Financial News & Views
ON SAVINGS AND RETAIL BANKING

BRUSSELS, MARCH 2024 - PRICE 4.90 €

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!

"For us, membership in the WSBI has become an important step in strengthening our position in the global financial market and expanding our international practice."

Mr. Ulanbek M. Nogaev, Chairman of the Board, RSK Bank

FEATURED

WSBI Sets the Stage for Historic Centennial Celebration in Rome

The World Savings and Retail Banking Institute (WSBI) is set to commemorate a century of excellence in responsible banking with the much-anticipated 27th World Congress and Centennial Celebration, scheduled to take place on October 30-31, 2024, in the heart of Rome, Italy.

1st International Thrift Congress in Milan, 1924

In a nod to its rich history and enduring legacy, WSBI-ESBG invites members and stakeholders from around the globe to mark their calendars for this landmark event, which promises to be both reflective and forward-looking.

Established on October 31, 1924, during the inaugural International Thrift Congress in Milan, WSBI has evolved into the oldest global banking association, boasting 96 members across 71 countries. The forthcoming centennial celebration pays homage to this storied journey, encapsulating a century of resilience, innovation, and to community service.

The Congress, to be held at the prestigious Auditorium di Confindustria in Rome, will serve as a platform for leaders in the banking sector to convene and deliberate on the theme: "100 Years Forward Together – Shaping the Future of Responsible Banking." Through a series of panel sessions and discussions, participants will explore critical topics such as financial inclusion, sustainable finance, digitalization, and gender equality in the financial sector.

"We are thrilled to host this historic gathering in Rome, a city steeped in history and culture," remarked Mr. Peter Simon, Managing Director of WSBI-ESBG. "WSBI and our members, we are not merely financial institutions; we are agents of change, catalysts for progress, inclusive and sustainable future. For this reason, the Centennial Celebration is not just a milestone; it's a testament to our enduring commitment to making a positive impact on the lives of individuals and communities worldwide with our motto to *leave no one behind*."

The event will feature a stellar lineup of speakers and thought leaders, including prominent CEOs and executives from leading savings and retail banks. Attendees can expect engaging discussions and insights into the evolving landscape of responsible banking, with a focus on leveraging technology for social equity, advancing women's empowerment, and integrating environmental, social, and corporate governance (ESG) principles into banking strategies.

In addition to the thought-provoking sessions, participants will have the opportunity to network and forge meaningful connections with peers and industry experts. One of the highlights of the Congress will be the centennial Gala dinner, set against the backdrop of an iconic venue, offering attendees a chance to celebrate a century of achievements in style.

As the countdown to the WSBI Centennial Congress begins, stakeholders are encouraged to mark their calendars and prepare to embark on a journey of reflection, celebration, and anticipation. Stay tuned for detailed information and regular updates regarding the program, esteemed speakers, registration, partnerships, and sponsorship opportunities, as WSBI invites the global banking community to converge in Rome for a landmark event that epitomizes a century of banking excellence and innovation.

In the spirit of collaboration and shared vision, WSBI extends a warm invitation to all to join in commemorating a century of impact and shaping the future of responsible banking together.

We look forward to welcoming you to Rome for an unforgettable experience that will resonate for generations to come.

WSBI WORLD CONGRESS
ROME 30-31 OCTOBER 2024
1924 - 2024 100 YEARS

DIGITAL EURO

What is the Digital Euro? Where is it? And where is it going?

By Douglas Lockhart

Instant, digital, affordable payments are becoming the norm in Europe. At the same time, the EU continues to give serious consideration to the impact and possible design of a public means of payment. ESBG takes the opportunity for a stocktake while the ECB begins phase two of its technical work and co-legislators begin to form their respective positions - with plenty of unanswered questions remaining over the digital euro's direction.

As digitalisation continues to affect every aspect of our financial system and, indeed, wider world, the role and tools of central banks, just as with commercial banks, has evolved. Central bank digital currencies, such as a digital euro, are just one example of the impending revision of how we use money in the 21st century. However, the digital euro is particularly conspicuous in its complexity and far-reaching implications. The digital euro will definitively affect every facet of saving and retail banking – yet so much remains undefined.

