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ON SAVINGS AND RETAIL BANKING

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WSBI
WORLD SAVINGS AND RETAIL BANKING INSTITUTE

ESBG
EUROPEAN SAVINGS AND RETAIL BANKING GROUP

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!

"WSBI and its members, of whom Al Barid Bank is one, share a common vision: An Africa where every individual has equitable access to financial services."

Mr. Al-Amine Nejjar, Chairman of the Management Board of Al Barid Bank

FEATURED

WSBI Fosters Financial Collaboration and Enrichment in Marrakesh, Morocco

By Stephanie Yeze

In a resounding celebration of collaboration and knowledge-sharing, WSBI proudly unveils the triumph of its 29th African Regional Event, held in the vibrant city of Marrakech from October 11-13.

Graciously hosted by long-lasting member Al Barid Bank, and Mr. Al-Amine Nejjar, WSBI Vice President and President of the Africa Regional Group, and President of the Board of Directors of our host, Al Barid Bank, the event marked a significant milestone in fostering financial inclusion and empowerment across the continent. Distinguished keynote speakers, including Mr. Ryad Mezzour, Moroccan Minister of Industry and Trade, and Ms. Aouatif Hayar, Moroccan Minister for Solidarity, Social Integration, and the Family, set the stage for an enlightening conference.

The event commenced with a moment of silence to honor the victims of the earthquake that struck the country in September. The first panel centred on socioeconomic empowerment for women, a critical focus in the African region. Notable participants included a member of the United Nations High-Level Panel on Women's Economic Empowerment, the Managing Director of EBRD, the Director of the Fondation Marocaine pour l'éducation financière; and Ms. Cynthia Ikponmwosa, the Managing Director of WSBI member LAPO Nigeria. These experts emphasized the significance of financial education & inclusion, and financial literacy in driving women's social and economic empowerment in Africa.

Dr. Wissam H. Fattouh, Secretary General of Union Arab Bank, inaugurated the second panel by addressing the role of Fintech in financial inclusion. The discussion delved into the impact of Fintech on financial inclusion, regulatory considerations, and the importance of cross-border collaboration, providing diverse perspectives and expertise.

Exploring the impact of agent banking on the development of MSMEs, the next panel offered valuable insights into how this approach positively influences entrepreneurs in the region.

The final panel focused on climate change adaptation and resilience, featuring Ms. Valerie Hickey from the World Bank, Mr. Diederick Zambon, Acting Director for the European Investment Bank, and Mr. Davide Forcella, Director of Just Institutes. This discussion shed light on the implications of increased climate risk for affected customers, particularly rural households, and emphasized the roles that financial service providers, implementers, and funders can play in preparing vulnerable populations against climate-related challenges. The event concluded with a speech by Mr. Khalid Safir, Managing Director of Caisse de Dépôt et de Gestion (Maroc), providing a fitting closure to this enriching experience.

On the following day, the Annual Meeting for African members was held in the morning. This gathering provides the WSBI African community with a unique opportunity to come together physically once a year. It serves not only as a platform for members to get acquainted but also as a forum to present the significant achievements of the past year and outline the primary priorities for the upcoming one. This meeting holds particular significance for WSBI African advisor, as it plays a pivotal role in shaping the WSBI 2024 work plan for the African region.

Representatives from ten African institutions, namely: LAPO Nigeria, Tanzania Commercial Bank, Botswana Savings Bank, FINCA Uganda, Caixa Economica de Cabo Verde, Caisse d'Epargne de Madagascar, La Poste Burkina Faso, People's Own Savings Bank (POSB), Caisse de Depot et de Gestion (Maroc), and, of course, the host, Al Barid Bank participated in the 2023 annual meeting, contributing to the richness of discussions and collaborations.

The afternoon of 12 October was dedicated to the WSBI statutory meetings: the 58th President Committee and the 40th Board of Directors. The day concluded with a splendid gala dinner, graciously hosted by Al Barid Bank.

The morning of October 13th saw a dedicated Scale2Save side event titled "WSBI as a catalyst for unlocking the potential of female entrepreneurs". It brought together representatives from all regions of our network to share experiences on the topic. Wendy Teleki, Head of the Women Entrepreneurs Finance Initiative (We-Fi) Secretariat, housed at the World Bank, was the keynote. Later that day, Mrs. Teleki witnessed as WSBI President, Isidro Fainé, and Managing Director, Peter Simon signed the WE Finance Code. The Code aims to promote the reduction of the economic gap that affects women entrepreneurs globally, with a special focus on those living in developing countries.

In the afternoon, the 30th WSBI General Assembly took place. It was followed by our traditional reception in the context of the IMF and World Bank annual meetings also held in Marrakech at the time.

WSBI extends its warmest thanks to all participants, speakers, and sponsors whose contributions ensured the resounding success of these events, reinforcing WSBI's commitment to driving positive change in the African financial landscape.

GLOBAL ADVOCACY

WSBI Advocates for Women-Led MSMEs and Financial Inclusion in 2023 Global SME Finance Forum

The Managing Director of the WSBI-ESBG Mr. Peter Simon addressed an esteemed panel titled “Gender Equity & SME Financing in a Digital Landscape” which was organized as part of 2023 Global SME Finance Forum in Mumbai where WSBI’s 29th Asia Regional Group Meeting was kindly hosted at the premises of our member State Bank of India. During his deliberations, Mr. Simon emphasized the pivotal role played by women-led small and medium enterprises (MSMEs) in shaping our societies' health, growth, and socio-economic fabric. He also outlined the challenges faced by these enterprises and the commitment of WSBI-ESBG members to serving them.

Organized in collaboration and generously sponsored by our member State Bank of India, under the kind auspices of Mr. Alok Kumar Choudhary, Managing Director of State Bank of India and member of the Board of Directors of WSBI along with the World Bank’s SME Finance Forum and the International Finance Corporation’s Women Entrepreneurs Finance Initiative (We-Fi), this insightful panel brought together key sector players such as Ms. Wendy Teleki, Head, WeFi, WBG, Ms. Saloni Narayan, DMD, State Bank of India, Mr. Syed Abdul Momen, DMD and Head of SME, BRAC Bank, Ms. Nina Fenton, Head of Regional Representation, South Asia, EIB and Mr. Colin Daley, Senior Global Specialist, Banking on Women, IFC and saw discussions on the unique challenges faced by women entrepreneurs, especially within financial systems dominated by traditional banks.

Mr. Simon, who introduced the panel, highlighted WSBI-ESBG's century-long history of representing a global network of socially-responsible banks. He stressed the organization's commitment to prioritizing the well-being of the communities it serves over profit maximization.

"In our journey of a hundred years, we have constantly asked ourselves what 'serving the left behind' means in today's context," Mr. Simon stated. He outlined two main objectives for WSBI-ESBG: universal service to women and addressing climate change through customer support.

Women-led SMEs (WMSMEs) represent approximately one-third of all MSMEs but face challenges, including limited access to finance, gender-biased legal systems, and societal norms. The gap between financial need and availability for WMSMEs is substantial, with $5 trillion in potential value lost globally due to financial neglect, according to the Women Entrepreneurs Finance Initiative (WEFI).

Mr. Simon emphasized the potential of digital financial services and standardized gender-centric data to revolutionize financial inclusion for women-led MSMEs. He called upon the banking sector to take specific actions, including cultivating gender sensitivity, establishing gender-focused targets, offering non-financial services, leveraging technology, and recognizing non-traditional collateral forms. "Our goal is to drive a transformative shift towards financial equity and unleash the potential of women entrepreneurs across the globe," Mr. Simon declared.

The panel discussion was part of WSBI-ESBG's advocacy efforts, as outlined in their G20 position paper, which aims to create a more inclusive and equitable financial landscape.

A reception for the G20 attendees with over 400 representatives of the banking sector followed the end of the panel.

WSBI Member Banks Shine at SME Finance Forum 2023

During the SME Finance Forum 2023 held in Mumbai, several WSBI members received well-deserved recognition. The Postal Savings Bank of China was honoured with the prestigious Silver Award in the Asia category, earning the title of SME Financier of the Year.

