead to play their role to the fullest both as banks and as an integral part of society.

"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."

Alessia Benevelli is WSBI-ESBG adviser with expertise on payments, data and innovation, and part of the Task Force on Ukraine.

Ilaria Ragni is WSBI-ESBG assistant for innovation, payments and regulatory affairs

NEWS FROM LATIN AMERICA

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 (FEPCMAC 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 FEPCMAC 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 dedicated to water and sanitation. These credits amounted to DLS 377 million and benefited thousands of families. These loans had been granted in a high proportion to women (49%) ; people living outside the capital, Lima (85%); new customers of the CMAC (23%) and previously unbanked people (9%).

Finally, in this road of creating green financial products, we are preparing a 'Biocredit' 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 FEPCMAC in the period 2019-2022.

WSBI's members in Peru

FEPCMAC 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. FEPCMAC 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 that support the competitiveness and consolidation of the corporate image of the CMAC System.

The current president of the FEPCMAC is Jorge Solis Espinoza, elected in April for the 2022-2025

NEWS FROM LATIN AMERICA

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 number of people in a situation of multidimensional poverty increased by 489,000 due to the pandemic. This represents an increase of 0.6 percentage points in the rate of this indicator.

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 Amigo de los Colombianos* (Colombians´ Friend Bank), in 2017 *Banco Caja Social* began rethinking how to strengthen its support to micro-entrepreneurs. The aim was to learn using its experience and ways of approaching it clients that might contribute to the differentiation in attending 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 (UEM) received electronic devices that allowed credit analysis 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 Amigo de los Colombianos*, progress was made in the experimental phase of the Customer Support initiative, which explores breaking paradigms in banking services.

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 programme creates the conditions and proposes the financial solutions to help these customers overcome the effects of shocks and save their productive activities and/or ownership or their home, 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 difficult times 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-enterprises.

Diego Fernando Prieto Rivera is President of Banco Caja Social, a WSBI member since 1975.

NEWS FROM ASIA

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" proposition that promotes 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.

WSBI developed further the "Fair Value Remittance Framework" to respond to the needs of its members and non-member financial institutions seeking to set standardized contractual terms and conditions governing their bilateral relationships. These financial institutions aim at raising overall market efficiency, notably through greater choice and service quality for customers. These banks also aim to offer customers a more ethical value proposition while boosting overall economic impact. By doing this, they implement the World Bank/BIS General Principles for International Remittance Services and work towards reaching the relevant United Nations' Sustainable Development Goal number 10 that specifies that by 2030, the transaction costs of migrant remittances should be reduced to less than 3 per cent and that should eliminate remittance corridors with costs higher than 5 per cent.

In this respect, WSBI and Turkey-based UPT Odeme Hizmetleri (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 under the rules of the WSBI Fair Value Remittance Framework. UPT's intention is to offer a wide product range and reduce the high costs in a cooperative and constructive project 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 the banks under WSBI to cooperate on remittances. This 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 through book2book accounts which removes the need for the use of traditional remittance systems. Being the clear alternative to traditional systems for remittances, reduced costs and high spectrum of added-value services are without a doubt expected to attract customers and establish a mutually beneficial organization for all parties.

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 and a bilateral agreement with UPT
- Single settlement account and instant settlements: All transactions take place within the books of Aktif Bank which means that this settlement can happen 7/24. The account service provided by Aktif Bank is completely free of charge
- Multiple delivery options: Cash, bank account, bank card, e-wallets
- Fair fees, fair FX rates: Standardised and transparent conditions are applicable to all participants. Market level FX rates are provided while collecting or paying in the local currency

Joining FairRemit platform is a very seamless process:

- Sign a Master Agreement with WSBI
- Sign a Bilateral Agreement with UPT
- Open dedicated USD and EUR correspondent bank accounts (free of charge) at Aktif Bank in your own name for settlement of remittances
- Integrate your core system with FairRemit platform based on the simple web-service guidance document provided by UPT

After these 4 steps, participant will be able to connect all other participants in the platform.

MORE ABOUT UPT

Being the first global money transfer and payment platform across Turkey, UPT offers various alternatives on sending and receiving remittances. UPT is 100% subsidiary of Aktif Yatırım Bankası A.Ş, the largest private investment bank in Turkey). As an international remittance company which is operating since 2010, UPT had an experience for immigrant's needs and the importance and social impact of the remittance business.