DRIVERS OF THE DIGITAL EURO

The ECB's digital euro project is far from the first of its kind to be considered. Countries around the world have been contemplating whether to develop their own Central Bank Digital Currencies (or CBDCs) for some time. In 2021, BIS reported that 86% of countries' central banks have investigated possible CBDCs.

The acceleration of a digital Yuan in China put Western countries on particular alert. There were concerns that, if countries failed to innovate before the demise of cash, foreign digital currencies could be more widely adopted and increase their international role (to the detriment of monetary luddites).

However, it was not only public digital money that pricked ears in Frankfurt. The rise of cryptocurrencies, stablecoins and electronic money tokens (EMTs) on the blockchain have also been framed as existential threats to traditional fiat currencies. The digital euro has been seen as providing an alternative to such private, unfettered means of online payment.

Meanwhile, pre-existing payments infrastructures have become increasingly digitalised. With the rise of mobile and contactless payments, transactions in cash have unavoidably had a negative correlation. There was a concern that this would lead to a total elimination of cash. This would, it was felt, have grave consequences to the public balance sheet and monetary levers available to central banks.

Meanwhile, these modern digital payment solutions have a distinctly less European feel than cash (which have typically relied on central and commercial European banks). The increasing role of Visa and Mastercard as vital payments infrastructure has been cited by EU insiders as a critical threat to the union's goal of strategic autonomy. During a meeting with the ESBG last month the Commission referenced Russia's experience where overnight 'the taps were turned off' (referencing the implications of American sanctions on sovereign payments systems).

However, across these various fears around the changing vectors of modern payments, there has been a tangible shift. International development of CBDCs has slowed significantly. Where the EU had previously feared being left behind, the ECB now seems to be leading the pack, at least in the West (only the Bahamian sand dollar has been introduced so far and for very different reasons). Although the Digital Yuan has continued its state-sponsored rollout, fears of this being taken up wholesale in other territories have majorly declined.

Meanwhile, crypto assets are not the spectre over traditional financial markets that they once appeared. Although there was a resurgence in digital assets in 2023 there has been a significant change in perception of their future role. In particular, it has become the prevalent view that 'crypto currency' is a misnomer for speculative assets. And, as such, they do not represent a direct threat to national (or in this case regional) currencies.

Perhaps most significantly, the future of cash does not look as precarious as many had predicted only a couple of years ago. The ECB's latest study on the payment attitudes of consumers in the euro area found that 59% of point-of-sale transactions in the euro area in 2022 were made in cash. Instead, the argument for a digital euro has morphed to the benefits of introducing a public payment method that can imitate cash-like features online (e.g. privacy).

Of the original premises for a digital euro, the most enduring, and in fact the one to hold the most water from the outset, is the European agenda for strategic autonomy. While the popular uptake by Europeans of a Chinese-state online currency has yet to be realised, the dominance of American companies in European markets has continued. What remains to be seen is whether the EU's network of institutions can agree on a digital euro that is worthwhile and affordable without relying on the same card companies and Big Tech they seek to free themselves of.

WHERE DOES THE DIGITAL EURO STAND

While the political and financial context around the digital euro has changed, progress has continued to be made – propelled in chief by the European Central Bank. The ECB began work in the summer of 2021, investigating the possibility and implications of a digital currency in the euro area while reporting to the member states through the Eurogroup who were widely supportive.

Consequently, the Commission was encouraged to publish a proposal providing the legislative basis for a digital euro – which they duly did in June 2023.

Following the legislative proposal, the ECB resolved their first phase of investigation and decided, in October 2023, to progress to the next phase: a preparatory phase.

The ECB has recently begun work in earnest, with a clear emboldening to make technical decisions on the design of the digital euro. Through the Rulebook Development Group (RDG), ESBG continues to be relied on for feedback to the ECB's internal work, providing views on the rulebook through a targeted consultation and contributing experts to the programme of workstreams throughout 2024.