Banco Atlántida from Honduras also secured the Silver Award in the SME Financier of the Year category for Latin America and the Caribbean. Their Vice President of Commercial Banking, Mrs. Lucy Sauceda Rivas, graciously accepted the award on behalf of the bank, celebrating Banco Atlántida's impressive 110-year legacy, marked by a strong dedication to financial inclusion and their ongoing efforts to empower female entrepreneurs. In addition, the Social Development Bank of the Kingdom of Saudi Arabia received an Honourable Mention in the highly regarded "Best Financier for Women Entrepreneurs" category at the Global SME Finance Awards 2023. This recognition highlights the bank's steadfast commitment to empowering women entrepreneurs and fostering economic growth, underscoring their pivotal role in supporting women-led businesses and driving the economic and social development of the Kingdom of Saudi Arabia.

REGULATION

Basel Committee's Strategic Direction in Response to Global Banking Challenges

At the recent WSBI-ESBG Annual African Regional Meeting held in Marrakesh, Mr. Hernandez De Cos, Governor of the Bank of Spain and Chair of the Basel Committee, delivered a comprehensive speech, acknowledging the significant role of retail saving banks in Spain and globally, and specifically recognizing the contributions of Mr. Fainé, Chairman of La Caixa Foundation and President of WSBI.

Mr. De Cos provided an overview of the Basel Committee's work program, approved last year, highlighting its dynamic approach in responding to ongoing events in the banking sector. He structured the program into four pivotal themes: the Basel Committee's response to recent banking turmoil, the implementation of the final phase of Basel III, the digitalization of finance, and climate-related financial risks.

The speech began with a reflection on the banking turmoil that occurred in spring, where the Basel Committee initiated an analysis to derive lessons from these events.

De Cos pointed out that the primary source of financial and operational resilience for banks lies not in regulation or supervision, but in their own risk management practices and governance. He emphasized the critical role of strong and effective supervision in various dimensions, including the need for supervisory teams to have adequate resources, the importance of monitoring changes in the banking system, and the necessity of maintaining effective cross-border supervisory cooperation. In this context, De Cos stressed the need for proportionate regulatory frameworks to reflect the Committee's expectations that any proportionate approach is commensurate to the bank’s risk profile.

Based on these conclusions, the Committee will mainly follow-up on two broad initiatives, including further work aimed at strengthening supervisory effectiveness and more empirical anlayis on specific features of the framework such liquidity or interest rate risk to assess the need for additional measures.

De Cos then highlighted the importance of consistent financial regulation implementation and the robust design and calibration of the finalised Basel III standards for internationally active banks. He stressed the need for rigorous supervisory approaches as a complement to Pillar I capital requirements and the potential risks posed by banks not deemed internationally active.

Following these conclusions, the Basel Committee has embarked on two broad initiatives.

The first involves prioritizing work to strengthen supervisory effectiveness and conducting analytical work to assess the framework's performance during the turmoil, particularly regarding liquidity risk and interest rate risk. The second initiative focuses on the full and consistent implementation of Basel III, noting significant progress but also acknowledging deviations in some jurisdictions.

The speech then transitioned to the digitalization of finance, where the Committee is undertaking various initiatives, including an analytical report on the bank and supervisory implications of ongoing digitalization. This report encompasses various aspects, such as the emergence of new entrants in the banking system, the use of artificial intelligence and machine learning, and issues related to big data. De Cos also mentioned the Committee's efforts to understand and assess risks associated with the crypto world and its interconnections with the banking sector.

The final theme addressed was climate-related financial risks. Here, the Committee is adopting a holistic approach, examining how its three pillars – Pillar I, Pillar II, and Pillar III – are influenced by climate-related financial risks and regulation. De Cos noted the ongoing work to assess gaps in the existing framework and the possibility of regulatory measures to address these risks. The Committee also plans to coordinate with the International Sustainability Standards Board on climate scenario analysis and disclosure.

In conclusion, De Cos acknowledged the risks and vulnerabilities affecting the global banking system and highlighted the comprehensive work program of the Basel Committee to address these challenges. He emphasized the importance of maintaining cross-border supervisory cooperation, considering it more crucial than ever.

INTERVIEW

Celebrating a Decade of Transformation: An Exclusive Chat with CaixaBank's Visionary CEO

Mr. Gonzalo Gortazar has been the CEO of CaixaBank since 2014. He joined Criteria CaixaCorp in 2009 as CEO, holding this post until 2011. Following the restructure of the "la Caixa" Group and Criteria CaixaCorp, Mr. Gortazar was appointed Chief Financial Officer of the newly formed CaixaBank in 2011. Prior to his career at CaixaBank and Criteria, he led the European financial institutions practice at Morgan Stanley, which he joined in 1993.

CaixaBank has undergone significant transformations in recent years under your leadership, including mergers and digitalization efforts. Could you provide specific examples of how these changes have strengthened CaixaBank's resilience and enhanced its ability to deliver customer-centric solutions in a rapidly evolving financial landscape, particularly post-pandemic?

In the last decade, we have gained substantial scale through both organic growth and integrations. We are now the undisputable market leader in Spain, serving more than 20 million customers and holding market shares of around 25% in key products. Our scale has made us more efficient and competitive, allowing us to keep innovating and developing new business initiatives for the benefit of our customers. We have also strengthened our balance sheet by reinforcing our capital levels (almost doubling them from ten years ago), significantly reducing non-performing assets and increasing our comfortable liquidity levels.

We have expanded our product and service offering, building a leading financial supermarket in Spain and Portugal so we can deliver financial solutions in a customer-centric way. Our omni-channel distribution model combines great retail network (we have, by far, the largest retail banking network in Spain) with our online banking solution *Now* serving 11.4 million customers in Spain, our remote advisory service *Intouch* that has 3.4 million customers, and the mobile banking and lifestyle platform *Imagin*, that has 3.1 million customers). In addition, we have continued to digitise processes and improve channels to facilitate our customers' digital transactions and access to our offering.

Advanced Analytics has become a fundamental tool that complements our business capabilities. For instance, it helps us to get to know our customers better and personalise our commercial offering, and to improve the speed and accuracy of our credit-granting processes.

Sustainability and ESG principles have become central to the banking sector. How does CaixaBank integrate ESG considerations into its business strategy and financial products, and what role do you see financial institutions playing in addressing global sustainability challenges?

Financial institutions can play a pivotal role in accelerating the environmental and social transition, as they are the main channel to mobilise funds towards the real economy.

Sustainability is part of our DNA: "la Caixa" was born in 1904 as a savings bank with the aim of ensuring accident protection as well as savings and retirement planning for low-income workers. A commitment to the community and the provision of support to the more vulnerable has been embedded in the strategy of the bank since inception. Nowadays, CaixaBank has fully incorporated not only a strong social commitment but also ambitious environmental and climate priorities. Since 2018, we have been carbon neutral in our operational footprint and, in 2022, as signatories of the Net Zero Banking Alliance, we set decarbonisation targets, starting from a credit portfolio with emission ratios that were already far lower than many of our peers.

Our commitment to sustainability comes directly from the Board, so it is fully reflected in our corporate governance (particularly through the Appointments and Sustainability Committee and our corporate policies). In 2021, we appointed a Chief Sustainability Officer to the Management Committee, to coordinate and promote sustainability across the entire Group's activities.

CaixaBank operates in diverse regions and segments of the population with varying levels of financial inclusion. What are the key initiatives CaixaBank has undertaken to promote financial inclusion, especially in areas and segments where access to banking services remains a challenge?

Indeed, financial inclusion is one of our core principles and we actively ensure we can offer access to financial services to all individuals and companies by a range of means.

We have made a real effort to promote financial inclusion in rural areas. We currently have branches in more than 2,200 municipalities in Spain where 92% of the Spanish population lives. In a considerable proportion of these municipalities (22%) we are the sole bank. We are also present in 675 additional rural municipalities via our mobile branches. In 2022, we reinforced our commitment to financial inclusion by convening a Protocol in the banking sector to encourage expansion of and access to financial services in lower populated towns and villages. This included very tailored and practical measures and an agreement with the Spanish Postal Service to provide cash in rural areas.

Our commitment to financial inclusion is also reflected in our effort to help senior citizens and vulnerable segments. We have specialised 1,620 managers in providing service to senior customers and we also provide around 360,000 customers with commission-free social or basic accounts.

In 2007 we launched MicroBank, which specialises in SMEs lending. Today, it is one of the leading microfinance institutions in Europe.

What are the keys to the success of your microfinance model?