Traditional remittances including cash2cash, bank account deposits, cash2card transfers in multiple currencies are still the backbone of the company. However, while the world economy is still recovering from effects of pandemic and facing new challenges, it was crucial to come up with proactive business solutions providing fast, reachable, and reliable services. By obtaining the E-money license in 2021, UPT is now ambitiously targeting growth on digital sphere globally via its new products; "UPTION", remittance platforms and APIs.

Reaching 400.000 service locations in 176 countries around the world, UPT is growing across 5 continents. Currently, 140+ global partners allow UPT to provide smooth customer experience. 8000 physical locations in Turkey is the key to UPT's success on company's existence in every possible district. Not only being visible and reachable in highly populated business centers, with the partnership of Turkish Post Office (PTT), UPT has full coverage all around Turkey.

UPT's in-house developed IT infrastructure and interface is currently being used in 12 countries by banks and money transfer operators. Simply, one of the main factors contributing to the strong growth in UPT remittances is geopolitical position of Turkey and migrants' determination to support their families in times of need as we have experienced during pandemic. Statistics in general clearly state that the remittance flow from high to low and middle income countries are growing rapidly in times of crisis. The flow we are observing underlines the importance of remittances in providing a critical support for essential items such as food, health, and education during periods of economic hardship in migrants' countries of origin. UPT's main mission is to process each remittance with the awareness of all factors and as a company vision and know-how, we feel responsible to provide the high-quality service with competitive prices.

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, a network covering approximately 95% of the world's population, or receive money sent to your account. Application provides the opportunity for the clients to open multi-currency IBANs within seconds. UPTION enables its clients to benefit from the bank accounts instantly in a user-friendly interface. Available in app stores since 2020, UPTION has been downloaded approximately 250,000 times so far, and a total of 60,000 people from 104 different nationalities have become clients of UPTION. UPTION offers unbeatable transfer costs to its members: while all domestic remittances are free of charge within Turkey, remittances to the Single euro payments area (SEPA) costs 1 EUR only. Clients have more than one reason to perform their remittances through digital channels and UPTION covers all needs a physical branch may offer.

Murat Kastan is the Executive Vice President - International Partnerships at UPT

NEWS FROM EUROPE

Zweite Sparkasse, the Bank for the 'Unbankable', celebrates its 15 Years

By Maribel Königer

Founded in 2006, *Zweite Sparkasse* (Second Savings Bank) is Austria's only social bank and its aim is to help people get back on their feet financially. Since its creation, it has helped thousands of people who had been rejected by their banks because of their difficult financial situation. It provides these vulnerable people with a bank account and enables them to access up-to-date financial infrastructure.

The project was initiated by ERSTE Foundation, which also provided the founding capital of 5.8 million euros. A national survey carried out prior to establishing the bank showed that people did not believe Erste Bank was capable of taking on such an initiative. Some savings bank representatives, on the other hand, were concerned that the kind of customers targeted by this new "bank for the unbankable" could cast a negative light on the sector.

They could not have been more mistaken. There has hardly been another event in the Austrian banking sector during the past 15 years that has generated so much media coverage and such a positive media response as the development of *Zweite Sparkasse*. Its founding and establishment were pioneering achievements that attracted worldwide interest. It can also claim to have drawn attention to the problems of people without access to an account and to have contributed to an EU-wide directive known as the right to an account. Moreover, the European Commission has repeatedly praised the Austrian savings bank as an exemplary initiative.

ROOTED IN THE SAVINGS BANKS FOUNDING IDEA

Zweite Sparkasse revived the savings banks' 200-year-old founding idea of providing access to banking services to people who would otherwise have been denied such services. It is open to customers no other bank will accept. Its motto became, "Because sometimes you just can't do it on your own".

It provides customers with a basic account at no charge in combination with comprehensive advice as equal partners and with a great deal of empathy. It is fully in line with the savings banks' founding idea of giving all people access to greater prosperity and enabling them to take control of their financial health. *Zweite Sparkasse* is not sales- or profit-driven.
Its 360 voluntary staff members contribute their banking experience at seven branches throughout Austria free of charge in their spare time. They offer advice and support to customers for as long as necessary. The voluntary staff members' work is equally valuable. There are no hierarchies, just well-defined responsibilities and an honorary management board, which handles external responsibilities. A network of Non-Governmental Organisations primarily consisting of debt counselling services recommends customers to the bank.