The agenda of phase two has been designed around a conclusion of the preparatory phase in October 2025, clearly with a view to opening the way to the ECB's Governing Council making the necessary decision on whether to issue a digital euro at that stage. However, since the end of phase one, representatives in the RDG have provided feedback to the ECB that there has been insufficient time or impact analysis provided for adequate feedback by members to technical options provided. This view has only been sharpened with an evolving set of truncated work programmes for 2024. It is important for all digital euro stakeholders to recognise the significance and permanency of the technical decisions being made at this stage.

Meanwhile, while the ECB seems hell-bent on expediting the digitalisation of the euro, the co-legislators' course seems to increasingly diverge. With the EU elections scheduled for May (meaning a Brussels exodus to the campaign trail by mid-March), and with an already dense package of legislation under consideration, rapporteurs across the Economic and Monetary Affairs Committee (ECON) have faced a stern challenge to motivate their colleagues to find a position by the spring.

MEP Dr. Stefan Berger, rapporteur for the digital euro, set an ambitious agenda to agree on ECON amendments to the Commission's proposal by April. Berger did, though, have to delay his own deadline for sharing the draft report with ECON and, subsequently, the entire digital euro timetable. ESBG understands that a number of ECON MEPs have turned their attention away from the digital euro entirely now, expecting nothing substantive to be done before the next parliament.

Meanwhile, the digital euro has disappeared off the agenda of the Council of the EU entirely under the current Belgian Presidency. Intriguingly, the Belgian PCY will be followed by a Hungarian executive (sceptical of such EU advancements to say the least), and two non-euro area countries in Poland and Denmark in 2025. While both countries next year are engaged with the EU process, neither have a vested interest in a digital euro and nor have they expressed any in CBDCs in a general sense. Therefore, it is entirely foreseeable that the digital euro finds little space in member states' discussions until mid-late 2025.

THE ROUTE TO DIGITAL EURO SUCCESS

The ECB has set itself a clear timeframe for enabling the issuance of a digital euro. However, with original policy motivators appearing to now be less than urgent and the necessary legislation still being a long way off, the ECB has been presented with an opportunity to recalibrate its ambitious schedule to align with the likely political development.

Leaving the specific features of the digital euro aside, the technical aspects under development by the ECB are certain to affect every aspect of banks' operations. They would therefore benefit from full impact assessments, either by the EU institutions themselves or in partnership with private sector expertise. For the benefits of a digital euro to be maximised, on a political and technical level, balance and patience will be required.

Douglas Lockhart
is WSBI-ESBG advisor with expertise on payments and digital finance

INTERNATIONAL WOMEN'S DAY

Celebrating International Women's Day with Three Inspiring Female Financial Voices

On the occasion of 8 March, International Women's Day, we are honored to have short interviews with distinguished women leaders from our members to get to know them better and to share their insights with our readers.

MS. DOMINIQUE GOURSOLLE-NOUHAUD, ESBG PRESIDENT

The financial sector is an industry where women are still in the minority, especially in senior management positions. What has been the main element in your career path to get to the point where you are today?

It's difficult to find one element more decisive than another. But still, throughout my professional career, women were in the minority. I did not experience it as a handicap, but on the contrary as a driving force to make my position as a woman, my views as a woman, my opinions as a woman heard. Without being demanding and vengeful but on the contrary, trying to convince and break out of the male-only framework.

I obviously do not represent all women, but I have been helped by women, and I am committed to them to pass on this help. And frankly, I now find a notable and positive difference in meetings or Boards of Directors in terms of parity.

International Women's Day serves as a reminder of the importance of including and empowering women. How does this apply to your organization?

This is reflected in a strategy of promoting parity in the company at all levels, whether in our jobs or in governance bodies. The *Caisses d'Epargne Françaises* have achieved parity on their Steering and Supervisory Boards for several years now. The proportion of female executives is also equal (45%), thanks to policies aimed at promoting and supporting women in their careers.