MicroBank's model is based on three pillars. First, the agreements with major European institutions, like the European Investment Bank, given MicroBank access to significant support programs. Second, MicroBank leverages CaixaBank's distribution network, with over 3,640 retail branches, to reach every corner of Spain. And finally, it has the support of the 290 public-private entities, including NGOs and universities that actively cooperate by providing support to entrepreneurs in their business plans.

In its 15 years of history, MicroBank has granted more than 9 billion euros in non-collateralized financing for 1,300,000 projects in Spain. This has contributed to the creation of more than 300,000 jobs and the launch of more than 100,000 new businesses. This kind of output is really encouraging. MicroBank's performance is particularly impressive given that 47% of loans have been granted to women and 34% to people under 35 years old. I am very proud to say that MicroBank clients have a strong track record in fulfilling their lending commitments, with a NPL ratio of just 4%.

"la Caixa" Banking Foundation is the largest banking foundation in Europe and your main shareholder. What does it mean in terms of your social commitment?

CaixaBank is committed to social responsibility, and our financial activity is just one part of that. We are proud to say that "la Caixa" Banking Foundation inspires our values and corporate culture.

More than 30% of our dividends are paid to "la Caixa" Foundation. The Foundation has a budget of €538 million in 2023 and it makes us proud to know that CaixaBank contributes to its financing in a substantial way. This budget is used to fund a variety of social initiatives, including those identified and facilitated through local branches of CaixaBank and the Portuguese Banco BPI (100% owned by CaixaBank). In the first half of 2023, 2,900 NGOs have already benefited from 3,034 projects all over Spain and Portugal.

Furthermore, our alliance with "la Caixa" Foundation allows us to closely collaborate in other relevant social programs, such as the Incorpora Program which helps people with disabilities find jobs the Food Bank donation campaign, which raised €1.84 million in 2023, or the GAVI Alliance collaboration for childhood vaccination. In all these activities we get our clients involved – and they love it!

As a part of our social commitment, we have a Volunteer Program with more than 20,000 volunteers in the CaixaBank Group. They carry out volunteer activities, mostly in cooperation with "la Caixa" Foundation, focused on promoting financial education for young people, senior citizens and people with disabilities. Other programs include employment creation, job insertion, fighting child poverty and social exclusion, support for the elderly, protection of the environment, and others. So far this year, more than 17,500 activities have already been carried out that have benefited 280,000 people.

Our Volunteer Program is an important part of our social commitment and helps to motivate our employees. They are proud to give back to society through the "la Caixa" Foundation, which supports a variety of social programs with our profits.

The regulatory environment for banks continues to evolve rapidly, with a close to finalised implementation of the Basel III reforms and several regulatory initiatives in train, including ESG, resolution, digital, payments and cyber-security fronts, among others. Can you elaborate on how CaixaBank navigates these regulatory complexities while ensuring it maintains a strong risk management framework and meets its compliance obligations?

Banking is an extensively regulated activity, and there are good reasons for this. We, and our peers at the WSBI-ESBG, take a constructive approach to the broad and rapidly evolving regulatory environment, helping to promote a solid, consistent, and coherent regulatory framework. Of course, we are also mindful of fully complying with all existing rules and guidance. Banks and regulators are constantly evolving together, facing common challenges such as digital, cyber, and ESG issues. These issues require to continuously evolve our internal organisation, frameworks, and procedures to gather new data, adapt or develop new methodologies, and to apply controls to ensure all is aligned with the business strategy and complies with obligations. This sounds tough. And it is tough. But this is the "new normal" business environment that we are all walking through, including both regulators and regulated firms.

Another challenge is that new regulation is turning increasingly complex and involve a wide range of stakeholders. Take for instance, the digital euro project. It involves a broad range of actors, including banks themselves (in fact, CaixaBank was selected to collaborate in prototyping it) but also other payment services providers and non-financial companies like big tech firms.

As a result, the implications for the normal functioning of the financial system and the economy are profound. In my view, all these developments call for a more holistic, integrated and balanced approach to regulation and supervision, where responsibilities and requirements are distributed efficiently and on a risk-driven basis.

Given the current global economic uncertainties, what specific risk management strategies has CaixaBank implemented to remain resilient to external shocks and protect its clients' interests, and how does this align with the bank's long-term financial goals?

Proactivity is key for us. First, we need to monitor macro-economic forecasts. This allows us to run our risk planning tools and early warning systems to identify potential vulnerabilities in our existing portfolio and in new credit applications. These tools combine both top-down perspectives) and bottom-up analysis, client by client, for a better understanding of the behavior of our credit book allowing us to dynamically adjust our underwriting criteria.

Risk culture is also paramount. All of our team members know the main risks that we face and have a responsibility to manage them, from the business units through to the risk-related areas. While we have highly specialized teams for the different phases of the credit lifecycle, all of them are coordinated. For instance, should any of our exposures show signs of weakness, we have learned to maximize recoveries while minimizing costs. There are relationship managers and specialized areas that accompany business units throughout the process from providing information that helps to anticipate and monitor potential default alerts, to providing alternative financial solutions.

In short, we seek maximization of risk adjusted returns and minimization of costs in case of impaired assets, which is fully aligned with our long-term financial goals.

All this, compounded by heightened global uncertainties that makes the world more and more unpredictable, requires additional buffers through increasingly stronger capital and liquidity positions.

In terms of Spain's current Presidency of the Council of the European Union, how do you evaluate its key economic priorities? Would you consider that ambitious objectives have been set so far or that more could be done?

We have the last full Presidency of the EU Council in this legislature. Spain has a long and proven track record in building bridges and finding compromises among member states in quite thorny issues, so I am hopeful that significant progress is being achieved.

The priorities of the Spanish Presidency touch on key issues for the EU. Open strategic autonomy, green transition, the promotion of social and economic justice, and the strengthening of European unity – including the completion of the banking union – are all matters affecting people, companies, and their interactions through financial markets and the economy. As expected, banks, as the main financial intermediaries in the EU, have a key role to play.

Among the several policy areas where banks are called to contribute, I want to draw attention to the NextGeneration EU funds. The European Commission has just approved the Addendum to the Spanish plan, which includes the mobilisation of up to €83 billion in loans. Of this, almost €40 billion will be directed through different funds with close collaboration between the Official Credit Institute (ICO) and banks to multiple sectors and companies across Spain.

These funds have the potential to boost investment in the coming years, especially to support the green transition. Simple administrative processes, attractive conditions and workable eligibility criteria will help to maximise the advantage of this unique opportunity.

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SUSTAINABILITY REPORTING

EU's Sustainable Reporting Standards: A Step Towards Transparency and Simplicity

By Andreea Lungu

In a proactive stride towards a greener and more accountable corporate landscape, the European Union (EU) has embarked on a sustainability reporting revolution. Guided by the Corporate Sustainability Reporting Directive (CSRD), introduced in April 2021, this initiative compels EU-based companies to meticulously divulge their environmental and social responsibilities. This structured approach ensures transparency and bolsters corporate accountability, aligning with the EU's overarching sustainability goals, including the European Green Deal and climate neutrality by 2050.
Within the CSRD framework, European Sustainability Reporting Standards (ESRS), developed by the European Financial Reporting Advisory Group (EFRAG) play a pivotal role in standardizing sustainability reporting, making it mandatory for approximately 50,000 EU firms and potentially influencing businesses beyond the EU's borders. As the EU propels forward on this path, it anticipates greater standardization, transparency, and sustainable corporate practices.

INTRODUCTION

Sustainability reporting has gained paramount importance in the European Union as it plays a pivotal role in shaping a more sustainable and responsible corporate landscape. By requiring companies to disclose their environmental, social, and governance (ESG) practices, the EU aims to drive positive change and accountability. This transparency not only empowers investors, consumers, and stakeholders to make informed decisions but also encourages companies to adopt sustainable practices, reduce their environmental footprint, and contribute to societal well-being. Moreover, sustainability reporting aligns with the EU's broader goals, including the European Green Deal and climate neutrality by 2050, making it an essential tool in the region's journey toward a greener and more sustainable future. It not only fosters a culture of corporate responsibility but also ensures that the EU remains at the forefront of global efforts to combat climate change and promote sustainability.