Their common goal is to quickly lose their customers, in other words, to make them fit for the world of conventional banking. Since its founding, *Zweite Sparkasse* has given more than 20,000 people and their families a second chance and new hope. About 4,500 customers have successfully switched to other savings banks and are now valued customers of the savings banks group.

FINANCIAL EDUCATION FOR THE YOUTH

Zweite Sparkasse has continuously expanded its range of services over the years. It joined forces with an organisation called *Jugend am Werk* (Youth at Work) and the Austrian Debt Counselling Service in 2010 to launch financial education workshops for young people. Rather than helping the victims of 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 FLiP, learning centre has been part of the workshops since its inception too.

MANAGED ACCOUNT TO PREVENT HOMELESSNESS

An additional service, the managed account was introduced in 2016, which is provided by Vienna Debt Counselling Service in cooperation with selected banks, with *Zweite Sparkasse* being the main contractual partner. The managed account is intended for people who tend to be in a care relationship with a social institution and have difficulty identifying and meeting their financial obligations, which puts them at risk of becoming homeless. Over 2,000 people have already used this service. Since the end of 2020, Zweite Sparkasse's housing microloans in Vienna had made it possible for people with minimal resources to pay a security deposit and buy kitchen fittings from an outgoing tenant, which enables them to move into their own flat.

PREPARING FOR THE BIG CHALLENGES TO COME

Zweite Sparkasse is well prepared for the future since there will be greater need for its services as a result of the pandemic the social implications of which are not fully visible. That is why we want to offer our services throughout Austria via opening new branches and correspondent savings banks. While the challenges our society faces change over time, they do not become any smaller. Therefore, *Zweite* will keep being committed to its mission of 'leaving no one behind' in the future.

Maribel Königer is Director of Communication, Journalism and Media at the ERSTE Foundation.

ANALYSIS

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

By Matteo Cuda

After four years of application, the EU Markets in Financial Instruments Directive needs some targeted adjustments as a part of the EU Retail Investment Strategy, but overall, the current framework is working well and already provides solid guarantees and transparency for retail investor protection. Four years of MiFID 2application show it is working well.

The Markets in Financial Instruments Directive (MiFID II) is a legislative framework instituted by the European Union (EU) to regulate financial markets in the bloc and improve protections for investors. Its aim is to standardise practices across the EU and restore confidence in 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 EU 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 furthermore 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.

INDUCEMENTS 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. Moreover, one 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 environmental, social and governance (ESG) preferences and those 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 market[1] and one for the French, Italian and Spanish markets[2] – show that commission-based advice is best fit to actively introduce retail investors with small and medium-sized assets to securities and results in lower costs for most retail investors. For example, in Germany, the commission-based model is beneficial in terms of costs for investment amounts up to 25 000 EUR and it also offers clients additional value and protects their interests on a high level. More importantly, commission-based advice has a very strong social component. The overwhelming majority of investors simply cannot afford to pay a fee to receive advice because of upfront cost. The studies show that the overwhelming number of clients faced with fee-based advice decide to only invest smaller amounts than those who received the advice thanks to inducement. It is worth noticing that the median level of financial assets in the Eurozone amounts just to 10 300 EUR. In the case that all forms of inducement would be banned from every retail investment product, ESBG believes that retail clients will make much less frequent use of investment advice services.

(CONTINUES ON PAGE 6)

1 Study conducted by KPMG Germany for the German market: "The future of advice: A comparison of fee-based and commission-based advice from the perspective of retail clients", November 2021.
2 Study conducted by KPMG France for France, Italy and Spain: "Commission-based remuneration vs. Fee-based remuneration: is there a better model for retail investors?", November 2021.

EU MIFID 2: IF IT'S NOT BROKEN, DON'T FIX IT
(CONTINUED FROM PAGE 5)

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 invested assets. This contrasts with the median net financial wealth of 10 300 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).