This is reflected in a growing increase in the proportion of women members of boards and presidents.

Concretely, the *Caisses d'Epargne Françaises* are signatories of the charter in favour of gender diversity and equality, which translates into concrete actions on awareness of gender stereotypes, remuneration, parenthood, creation of breeding-grounds or even coaching and animation of networks of female employees.

Finally, how does your organization contribute to women's financial inclusion? Please highlight if BPCE contributes to its members by offering products or services designed for women and, particularly, women entrepreneurs.

The issue of banking inclusion for women in France is first and foremost one of entrepreneurship. Fewer women than men go into business, even though they have the same desire to do so. This is linked to societal but also personal obstacles. Banks do not provide less credit to women who create their businesses compared to men, but as we play an active role in financing entrepreneurship, we have decided to make a positive contribution to promoting women's entrepreneurship. Concretely, we are partners of the State and the regions working with them to provide training for our own business managers, to support networks that help women and to organise events that showcase successful women as role models.

On 6 and 7 March, we will be welcoming 101 women entrepreneurs in our Federation premises, who are winners of a competition whose prizes will be awarded on 8 March by the Prime Minister in person.

MS. LUCY SAUCEDA, EXECUTIVE VICE-PRESIDENT COMMERCIAL BANKING, BANCO ATLÁNTIDA, HONDURAS

The financial sector is an industry where women are still in the minority, especially in senior management positions. What has been the main element in your career path to get to the point where you are today?

In these 25 years of experience in the financial sector, I have had a path full of challenges and continuous learning. This has allowed me to adapt to political, economic and financial changes, making timely decisions under the principles of transparency, ethics and social responsibility. I have been able to generate value in the institution, work teams, clients and the country's economy in general.

I have obtained positive results by forming high-performance teams through leadership, promoting the managerial inclusion of women within the structures in which I have participated.

International Women's Day serves as a reminder of the importance of including and empowering women. How does this apply to your organization?

At Banco Atlántida we recognize that women are a very important asset for the development of our economy and society; therefore, as an institution we are clear about our purpose to continue promoting their growth and future. Our executive president promotes female leadership in Grupo Financiero Atlántida by having women in senior management who have demonstrated their leadership and capacity in the financial sector.

Finally, how does your organization contribute to the financial inclusion of women? Highlight whether Banco Atlántida offers products or services designed for women and, in particular, for women entrepreneurs.

We contribute to bridging the gaps in financial inclusion and growth through our Aliadas Atlántida Program, aimed at women entrepreneurs who have a business idea or businesswomen seeking to grow or expand their businesses. The program consists of providing access to markets, technological tools, training, advisory services and technical assistance to promote their development.

We also have specialized products such as: Aliadas Credit Card with personal and business benefits. In addition, we offer unique initiative in the market: Women Leader 360 Assistance Program, which provides special coverage such as academic tutoring, transportation for your children, legal and technological advice for your business, among others.

At Banco Atlántida we recognize that women are a very important asset for the development of our economy and society; therefore, as an institution we are clear about our purpose to continue promoting their growth and future.

MS. ZAKIA HAZZAZ, DIRECTOR, INTERNATIONAL COOPERATION, AL BARID BANK, MOROCCO

The financial sector is one where women are still a minority, specially in high management roles. What has been the main element in your professional journey to get to the point where you are today?

Perseverance has undeniably been the common thread running through my career. I'm convinced that all women, whatever their sector of activity, need to show perseverance to overcome challenges and achieve their goals. This determination has been both my driving force and my catalyst since the start of my career.

At Al Barid Bank, the gender approach is a major challenge. The bank has been praised and awarded for its dynamism and proactive approach to gender equality.

International Women's Day serves as a reminder of the importance of including and empowering women. How does this apply to your organization?

To gain autonomy, women need access to financial education enabling them to acquire appropriate financial behaviours.

At Al Barid Bank, this is reflected in training, mentoring, financial education and women's leadership programs. Thanks to its rural roots, Al Barid Bank has enabled over 120 young schoolgirls in rural areas to benefit from scholarships.