THE CSRD: SHAPING SUSTAINABLE CORPORATE RESPONSIBILITY IN EUROPE

In April 2021, a pivotal legislative proposal, known as the Corporate Sustainability Reporting Directive (CSRD), was introduced in the EU. The CSRD is a set of rules introduced by the EU to ensure that companies based in the EU share detailed information about their environmental and social responsibilities.

In essence, it's a structured report that companies must provide, akin to a report card, where they disclose specific data and figures regarding various aspects, including sourcing materials, their treatment of employees, and their efforts to benefit the environment.

The CSRD has three primary objectives:

- **Enhancing Transparency and Accountability:** The CSRD aims to augment transparency and accountability in corporate sustainability reporting, providing investors and the public with a holistic view of a company's dedication to environmental and societal well-being.
- **Comprehensive Disclosure:** Under the CSRD, companies must deliver an exhaustive account of their sustainability practices, leaving no facet of their environmental and societal responsibilities unexamined.
- **Standardizing Reporting:** This framework's pivotal role is to standardize and clarify sustainability reporting practices, ushering in a new era of responsible corporate culture within the EU.

Additionally, this directive mandated specific companies to adhere to European Sustainability Reporting Standards (ESRS), ushering in a new era of sustainability reporting. These standards, the Commission stated, are to be developed by the European Financial Reporting Advisory Group (EFRAG).

ESRS - THE FOUNDATION FOR CONSISTENT REPORTING

ESRS are essentially rules that guide companies in the EU to report on their sustainability efforts. They form an integral part of the larger CSRD framework, making it mandatory for EU companies to adhere to these standards when reporting their environmental and societal contributions. These standards demand more comprehensive information from companies, ranging from sourcing materials to disposing of products at the end of their life cycle. While they impact around 50,000 EU companies directly, businesses outside the EU that engage significantly with the region may also find themselves influenced by these rules.

ESRS is instrumental in achieving two overarching goals:

- **Mandatory ESRS Adoption:** ESRS mandates specific companies to adopt these standards, ensuring uniformity in sustainability reporting practices across the EU.
- **Standardization Drive:** ESRS plays a pivotal role in standardizing sustainability reporting, fostering consistency in reporting practices, and ensuring accessibility for all stakeholders.

BRIDGING EXPERTISE: EFRAG'S VITAL ROLE IN SHAPING ESRS DEVELOPMENT

EFRAG plays a crucial role in the development of the ESRS standards. At the EU level, EFRAG serves as a key advisory body, providing expertise and guidance on various financial and reporting matters.

Specifically in the realm of sustainability reporting, EFRAG plays a crucial role in shaping ESRSs by coordinating consultations, issuing recommendations, and ensuring alignment with broader sustainability reporting frameworks, fostering transparency and sustainability in the corporate sector.

UNVEILING SET 1 ESRS: A CATALYST FOR SUSTAINABLE CORPORATE REPORTING IN EUROPE

Set 1 of the ESRS (also referred to as sector-agnostic) comprises a comprehensive framework for sustainability reporting, addressing key areas of corporate responsibility. The data points within this set encompass a wide range of topics, including carbon emissions, energy consumption, water usage, waste management, employee welfare, and diversity and inclusion.

These standards mandate companies to disclose detailed information on their sustainability performance, extending from supply chain practices to the entire product life cycle. Materiality assessments are a central focus, requiring companies to determine the significance of sustainability data and make explicit disclosures regarding non-material data points. Furthermore, Set 1 introduces phased implementation, allowing companies to gradually adapt to these stringent reporting requirements, emphasizing the importance of transparency and accountability in the pursuit of a sustainable future.

NAVIGATING ESRS FOR BANKS

The implementation of ESRS has ushered in a transformative era for companies. For banks, in particular, ESRS brings about notable changes. Financial institutions must assess their sustainability practices, especially in areas such as responsible lending and investments. Furthermore, they must engage with their customers, including small and medium-sized enterprises (SMEs), to gather sustainability-related information. This enables banks to align their services with the broader goals of sustainability and respond to evolving regulatory and societal expectations. Ultimately, ESRS has a profound impact on companies, shaping their strategies, risk management, and engagement with stakeholders, while fostering a more sustainable and responsible approach to business, including within the banking sector.

Additionally, the upcoming ESRS for financial institutions is expected to play a significant role in fostering sustainable finance, aligning with the EU's broader sustainability objectives. They will provide investors and the public with valuable insights into the ESG performance of financial institutions, enabling more informed investment decisions and promoting responsible banking practices.

EU'S DELEGATED ACT SHAPES SUSTAINABILITY REPORTING STANDARDS

On April 29, 2022, EFRAG embarked on this journey by initiating a public consultation for the inaugural set (Set 1) of Exposure Drafts (EDs), covering various sectors, dedicated to the ESRSs.

This collaborative effort ended on August 8, 2022, and, after thorough deliberations and feedback, EFRAG proudly gave its stamp of approval on November 15, 2022, subsequently transmitting the eagerly awaited Set 1 ESRSs to the Commission on November 22, 2022.

Fast forward to July 31, 2023, and the European Commission made a significant stride by adopting the Delegated Act (DA) for the first set of ESRS after a month-long consultation. This act brings precision to sustainability reporting by detailing data points related to sustainability, drawing from regulations such as SFDR and the Benchmark Regulation. It introduces phase-in provisions, affording companies more flexibility in disclosures and aligning with global standards.

Following a scrutiny period, the DA was finally adopted by the European Institutions on October 21, 2023.

EUROPEAN COMMISSION PROPOSES STREAMLINING REPORTING REQUIREMENTS

On October 17, the European Commission unveiled a series of proposals aimed at simplifying and optimizing reporting requirements, including most notably the following:

- **Accounting Directive thresholds:** This proposal addresses the size criteria for micro, small, and medium-sized enterprises in the Accounting Directive (directly referenced in the CSRD), adapting thresholds due to inflation, striking a balance between compliance and business capacity, and aligning with the 25% reporting reduction target. This revision serves to alleviate the reporting burden on smaller businesses while upholding the essential policy objectives.
- **Sector-specific ESRS:** This proposal extends the deadline for adopting sector-specific European Sustainability Reporting Standards (ESRS) and ESRS for non-EU companies, shifting the timeframe to June 30, 2026. While this does not represent a reduction per se, it allows companies more leeway so they can focus on the implementation of Set 1 ESRS while also allowing EFRAG to focus on guiding Set 1, in order to facilitate the implementation of the disclosure requirements.

WHAT LIES AHEAD

- **Release of Implementation Guidance:** EFRAG is dedicated to providing practical assistance for the successful implementation of the sector-agnostic ESRS, including materiality assessment, value chains, and data points for gap analysis.
- **Q&A Platform:** Recognizing the importance of stakeholder engagement, EFRAG is set to launch a Q&A platform. This platform will serve as a means to facilitate meaningful dialogue with various stakeholders, ensuring they are well-equipped to implement and comprehend ESRS effectively.
- **Focus on SME Standards:** EFRAG is actively progressing towards the development of Exposure Drafts for SME (Small and Medium-sized Enterprises) standards. These drafts are expected to be issued for public consultation in January 2024, reflecting EFRAG's commitment to addressing the diverse reporting needs of businesses.
- **Continued Work on Sector-Specific Standards:** In addition to their efforts on sector-agnostic standards, EFRAG remains dedicated to developing sector-specific ESRS. These standards will cater to the unique reporting requirements of specific industry sectors.

CONCLUSION

In essence, sustainability reporting stands as a cornerstone of the EU's commitment to fostering responsible corporate behavior. Anchored by the CSRD and the pivotal ESRS, this journey is guided by EFRAG's expertise in bridging stakeholders and shaping standards. ESRS Set 1 comprehensively addresses sustainability topics, with banks embracing transformative changes, aligning with sustainability goals, and fostering responsible banking practices while the DA fine-tunes reporting, emphasizing materiality, phased adoption, flexibility, and global harmony, currently under scrutiny. Finally, EFRAG's continued guidance efforts reflect an adaptable approach, ensuring that the EU remains at the forefront of global sustainability endeavors.