ESBG continues to exchange with policy and decision makers in the EU to put forward these views and arguments, keeping in mind that serving customers of all sizes and empowering local communities is one of the most precious values for all our members.

Matteo Cuda is WSBI-ESBG's policy adviser with expertise on capital markets regulation.

NEWS FROM AFRICA

Interview with TPB Bank's Sabasaba Moshingi: A closer look to TPB & WSBI relations

By Sabasaba Moshinghi

Back in the time when you started working at the Tanzania Postal Bank (TPB), how was the economic situation of the bank?

When I joined Tanzania Commercial Bank (then Tanzania Postal Bank) in 2011, the Bank was facing some serious financial challenges. It was highly inefficient with a cost income ratio of 96%, return on asset of 0.3%, return on equity at 6%, low profit before tax on an annual basis that averaged TZS 400 million – TZS 900 million. Also, the revenue/staff ratio stood at 52 TZS million and the bank was poorly capitalized.

The bank also had a limited branch network which was extremely dilapidated and the Head Office had serious shortage of working tools which made the daily operations quite difficult. Additionally, the bank had low staff morale as well as a poor corporate culture. The 'Tanzania Postal Bank' brand was very weak with a lot of negative connotations.

What was the key point of your new strategy?

In order to transform the bank, the Board of Directors and management agreed that there was a need to conduct a 'deep dive' assessment of the bank. This resulted in the development of a four 4 Year Strategy that covered the period 2012 - 2015. As part of implementing this turnaround, some notable actions were taken by the Bank. First of all, we onboarded new members of staff such as Head of Departments from private sector in strategic units who had hands-on experiences in key issues. We introduced new revenue systems and new products while implementing aggressive cost cutting measures which resulted in improved revenue generation and profitability. Staff salaries were improved and a performance culture was introduced. The bank in 2016 registered under the Companies Act, the decision that also allowed the bank to improve its brand identity: it was rebranded from Tanzania Postal Bank to TPB Bank in 2017 and then Tanzania Commercial Bank in 2020. We also paid a cash dividend to shareholders in 2016 and 2018. Thanks to our successful efforts to renovate dilapidated branches all over the country and to double the branch network, we have managed to bring on board 500,000 previously financially excluded customers.

Let me give you an overview of the Bank's financial performance with more figures and facts:

- **Income Generation:** The bank's revenue has grown by **750%** from TZS 20 billion in 2010 to TZS 170 in 2021. The driving factor has been the increased interest income as a result of a significant growth in the loan portfolio and widening of non-interest income sources.
- **Generation of Profit:** The improved operational performance of the bank has been reflected in the steady growth in pre-tax profit generated over the period. Bank's profit before tax has multiplied by **factor of 22** from TZS 0.9 billion in 2010 to TZS 19.7 billion in 2021.
- **Deposit Growth:** TCB's total deposits have more than **octupled** to TZS 918 billion in 2021 from TZS 109 billion in 2010. Intensified marketing activities, corporate deposits and savings from village community banks and village savings and loan associations played a major role in reaching this record number.
- **Loans and Advances:** The loan portfolio has grown to TZS 719 billion in 2021 from TZS 65 billion in 2010 being an increase of **1,006%** over the period. This was driven by the introduction of new products like Loans to Pensioners, Songesha, Group Loans, Education Loans and Start-of life Loans.
- **Total Assets:** The balance sheet size of the bank has grown from TZS 121 billion to TZS 1,181 billion, an increase of **876%** between 2010 and 2021 respectively with an expansion in loans contributing greatly.
- **Shareholders Fund:** The shareholders fund of the bank has grown very healthy by a **factor of 14.7** from TZS 7.7 billion to TZS 113.2 billion between 2010 and 2021 through a combination of retained earnings and additional capital injections from existing shareholders.

You have been a member of WSBI for many years, what type of support has WSBI provided to you so far?

WSBI has provided invaluable support to Tanzania Commercial Bank over the years in terms of knowledge, contacts, training and finance. For example, they have helped us access funding from the Bill and Melinda Gates Foundation to acquire the platform and roll-out of the bank's pro-poor product, TCB POPOTE (mobile banking and point of sale) which was a first in the Tanzanian market. This support which was valued at **USD 1,530,357** enabled us to foster financial inclusion in Tanzania. As mentioned earlier, the bank brought on board **500,000** new customers that had been financially excluded thanks to this project. Recently, WSBI has also played a key role in linking the bank with the 'Saving at the Frontier' project funded by the MasterCard Foundation.