Al Barid Bank is also involved in a number of government initiatives such as Maroc Attamkine, which aims to boost the economic empowerment of women and girls by 2030, and the Daam Al Aramil program, which has paid out over 100,000 grants to widows.

In addition, partnerships forged with private players in the digital and financial services sectors aim to develop the financial inclusion of women, in particular female entrepreneurs and artisans seeking to develop their activities and projects.

Lastly, as part of the financial inclusion forum held on the occasion of International Women's Day Al Barid Bank won the 2023 prize for the best evolution in women's financial inclusion.

Finally, how does your organization contribute to women's financial inclusion? Please highlight if AL BARID offers services designed for women and, particularly, women entrepreneurs.

Training, awareness-raising and outreach workshops focusing on banking products and financial services have been organized jointly with the Moroccan Foundation for Financial Education through various programs. Training programs are organized jointly with the Moroccan Foundation for Financial Education such as the Wafira project, launched by the International Labour Organization in collaboration with the Ministry of Economic Inclusion. This project aims to train seasonal migrant rural women and support other women in their self-entrepreneurship projects.

Al Barid Bank is also part of the government's roadmap to promote the economic empowerment of rural women, by actively participating in a project creating banking services for AVEC (*Associations Villageoises d'Épargne Crédit*).

Finally, as part of its ongoing efforts to empower women, Al Barid Bank has launched the "Hssab Laky" package, a banking product specially designed for women.

NEWS FROM LATIN AMERICA

Caja Huancayo consolidates IDB partnership to boost financial inclusion

By Leticia Lozano

Caja Huancayo, WSBI's member in Peru since 2021, has consolidated its partnership with IDB Invest by converting a standing loan into a 7.4% equity participation early this year, and by becoming a founding member of the Amazon Finance Network launched by IDB Invest and IFC in December.

Caja Huancayo has had a collaboration with the IDB since 2019. Now, this strategic partnership puts Caja Huancayo in a stronger position to provide financial services to rural populations and to women, two groups that are still overlooked in Peru.

"Having IDB Invest as a stakeholder will have a very important positive impact on Caja Huancayo", said Jorge Solis, President of Caja Huancayo and President of the Peruvian Federation of Credit and Saving Banks, also a WSBI member. This is a strategic partnership that will help us to reach out to rural populations of which 95% still lack formal financial services, with positive effects on sustainability and gender topics, since agriculture is very much linked to environmental topics and 50% of rural workers are women", he added.

This is the first capital investment of the IDB Invest in an institution of the Peruvian CMAC system, formed by the Municipal Savings and Credit Banks, which are the main providers of formal microcredits in the country since the 1980s. The move will support "Caja Huancayo's focus on MSMEs and vulnerable populations, as well as strengthening the capital of the Fund to leverage the growth of its loan portfolio, and in this way promote greater financial inclusion in Peru", said IDB Invest in a statement.

"Additionally, with the participation of IDB Invest, Caja Huancayo continues to strengthen its corporate governance system, through an action plan structured with international standards and best practices in the matter", according to the same statement. It added that the operation is expected to contribute to the following United Nations Sustainable Development Goals (SDGs): No poverty (SDG 1), Gender equality, Decent work and economic growth (SDG 8), Industry, innovation and infrastructure (SDG 9), Reduce inequalities (SDG 10), and Responsible production and consumption (SDG 12). Caja Huancayo has made substantial contributions to financial inclusion during its 35 years of existence. It is trusted by more than 2.5 million clients throughout the country, concentrating 24% in loans and 76% in deposits.

IDB Invest, a member of the Inter-American Development Bank Group, is a multilateral development bank committed to promoting the economic development of its member countries in Latin America and the Caribbean through the private sector. IDB Invest finances sustainable companies and projects to achieve financial results and maximize economic, social, and environmental development in the region. With a portfolio of $16.3 billion in assets under management and 394 clients in 25 countries, IDB Invest provides innovative financial solutions and advisory services that meet the needs of its clients in a variety of industries.