Andreea Lungu is WSBI-ESBG advisor with expertise on financial reporting and taxation

CONSUMER CREDIT DIRECTIVE

Revamped Consumer Credit Directive: A Leap Forward in European Consumer Protection

By Marta Kajda

The adoption of the consumer credit directive in October 2023 represents a significant and much-needed step forward in consumer protection. The move to repeal the directive 2008/48/EC on Credit Agreements for Consumers (CCD) was prompted by various factors, including the rapidly growing digitalisation, the need for better harmonisation, and concerns regarding protection of vulnerable consumers from over-indebtedness.

As a background, the current directive on consumer credit agreements) was adopted in 2008. The CCD covers consumer credit agreements (loans granted for purchases of goods and services) between 200-75 000 euros. In addition, it lays down rules on standard information to be included in advertising. The CCD imposes an obligation on traders to provide consumers with pre-contractual information, enabling them to compare different offers in order to make informed decisions on whether to conclude a credit agreement. Also, it grants consumers a 14-day window to withdraw from the contract without providing any reason.

So, what are the key changes in the newly enacted directive?

The adopted directive ensures that credit information, such as the total cost of credit, is presented clearly and is adapted to digital devices. Also, it establishes stricter advertising rules to reduce abusive credit to over-indebted consumers and creates effective measures against overcharge. The legislative text requires lenders to assess whether consumers can repay their credit, so that they are protected from over-indebtedness. This means that a negative assessment precludes the conclusion of a consumption credit. Also, it enlarges the scope of the directive to encompass loans below €200, loans offered through crowdfunding platforms and buy-now-pay-later products. In addition to the 14-day withdrawal period, cancer survivors will have the right to be forgotten.

What is ESBG's stance on the approved text?

Overall, ESBG welcomes the amendments safeguarding consumers within this market. We are pleased that the new credit providers, namely crowdfunding service providers, fall under the regulatory framework to ensure uniform oversight of lending activities. However, we advocated maintaining the 200 euro threshold for the lower limit of the scope, given the disproportionately high processing costs associated with amounts below this level. Furthermore, in terms of assessing creditworthiness, we asserted that it should be proportionate to the specific type of credit. Furthermore, we are not fully satisfied with the criteria for creditworthiness evaluation. This is because we believe that they should not be uniform across all credit types, such as short-term overdrafts or substantial loans.

In the recent *Lexitor ruling* (Judgment of 11 September 2019, C-383/18), the Court of Justice of the European Union ruled that in case of early repayment of a loan, financial institutions are obliged to reimburse fees imposed on consumers by third parties, if these fees have been charged by the creditor. We find it unfair that banks have to bear the risk, particularly the costs they do not benefit from as intermediaries. However, we welcome that the new CCD provides for that fees and taxes applied by and directly paid to a third party and which are not dependent on the duration of the credit agreement should not be taken into consideration when calculating the reduction.

As we did not endorse the implementation of APRC-caps, ESBG is pleased with the ultimate outcome. Furthermore, we are satisfied with the measures in place to safeguard consumers against unfair commercial practices, including usury. In addition, creditors will be required to provide consumer debt advisory services to assist individuals in repaying their credit obligations.

CONCLUSION

The adoption of the consumer credit directive in the European Union represents a positive and necessary step toward improving consumer protection who are seeking credit, harmonising standards, and adapting to the digital era. The changes are particularly relevant in a modern, digitally connected world where consumers rely on various platforms and services to access credit. It also aligns with a broader strategy aimed at enhancing consumer rights and ensuring that European consumers can access credit in a safe and consistent manner.

The focus on harmonisation is essential in the European Union, where diverse legal systems and practices can sometimes lead to disparities in consumer protection. By unifying the standards and regulations across member states, this directive will create a more consistent and secure environment for consumers throughout the EU. Nevertheless, we hold the view that there should be some flexibility retained at the national level. This would enable retail and savings banks to tailor their products to the diverse consumer groups found in different regions.

The proposal's alignment with the European Commission's new consumer agenda is a commendable approach. It demonstrates a commitment to updating and enhancing the broader strategic framework for EU consumer policy.

Marta Kajda is WSBI-ESBG advisor with an expertise on consumer protection regulations in the banking sector

SUSTAINABLE FINANCE

The role of digital marketing in the ESG race

Jordi Guaus is the Research & Marketing Innovation Director at CaixaBank, and the Chair of the WSBI-ESBG Marketing and Communications Network (MCN). He is a seasoned expert in digital marketing and banking specializing in driving business innovation and facilitating transformation.

As an expert in digital marketing, could you please briefly explain the added value of a good communications strategy in the banking field to comply with ESG standards?

The central inquiry in this context is: how does a company address ESG? To begin with, you should be authentic and have a real commitment and a culture of responsibility. Once you have that in place, you must share your views and what you are doing, to encourage as many people as you can in the pursuit of a better world. At the heart of this is getting in touch with your customers and, in general, with all consumers or citizens. Society is evolving and with it, the way to reach your target audience is also changing. You need to be in the places where consumers are present, and today many of them are online and can be reached through social networks. Therefore, you need to have a wide strategy, understanding all the different channels you need to use and adapting the message according to each channel.

Why banks nowadays should invest in ESG and play an active role in the "sustainability race"?

This is a must. We truly believe that the "*raison d'etre*" of any company in the banking sector, should be far beyond making money. For example, at CaixaBank, our brand purpose is to stand by people for everything that matters. This is much more than banking, and sustainability impacts and matters to everybody. Therefore, we focus on the social value of banking, with a 360 degrees view. It's about promoting the sustainable transition of companies and society along with financial inclusion and fostering a responsible culture. We understand that banking should play a wider role in alleviating social challenges.

Could you please elaborate a bit more on the work on the Marketing and Communications Network in your capacity as its Chair?

Let me make a quick introduction of what the MCN is. The MCN is a forum where the WSBI-ESG members can exchange experiences, know-how and best practices in the field of marketing communications strategies. We understand Marketing and Communications under a wide definition. In terms of marketing, it includes strategic marketing, commercial innovation, CRM, channels, segmentation, etc. And in terms of communication, business strategic communications, branding strategies, CSRare the areas on which we elaborate. We meet 3 or 4 times per year to discuss around one particular topic, with members presenting real cases and with the contribution of external experts on the subject. During the meetings, we also take the opportunity to exchange views on current affairs. The topic is chosen according to the proposals of the members.

How can banks and communication experts collaborate to educate both customers and the business on ESG values?

From my perspective, the best way is to incorporate ESG values into all communication strategies. It means that any campaign, any communication support, any product or service development should be designed according to ESG principles. If we do that, we will always be promoting ESG values. At the end, it means, helping to make ESG business-as-usual.

WSBI-ESBG members are savings banks that deeply care about their local impacts. Why does marketing play an important role in promoting financial sustainability and attract new more conscious customers?

That's right. Most of our members play a key role in their domestic markets. We are a global network but with a local personalized impact. This provides a unique opportunity to see the full picture but with a local view in terms of the priorities of consumers, what they need and what they think. For this, marketing is key. Marketing should track global trends but also the local ones. Marketing departments have more knowledge about the clients and consumers in general. Each marketing department should analyse the key insights and translate them into consistent messages that can easily be understood by customers.

During one of the recent MCN meetings, CaixaBank reported its social and financial initiatives aimed at increasing CaixaBank' sustainability efforts. Would you share with us some examples around it?

During that really interesting meeting focusing on sustainable finance, we had the chance to get insights -among other speakers- from Mrs. Nuria Calvo who works at the Sustainable Banking Department of CaixaBank. She explained several initiatives taken by the bank, notably how CaixaBank is enabling easier access to credit. We are the European leader in microfinances and other financing with social impact through MicroBank, of which CaixaBank is the sole shareholder. MicroBank has reach over 400,000 beneficiaries and offers support to different groups whose financial needs are not currently being met. Furthermore, at CaixaBank we're developing sustainable solutions for individuals, with a focus on household, mobility and investment products. We will mobilize 64 billion euros in sustainable finance between the period 2022-2024.

NEWS FROM ASIA

Reimagining Banking in Asia: A Recap of WSBI's Asia Region Year-End Event

By Diederik Bruggink & Alessandro Bazzoli

As the curtain fell on the year's events in the Asia Region, WSBI brought its annual series to a conclusion with study visits and the Innovation Forum in Hong Kong from October 30 to November 1, 2023. Serving as the last event of the year, this series aimed to provide insights into the cutting-edge developments in the banking and fintech sectors. Over the course of three days, the meticulously crafted program encompassed visits to distinguished institutions, insightful panel discussions, and a visionary innovation forum. This article aims to provide an in-depth exploration of each day's proceedings, revealing the intricate web of exploration and discovery that characterized this grand finale.