As you had the opportunity to meet other WSBI members on many occasions, were you able to create any interesting partnership or specific collaboration?

Meeting with WSBI members from the Africa Region Group is an opportunity to see the latest trends and best practices with the aim of promoting the economic growth in Tanzania. It also helps us keep building a network of regional partners with whom we can collaborate and learn from. For example, we were able to get insight from PostBank Uganda on our Loan to Pensioners product. Today, this the largest product in the bank's loan portfolio with a size of **TZS 313 billion** and an **NPL of 1.07%**. Furthermore, through this product, the bank has been able to provide individuals who played a pivotal role in the development of the country with the opportunity to remain in the formal financial system after their retirement.

During those years of partnership, what is the main role that WSBI has played?

WSBI has provided support in terms of advocacy, learning, networking and access to donor funding for financial sustainability projects. The bank is very grateful to WSBI for their support and looks forward to further cooperation opportunities in the future.

If you could describe the partnership with WSBI in few words, what would it be?

A very supportive partner who works with you and others to bring about positive and impactful change.

After your term as the CEO of the Tanzania Commercial Bank comes to an end, what are your future career aspirations?

In one way or another, I plan to still work in promoting the socio-economic development of Tanzania. It is very uplifting to be able to make a positive impact and I would like to continue to help my fellow Tanzanians.

Mr. Sabasaba K. Moshingi is the Chief Executive Officer of Tanzania Commercial Bank based in Dar-es-Salaam, Tanzania. He is a WSBI Board Member and also serves as Chair of the WSBI Africa Regional Group.

INTERVIEW

"The savings bank idea was always a very modern idea."

Gabriele Semmelrock-Werzer is the new woman at the head of the Austrian Sparkasse Association (Austrian association of savings banks). The speaker of the executive board of Kärntner Sparkasse took over from Gerhard Fabisch and talks in an interview about her ambitions as president, the tension between low interest rates and rising inflation and why cash is as important as ever.

You are taking over the helm of the savings banks association in the midst of a pandemic and at a time when interest rates are at rock bottom but inflation has been at a certain level for years. These are two parameters that were essential indicators for saving and investment decisions for customers of the savings banks. How do you see this development?

Semmelrock-Werzer: This is the consequence of the ECB's move to stimulate the economy with the lowest possible interest rates.
But no one could have imagined that we were entering a negative interest rate landscape.
I believe that it is more difficult to use such incentives, especially in Central Europe, because in a crisis 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 material assets and 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, despite these low interest rates, cannot actually afford new housing and it has simply become extremely difficult for them.
And of course savers are paying that bill.
We are in a gradual, protracted period of money depreciation and it is now savers who are coming off badly as inflation rises. Preserving assets is no longer possible with a savings book, and building wealth has not been possible for a long time. Particularly here in the German-speaking countries, but also in Italy, there is a very high savings rate and savers are now paying for the fact that states took on high levels of debt during the financial crisis and now again in the pandemic.
That's why I'm not very confident that the interest rate landscape will change quickly.

Lack of financial knowledge does the rest here. The Austrian Finance Minister recently presented his new financial education strategy. Do you think the issue is gathering more momentum now?

Semmelrock-Werzer: I already feel that it is, and this is urgently needed. For a long time, schools have failed to deal with financial education and so it was mainly the banks that addressed the issue of dealing with money. Therefore, it is important that much more happens here. We see that financial knowledge is catastrophically underdeveloped in Austria among adults. There really is a lot of catching up to do. When we talk about financial education, we always talk about loans and investments. Both the savings banks and the government have a responsibility to enable people to build wealth. And that's only possible at the moment with some risk-taking in buying securities. The Austrians must surely learn that. We still see that, despite rising inflation, amounts of money remain unused in savings accounts and become increasingly devalued over time. And it's still accepted all too readily. The role of banks should be revalued here.
I also believe that a savings book in the form of a 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 liquidity. You just have to accept that.