FOUNDING MEMBER OF THE AMAZON FINANCE NETWORK

Caja Huancayo is a founding member of the Amazon Finance Network launched jointly by IDB Invest and the International Finance Corporation (IFC) at the United Nations Climate Change Conference (COP28) in Dubai, in December.

The Amazon Finance Network is "an alliance that brings together financial institutions with the aim of increasing investment flows, mobilizing capital, promote financial inclusion, sharing knowledge on innovative financial solutions, and generating synergies with the public sector". This network is composed of 24 founding signatories from Bolivia, Brazil, Colombia, Ecuador, Guyana, Suriname, Spain, Switzerland, the USA and Peru with Caja Huancayo. "We are honoured to be part of this network thanks to the work we do in the Amazon region", said Jorge Solis.

The signatories have the determination and capacity to play a major role in the economic development of the region and reduce poverty and inequality by supporting projects that can broaden access to finance. One of the network's key goals will be to create employment opportunities through sustainable financing for micro, small and medium-sized enterprises in the Amazon region. The joint initiative is a milestone in the groundbreaking four-year partnership between the IDB Group and the World Bank Group announced in August to drive stronger results for people in Latin America and the Caribbean. As part of this agreement, both organizations are combining their expertise to support countries that share the Amazon region in the transition to net-zero deforestation, helping people pursue better livelihoods for the local population while preserving the ecosystem –including through innovative financial instruments.

Leticia Lozano
is international & institutional relations senior advisor of WSBI-ESBG for the Americas and Caribbean

ANTI-MONEY LAUNDERING

A Closer Look at the European Union's Recent Anti-Money Laundering Efforts

By Marta Kajda

On 16 and 17 January 2024, the final political trilogue negotiations took place over the Anti-money Laundering Directive (AMLD) and Anti-money Laundering Regulation (AMLR).

This marked a significant milestone in the broader European Commission package on AML/CFT, which encompasses four legislative proposals. In addition to revisiting the fifth AML Directive, an AML Regulation is set to usher in a harmonised AML landscape across Europe for the first time. Notably, the establishment of a European Anti-Money Laundering Authority (AMLA) will play a pivotal role in this transformation. The AMLA will not only supervise certain entities directly but will also coordinate the efforts of national Financial Intelligence Units, enhancing the overall efficiency in combating financial crime.

On 30 January 2024, the European Parliament and the Council organized joint public hearings of all 9 applicants (Austria, Belgium, France, Germany, Ireland, Italy, Latvia, Lithuania and Spain) that are interested in taking the agency. The final decision on the seat of AMLA will be made by co-legislators in the context of interinstitutional negotiations on 22 February 2024. One notable aspect is that both representatives from the European Parliament and the Council will have an equal number of votes, emphasizing a balanced decision-making process.

THE PROVISIONAL AGREEMENT ON AMLD AND AMLR

Although there are still a few outstanding issues that require further clarification at a technical level, ESBG expresses approval for some of the provisions of the provisional agreement on AMLR. The agreement expands the list of obliged entities to new bodies and includes, e.g. the crypto sector, traders of luxury goods, professional football clubs and agents.

ESBG welcomes the agreement on a threshold for the identification of beneficial owners set at 25% of the shares or voting rights. Should a lower threshold be determined, it would significantly impact daily operations. Numerous individuals would be designated as Beneficial Owners without factoring in the ML/TF risk. Consequently, as a secondary measure, obligated entities would be compelled to deploy scoring models to evaluate the genuine risk specifically for BOs. If the definition of "everyone" as a BO becomes applicable, it would not contribute value; instead, it would counterproductively undermine the risk-based approach.

As for limits to large cash, while the ESBG expresses contentment with the EUR 10,000 limit, it would prefer even more the decision to refrain from imposing any limit on cash payments. However, it is worth noting that the Member States can set a lower threshold. They can also apply the force majeure clause followed by its notification to the European Commission which will then assess it. Also, obliged entities will have to perform customer due diligence (CDD) checks for cash transactions as of EUR 3,000.