DAY 1

Navigating the Landscape of CBDCs at BIS - Hong Kong Innovation Hub and how BEA is embracing fintech

The inaugural day of the event series unfolded with a visit to the Hong Kong Innovation Hub of the Bank for International Settlements (BIS). Welcoming the WSBI-ESBG delegation, Ms. Bénédicte Nolens, Centre Head, and her colleagues presented groundbreaking projects related to Central Bank Digital Currencies (CBDCs). The BIS highlighted that interest in CBDC has grown in response to changes in payments, finance, and technology, as well as the disruption caused by Covid-19. A 2021 BIS survey of central banks found that 86% are actively researching the potential for CBDCs, 60% were experimenting with the technology, and 14% were deploying pilot projects.

Central banks are exploring whether CBDC could help them achieve public good objectives, such as safeguarding public trust in money, maintaining price stability, and ensuring safe and resilient payment systems and infrastructure. Successful implementation of CBDCs could ensure that, as economies go digital, the general public would retain access to the safest form of money - a claim on a central bank. This could promote diversity in payment options, make cross-border payments faster and cheaper, increase financial inclusion, and possibly facilitate fiscal transfers in times of economic crisis.

The BIS Innovation Hub (BISIH) contributes to this area through applied technology research, proofs of concept (POCs), and prototypes with central banks worldwide. Some of these developments were presented to the WSBI-ESBG delegation, showcasing advancements in digital currencies at both wholesale and retail levels. Notably, some projects surpassed the progress of the ECB with its digital euro project, highlighting the varied landscapes in which these innovations are taking shape.

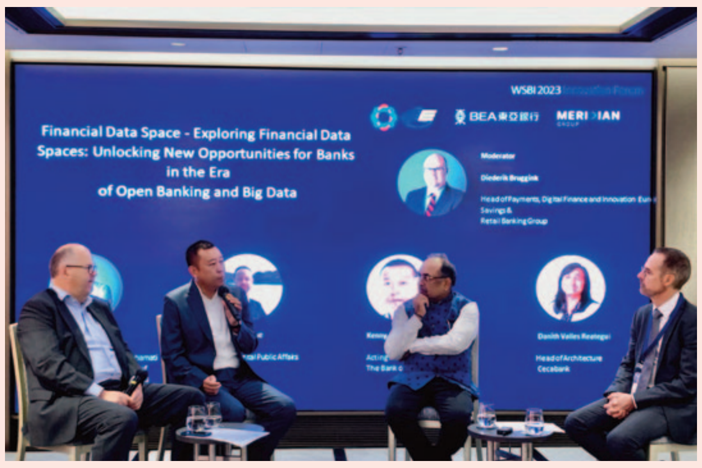
The afternoon session took the WSBI-ESBG delegation to the Bank of East Asia (BEA), Hong Kong member of WSBI, where Mr. Adrian Li, Co-Chief Executive Officer, extended a warm welcome via video message. Mr. Stephen Leung, Head of Information Technology and Fintech Development Department, presented BEAST, BEA's fintech initiative fostering collaboration with startups and industry partners. BEAST, more than a physical working space, serves as a platform for inspiration, driving innovation and collaboration. Various partners joined BEA in three panel sessions, covering topics such as metabase convergence, digital asset and compliance initiatives, and the latest fintech developments in Hong Kong. The day concluded with a networking cocktail hosted by BEA, fostering lively discussions and exchanges among participants.

DAY 2

Exploring the Tech Hub of Shenzhen, China

The second day transported the WSBI delegation to Shenzhen, often heralded as the Chinese Silicon Valley. The first stop was Tencent, where executives, including Hyman Zhang, Vice General Manager, provided valuable insights into WeChat's multifaceted offerings, dominating China's digital landscape. The delegation then proceeded to Ping'an Bank, part of Ping'an Group, one of China's largest financial conglomerates and among the largest shareholders of HSBC. Ping'an Bank demonstrated its AI developments and integration into customer service and backend operations, offering a glimpse into the future of banking.

The journey concluded at the Shenzhen branch of the Postal Savings Bank of China (PSBC), the Chinese member of WSBI. PSBC extensively discussed how the bank is achieving a balance between serving rural residents, attracting young customers, and enhancing its operations using digital technologies. Each visit provided unique insights into the multifaceted strategies employed by these institutions to navigate the evolving financial landscape.



DAY 3

WSBI Innovation Forum - Embracing Digital Frontiers

The grand finale unfolded with the WSBI Innovation Forum, a satellite event of the Hong Kong Fintech Week. Mr. Peter Simon, Managing Director of WSBI-ESBG, and Ms. Zoe Lau, General Manager of The Bank of East Asia, Limited, delivered the welcome remarks, setting the stage for a day of illuminating keynotes and panel discussions. Mr. Gary Ng, Chief Economist, Asia, Natixis Group, and Mr. Duoguang Bei, President, Chinese Academy of Financial Inclusion (CAFI), offered insightful keynotes, paving the way for panel sessions addressing open finance, data usage, and the role of AI in banking.

In each panel, representatives from Asia and Europe shed light on the respective topic at stake. The first panel addressed open finance and the use of data, with Gilles Saint-Romain, Head of Digital Public Affairs at Groupe BPCE, highlighting the European view within the EU policy context. B.G. Mahesh, Co-founder and CEO of Sahamati (India's industry association of Account Aggregator Networks), presented insights into consent management in the Indian context, while Kenny Au, Acting Head of the Operation Division of BEA, explained how BEA is leveraging the use of data in the metabase.

This panel was followed by a fireside chat between Barry Chan, Chief Digital Officer & Head of FINNOSpace, FORMS HK, and Diederik Bruggink, Head of Payments, Digital Finance and Innovation. The conversation delved into the digital currency developments in their respective regions. This fireside chat was succeeded by a keynote from Pietro Di Maria, CTO and Head of Cyber Security at Meridian Group, emphasizing the importance of cybersecurity in an increasingly digital world.

The second panel tackled the topic of Artificial Intelligence (AI), featuring interventions from Joseph Delhaye, SVP and Head of Legal at Spuerkees Luxembourg, who presented how AI can be leveraged during client onboarding. Ms. Eva Fernández, Director of Innovation at CaixaBank, Spain, discussed how AI could be deployed from client onboarding to mobile banking. Noli Martinez, Vice President for Product Development and Innovative Solution at CARD Philippines, presented CARD's strategic digital priorities. Dr. Toa Charm, Founding Chairman of the Data Literacy Association, explained the multi-stakeholder model his association is deploying.

PARTICIPANT FEEDBACK: GILLES SAINT-ROMAIN, HEAD OF DIGITAL PUBLIC AFFAIRS AT GROUPE BPCE

"Congratulations to WSBI for organizing an exciting study visit which allowed participants to exchange on the digital innovations of major players in Hong Kong and Shenzhen. In particular the developments carried out on CBDCs, AI and various digital solutions with financial inclusion in mind were very enlightening. We were also able to take stock of the differences in regulatory frameworks with Europe. Many thanks to the BIS innovation Hub, BEAST, Tencent, Ping'an Bank, and the Postal Savings Bank of China for their warm welcome and the brilliant presentations prepared for us.

The 2023 WSBI Innovation Forum was also the occasion for a fascinating debate with my co-panelists on the changes in the relationship between financial institutions, their customers and third parties that Open Finance brings.The participation to the Hong-Kong Fintech Week was the best conclusion to this immersion in Asia's digital developments."

WSBI Expands its Global Network with the Inclusion of Kyrgyzstan and Switzerland

WSBI is proud to announce the addition of two new esteemed members to its ever-growing family. RSK Bank, hailing from Kyrgyzstan, and Frankfurter Bankgesellschaft AG, representing Switzerland, were warmly welcomed at the recent General Assembly held in Marrakech on October 13.