Despite the general crisis, the savings banks have so far come through the difficult period well. How did this take place in the Savings bank group?

Semmelrock-Werzer: I remember the time a year and a half ago when the pandemic was suddenly a reality. We reacted very quickly here and the Board of the Association convened almost daily conference calls with the savings banks board members to inform them of the ongoing developments and next steps. Throughout the first lockdown, we maintained this high frequency of information and were able to coordinate very well throughout 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 by non-customers, and led to a lot of positive feedback for the savings bank. In the early 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 and have been Executive Director of Kärntner Sparkasse since 2011. What are your ambitions 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 represent the different concerns of the individual savings banks as well as I can and to find relevant solutions for all member institutions. It won't always be easy, but overall we all have a common DNA that unites us. I am particularly looking forward to promoting diversity in its various facets. The different people who work for us in cities and regions are a special asset for us as a group and I want to create even more awareness of that. Another important issue is sustainability and ESG, which there is no getting around anymore. I am really convinced that this fits perfectly with the Savings bank group. The savings bank idea has always been a very modern idea, focusing on the sustainable development of the regions and the people living there. I am very impressed with how this idea has been adapted over the years and in the area of digitalisation, the savings banks are already pioneers with the George app. We must also use this pioneering role for sustainability, because it is clear that we have to continue to promote the respectful treatment of our customers and our resources.

For over 200 years, the founding mandate of the savings bank has resulted in very concrete values that determine its actions. This includes, among other things, regionality, customer proximity and a general-interest business orientation. Have these values also proven themselves in a difficult phase like the one we are currently experiencing?

Semmelrock-Werzer: Yes, 100 percent. I've noticed that people also honour this. The Savings bank not only provided the money, but was there for people with contact persons on site and also proactively got in touch with them. Our motto #glaubandich (believe in yourself) represents a value dimension that the savings banks deal with every day. The respectful treatment of our customers and our employees is part of this. Just like our responsibility to ensure that our financial products also offer a real benefit for our customers. In addition, the savings banks reinvest a large part of the profits generated in the region. This is a real unique selling point in the banking sector and benefits the sustainable development of the catchment regions of the savings banks. Sometimes I wonder why not everyone is a savings bank customer (laughs).

"We see that financial knowledge is catastrophically underdeveloped in Austria among adults. There really is a lot of catching up to do."

Which values are particularly important to you personally?

Semmelrock-Werzer: Reliability and authenticity are important to me. You should always be who you really are and not play a role. Respectful treatment of people, nature and our environment are also very close to my heart.

Values can 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 bank 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 always 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 regulators 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 has a banking model in mind that, above all, excludes the wishes of customers. MiFID 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 discrepancies. We have just been talking about diversity, and the EU is also focusing strongly on diversity in the G (for governance) of ESG. It must be recognised that any industry that is diversified is more crisis-proof. The banking industry must also be allowed to be diverse and this cannot be reflected in the current regulations.

After all, the EU's motto is "United in Diversity"…

Semmelrock-Werzer: … and yet it is so.

Despite the advancing digitalisation, plans for a digital euro and phenomena such as Bitcoin, Austrians still rely on cash. The Savings Bank Association continues to campaign for cash, even if it comes at a high cost to banks. Why is that and what do you think of a cash ceiling that is now back on everyone's lips?

Semmelrock-Werzer: I think nothing of a cash ceiling. It is a pure political tool to avoid 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 statutory control measure, which I take a critical view of. I just don't see the benefit in that, except that we can be better monitored. Cash is 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 sometimes not 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 with which they can move around. Anything else is absurd, so I hope that cash can never be completely abolished.

About Gabriele Semmelrock-Werzer

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 hired by Erste Group Bank AG in 1995 after stints at Chase Manhattan Bank AG and Crédit Lyonnais AG in Vienna. Since 2011 she has been Executive Director and Speaker of the Executive 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 had a particularly rewarding first half of 2022, specially 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 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 Ihuoma Oluikpe, 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), Adetunji Lamidi, 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 neighbourhood 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 (AMFIU), 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 Centenary 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 Atingi-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. This 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 contribution of all stakeholders and partners to bring about universal financial inclusion," added Mr Atingi-Ego.

Weselina Angelow is Programme Director of WSBI's Scale2Save Programme

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