Established in 1996 in the Kyrgyz Republic, RSK Bank began its journey as a savings and credit institution. Over the years, the bank has diversified its offerings to include deposit services, account management, payment processing, loans, guarantees, cash management, securities transactions, and foreign currency operations. RSK Bank's vision is to become a prominent player in the retail services and small to medium-sized business sectors. Notably, RSK Bank is a trailblazer in embracing ESG (Environmental, Social, and Governance) practices, integrating sustainability into its core operations. With a strong emphasis on green finance and responsible funding for social and environmental initiatives, the bank is committed to making a positive impact. Furthermore, sustainability principles are woven into every facet of their business, from waste recycling to ensuring accessibility for individuals with disabilities. RSK Bank proudly holds certification for "Best Waste Management Practice," solidifying its commitment to a greener future. Already indirectly linked to WSBI through its status as the private bank of the Sparkassen-Finanzgruppe and a wholly-owned subsidiary of Helaba, Frankfurter Bankgesellschaft AG now officially joins the WSBI network. With over a century of history, the new Swiss member shares WSBI's core values and is dedicated to cultivating enduring and close relationships with its customers, reflecting a rich tradition of service excellence.

From left to right: Mr. Al-Amine Nejjar, Chairman of the Management Board of Al Barid Bank; Mr. Peter Simon, WSBI-ESBG Managing Director; Mr. Ulanbek Nogaev, Chairperson of RSK Bank; Ms. Aichurek Zhakypova,

INTERVIEW

Navigating the Future of EU Banking Resolution: Insights from Dominique Laboureix

Dominique Laboureix is Chair of the Single Resolution Board, the central resolution authority in the Banking Union. He was previously the Secretary-General of the French Prudential Supervisory Authority, ACPR, as well as being one of the SRB's founding Board Members.

**The SRB conducted a strategic review in March 2023, transitioning into a new era focusing on operationalization and resolution plans.
Could you share some insights into the key elements of this new strategy and how it addresses the evolving needs of the financial industry and regulators?**

The coming years will see a shift in gear at the SRB. At the present time, we are reaching a number of milestones in resolvability, including the final MREL targets and the deadline for banks to demonstrate that they have met our expectations for resolvability. On top of this, we are all facing a number of existing but rapidly evolving or emerging risks, including those related to the geopolitical situation, those related to technology and the current macro-economic outlook.

Our strategic review focuses on boosting, among other elements, our crisis management and readiness even further. We will make sure that resolution strategies are operational at short notice and we are putting into place comprehensive testing plans, both with banks and in the Single Resolution Mechanism itself. This will also mean more deep dives and introducing on-site inspections.

We will of course continue our resolution planning work with banks, but with a greater focus on having all the conditions in place for operationalisation, no matter how a crisis might be triggered. We've all seen this year how quickly events can unfold when a bank is in trouble, so this readiness is extremely important for financial stability.

Other core element of the SRM strategy, which will be published in early 2024, are about cooperation and coordination among stakeholders, digital transformation and streamlining data collection and reporting. We're grateful for the industry's input into our thinking, and looking forward to telling you more about it very soon.

How does the SRB plan to engage with stakeholders, including the banking industry and associations like ESBG, to ensure a collaborative and effective resolution framework? What mechanisms are in place to incorporate industry feedback into the resolution planning process?

As you know, our main task is to prepare for and manage bank failures in an orderly way – and our main tool is to work with banks to build up resolvability. So, of course, the banking industry is a key partner, and our teams work hand-in-hand on a daily basis with banks on resolution planning and crisis readiness.

Engagement and transparency are so important to achieve our goals, and this is an important element in the SRB strategic review, as mentioned in the previous answer. We engage in a number of ways, for example through our public conferences and industry dialogues, and through broader public engagements, which allow us to discuss policy with senior bankers. We recently held a joint seminar with the European Central Bank on the European Commission's crisis management and deposit insurance, which was attended by a large number of industry representatives.

Together with the SRB Board Members, I've also undertaken a series of visits to Banking Union countries, and have taken the opportunity to meet banks and banking associations on the ground. This feedback is extremely valuable for us and is taken into account both strategically and operationally.

We also hold more targeted meetings on specific topics with relevant banking groups, including of course ESBG when it comes to savings banks. And, of course, SRB staff is engaged in regular bilateral exchanges with banks under our remit.

We also intend to consult more widely on major policy updates, and make it clear afterwards how the feedback has been taken into account. For example, we aim to hold a public consultation early next year on the SRB minimum requirements for own funds and eligible liabilities (MREL).

On the CMDI review, what is your opinion on the Commission proposal to facilitate the use of the industry funded safety nets (DGS funds and SRF) and do you see a risk that their faster depletion could possibly trigger the need to raise additional ex-post contributions which may in turn negatively impact banks' profitability of the banking industry?

We support the Commission proposal to move to a general depositor preference and to have deposit guarantee schemes (DGS) at the same ranking in the creditor hierarchy as deposits. This enables the use of DGS funds, which are built with private money, in building the resolution decision when it is more efficient than payouts and necessary to preserve financial stability. If we are not able to support the sale of a bank in resolution with industry safety-nets, the reality is that there may still be recourse to public money in the form of liquidation aid.

Our estimations, which we published in mid-October following the CDMI seminar, are reassuring. We found that, even if CMDI makes the possibility to use DGS and the Single Resolution Fund (SRF) more realistic, such use in resolution would have limited impact on the finances of DGS and SRF. This is because MREL remains the first line of defence and because of the relatively small size of the banks which could hypothetically be concerned. This is comforting also in terms of the need to replenish the DGS and SRF after use.

In addition, we should not forget that DGS payouts proved to be very expensive in a number of past cases.

Bank profitability is of course a key factor of a resilient banking sector. However, the whole point of an effective resolution framework is to support the sector with financial stability and resilience, rather than implicit state guarantees. CMDI is a step forward in this direction.

Where does the SRB stand regarding the operationalization of the backstop to the SRF? Could you please outline the key steps and timelines involved in making the backstop fully operational and its significance for the resolution framework?

In terms of operationalisation, the work is done. Together with the European Stability Mechanism, we have held different dry runs to test the analytical system and models, practising and simulating in real time the activation of the backstop, assessing the SRF's repayment capacity, and checking the internal processes needed for a real-life case.

However, as you know, we are still waiting for ratification from one Member State, and I would urge progress on that as soon as possible. The backstop would provide a strong safety net for successful resolutions, effectively doubling the firepower for supporting a bank resolution but, ultimately, costing nothing to the taxpayer. It would also help deter contagion, which is particularly important if many banks suffer at the same time. We have seen earlier this year how important this type of confidence is.

The SRB recently released guidelines on liquidity in resolution, including requirements for banks to work on specific deliverables and participate in a joint SSM/SRB liquidity exercise. How can EU regulators and the SRB move forward and make progress on liquidity in resolution, which is a major challenge in terms of resolvability, without creating additional burdens for banks?

The events in the US and in Switzerland this spring have once more highlighted that liquidity is a key concern in the banking sector that can quickly trigger the failure of a bank. In particular, the high liquidity needs for Credit Suisse emphasised the importance of banks' liquidity needs in resolution.

Liquidity is one of the key dimensions for banks' resolvability. That's why we provided guidance to banks on the estimation of liquidity and funding needs, measurement and reporting of the liquidity situation, as well as the identification and mobilisation of collateral.

In order to reduce the additional burden for banks as well as leverage on already established processes, the SRB and the ECB collaborate on the use of a joint liquidity template for banks' reporting of the liquidity position. This joint template is based on the SSM liquidity template, that is already known to banks, and which banks have been requested to report on a weekly basis since September of this year. Additions to the SSM liquidity template rely strongly on work already performed by banks when developing capabilities on identifying collateral, thereby also reducing the additional burden placed on banks.

Indeed, further work by banks on the identification and mobilisation of collateral is key from a resolution perspective, as central bank eligible collateral is most likely gone in times of resolution.

In addition, the ECB and the SRB are collaborating on a joint liquidity exercise, during which banks submit the joint liquidity template during five subsequent days to test their capabilities to report during a crisis situation.

Liquidity remains a general priority for the SRB also in 2024, as banks need to work further on their capabilities on liquidity and funding in resolution.

In light of the ongoing modifications brought by the co-legislators to the EU prudential framework as part of the Banking Package review (Basel III implementation), do you see any major impact these changes may have on the role of the SRB in ensuring financial stability and bank resolvability, and what are the key challenges and opportunities that arise from these developments?

The Basel III implementation in the EU is expected to have a significant impact on some banks. It's good to keep in mind, however, that the bulk of the impact will be concentrated in 2028-2030 – so it is a five- year horizon, rather than an imminent concern.

Even though we are not expecting a particular change in the SRB's role as the resolution authority from Basel III, the new requirements certainly represent a change for the banking sector, as the evolution of the capital requirements will lead to increases in the required MREL for banks. Despite these challenges, the SRB welcomes the Basel III implementation, which will further increase the resilience of the banking sector.

The SRB recently communicated that banks under the SRB remit have made progress towards resolvability. With two-thirds of the banks that have reached their final MREL target for 2024 and with a decrease of the aggregate MREL shortfall for SRB banks in recent years, how do you see the future of resolvability for banks under the remit of the SRB?

Yes, we have published our second assessment of banks' resolvability across the Banking Union during the summer. We highlighted the good progress made to date on key priorities for resolvability and in building up loss-absorbing capacity.

Banks have significantly increased their loss-absorbing and recapitalisation resources, otherwise known as MREL capacity, to ensure that severe losses and recapitalisation needs are borne by shareholders and investors rather than by taxpayers. Banks have made good efforts here and we expect the vast majority to reach their final MREL target soon. As a result, the aggregate MREL shortfall across all SRB banks continues to decrease. It reduced significantly in the second quarter of 2023, almost halving compared to the previous one. You can track these figures through the MREL dashboards we publish regularly. When it comes to funding, we see that market confidence has largely been restored after the Credit Suisse case, and last month was strong in terms of issuers being able to tap the market.

Banks have also further developed their operational processes and started testing their information systems to support the use of these funds in a crisis. Banks are now expected to close the main remaining gaps, notably on liquidity and funding in resolution, separability and restructuring. The SRB will review whether material shortcomings remain and take remedial action where needed.

Looking ahead, given the evolving nature of the risks banks have to face, the resolvability assessment has to adapt in order to provide an adequate response to crisis events at any time.

Banks will need to provide evidence that they update their resolvability capabilities over time. They will be requested to regularly test their capabilities according to a multiannual work programme and to make the necessary adjustments in order to make sure their resolution strategies are flexible enough to respond to a range of crisis scenarios. To this end, the SRB will continue engaging with banks to further operationalise resolution strategies and tools, with particular reference to transfer tools, liquidity in resolution and restructuring.

Climate change and ESG considerations are gaining prominence in the financial world. How is the SRB incorporating sustainability principles into its resolution framework, and what role do you see resolution authorities playing in addressing climate-related risks in the banking sector?

This is a very relevant question, and also one we are assessing as part of our new SRM strategy. Let me first clarify that this is an area where we look closely to work by supervisors – our concern would be the impacts in a resolution scenario.
To that end, we are carrying out an initial analysis of the possible consequences of climate-related exposures on the public interest assessment.

When it comes to the Single Resolution Fund, we are in the process of defining a comprehensive responsible framework, while ensuring we maintain our main investment objectives of liquidity and value protection. As part of this, we have joined the Network for Greening the Financial System, the reference forum for discussion on climate-related topics for central banks and public authorities. This will allow us to continue aligning with peers and market standards.

NEWS FROM LATIN AMERICA

Latin American banks reaffirm their commitment to financial education and inclusion

By Leticia Lozano

The Latin America and Caribbean Regional Group of the World Savings Banks and Retail Banking Institute (WSBI) issued a statement on 17 November reiterating its commitment to financial education and inclusion as an indispensable element to eradicate poverty and achieve the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda.

"We must improve the financial inclusion of our clients through financial education aimed at developing effective decision-making skills that leverage improvements in people's life quality and well-being," said Diego Prieto Rivera, WSBI regional president and President of Banco Caja Social (Colombia).

Mr. Faustino Laínez Mejía, Chairman of the Board of Banco Atlántida noted the following: "It has been of great benefit to meet again among WSBI members after the forced pause due to the pandemic. We had the opportunity to get closer to each other, learn from each other about new technologies and transformation processes to better serve our clients throughout the region."

The WSBI's regional group for Latin America and the Caribbean, known as GRULAC, made its commitment clear by presenting an official statement detailing measures to achieve the goal of financial inclusion in the region with a focus on banking, but also including the role of civil society, multilateral organisations, and national governments.

These measures include joining efforts to create an ecosystem for financial education and inclusion, focusing efforts on vulnerable groups, making decisive progress in building trusting relationships between banks and their customers, defining financial education as financial capacity building, and developing reliable metrics to assess the impact of financial education programmes.

The statement was made at the closure of the GRULAC annual meeting held in Tela, Honduras, on 16-17 November, with Banco Atlántida the esteemed host.

"It was a very productive meeting among institutions that share our common values of serving our communities with responsible banking," said WSBI Managing Director Peter Simon.

The meeting was entitled "Latin American banking in the midst of transformation: an exchange of experiences". It was an enriching meeting between WSBI members who shared lessons learned in the transformation processes they are carrying out and the best way to prepare for the current challenges in terms of innovation, technology and cybersecurity.

The WSBI is grateful for the generous hospitality of Banco Atlántida, which made this extraordinary event possible.

READ THE FULL DECLARATION

The GRULAC annual meeting held in Tela, Honduras

CELEBRATING A DECADE OF TRANSFORMATION
(CONTINUED FROM PAGE 3)

Finally, as a prominent member of WSBI-ESBG, can you say some words about CaixaBank's general involvement, including some collaborative initiatives that CaixaBank has engaged in the area of social responsibility and cross-border financial services within the WSBI-ESBG network?

At CaixaBank we are deeply involved in the large majority of policy work and initiatives being carried out at the WSBI-ESBG. Most importantly, however, this is not just about "joining forces" it is about "joining values". We share the three "Rs" guiding all the WSBI-ESBG activity: Retail, Regional and Responsible. All of which are firmly rooted in CaixaBank's social DNA.

We have put forward constructive policy proposals on a broad range of topics, including prudential regulation, sustainability, digital, markets, payments and resolution, among many others. I believe we bring a distinctive perspective to the issues at stake, drawing on our experience as a major retail bank in Europe, with a long tradition of innovation and excellence. For example, before summer we organised a workshop with European banking authorities and regulators to exchange views on the priorities of the Spanish Presidency of the Council of the EU at the WSBI-ESBG premises in Brussels, with the event being very well received by all parties.

CaixaBank is actively involved with the WSBI, chaired by our former Chairman Isidro Fainé, who is now the President of the "la Caixa" Banking Foundation. We have received several delegations of WSBI members interested in learning about our business models, including key areas such as distribution channels, digital banking, MicroBank, and artificial intelligence.

Last but not least, we also collaborate on aspects of financial education, and we have developed a very close relationship with the North and Latin American members of the WSBI.

FINANCIAL EDUCATION

ESBG at the Forefront: Shaping Financial Literacy Globally in 2023

2023 Financial Education Conference: A Vital Tool for Next Generation brought together leading experts from leading institutions including but not limited to UNESCO, CNMV, OECD, Bank of Finland, Aflatoun, JA Europe, DSGV and the European Commission to explore key themes in the field of financial education. The event centered on the issue of insufficient financial literacy among young Europeans, accentuating the necessity to furnish them with the essential skills for making judicious financial decisions.

More specifically, experts outlined the global disparities in financial education. Developing countries are focusing on basic financial education because of their low incomes, while developed countries are tackling their aging populations and economic challenges. Initiatives and the OECD framework aim to bridge these global differences.

Furthermore, the challenges and necessary actions for effectively engaging and educating young people were underscored by the experts.

They emphasized the significance of fostering enthusiasm and commitment to financial education among young individuals. The discussion also revolved around the creation of financial programs that appeal to young people, with a strong emphasis on using engaging communication techniques in financial education. However, it remains a pressing concern that most of the educational institutions are still not incorporating financial education into their curricula.

The rapid digitalization of financial services emerged as a pivotal concern, underscoring the importance of equipping the youth with the skills to navigate this evolving landscape. The event recognized the potential of new technologies to both enhance and complicate financial education. While digital technologies offer vast opportunities for engagement, they also expose young people to specific risks.

Finally, the multi-faceted nature of this issue required a concerted effort from a range of stakeholders, including educational institutions, financial organizations, and policymakers. The experts shared their experiences and practical insights, providing tangible advice for those seeking to advance their initiatives in this domain.

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