On the definition of Politically Exposed Persons (PEPs), the current draft agreement, including heads of regional and local authorities with a population of 50,000 inhabitants, represents a notable improvement compared to the initial proposal from the European Parliament, which suggested a threshold of 30,000 inhabitants. However, the ESBG does not endorse the agreement in this regard, citing its inconsistency with the FATF definition, which pertains to individuals entrusted with prominent public functions. In addition, the Parliament and the Council reached an agreement to narrow the scope of inclusion, specifying that only siblings of senior officials of central governments will be considered, as opposed to the broader inclusion of all siblings of PEPs initially suggested by the Parliament.

ESBG welcomes the opportunity for obliged entities to outsource the reporting of suspicious activities or threshold-based declarations to highly specialized service providers. AMLA is expected to issue guidelines on outsourcing relationships, delineating roles and responsibilities within the outsourcing agreement for both the obliged entity and the service provider. The regulation will come into force 20 days after its publication in the official journal, and its application will commence three years thereafter.

Regarding AMLD aiming to improve the way national authorities fight against the anti-money laundering system, our dissatisfaction arises from the introduction of high-value asset registries documenting the ownership of high-value assets like yachts and luxury cars.

In our opinion, the provision that enables access for competent authorities to information on certain goods had no added value from the perspective of preventing money laundering. In addition, such access represents an intromission into the privacy and personal data of individuals with the pretext of fighting money laundering. In our opinion Authorities should not charge credit institutions with tasks that fall under governmental competence with the pretext of preventing money laundering. The agreement also enables individuals and entities, including the press and civil society, to gain access to the registers by demonstrating a legitimate interest.

To streamline criminal investigations on cases involving real estate, the text guarantees that competent authorities can access real estate registers through a single access point in each Member State.

NEXT STEPS

The texts are being finalised at the technical level and will be presented to the Council and the Parliament for approval. Then, the co-legislators will have to formally adopt the texts before their publication in the EU Official Journal.

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

NEWS FROM ASIA

An exclusive talk with RSK Bank's Chairman of the Board Mr. Ulanbek M. Nogaev

Can you share some insights into your professional journey in the banking industry and how it led you to your current role at RSK Bank?

My career in banking started in 2003 specifically in RSK Bank. Thanks to hard work for 20 years I managed to grow from the position of a treasury specialist to the Chairman of the Management Board of the largest bank in Kyrgyzstan. Of course, the path was long and not easy. But working in different banks gave me a lot of experience, knowledge, ability to work with a team and clients.

What do you consider as the key strengths and distinguishing features of RSK Bank within the banking landscape?

"RSK Bank" OJSC is the largest retail bank in Kyrgyzstan, which is among the top five financial institutions of the country in terms of total assets, authorized capital, current accounts, deposit and loan portfolios and the number of clients served.

We provide a full range of retail services to the population. Although 94% of the republic's area is occupied by mountains, RSK Bank is represented in all corners of the country. We strive to provide financial services to residents of even the most remote villages.

Also, the bank has the largest network of correspondent banks abroad, provides a wide range of services for individuals and legal entities, issues and services national and international cards, services foreign cards, regularly introduces new banking products and develops digital services.

Besides, "RSK Bank" is also represented on the international financial platform.

How has RSK Bank contributed to the economic development and financial inclusion in Kyrgyzstan?

The Kyrgyz Republic is an agrarian country with over 60% of the population living in rural areas. In this regard, financial inclusion was reflected in the Bank's mission and vision. I would like to emphasize once again that providing banking services to the population in all regions is at the center of our activities. We are widely represented in all regions of the republic and actively promote digital services.

In general, it should be noted that at the moment the bank is undergoing digital transformation, we will change our strategy in this direction and we are confident that these changes will create even better conditions for every citizen, regardless of their place of residence, income level, health limitations, to receive the necessary financial services.

In addition, we are working hard to ensure food security, increase housing affordability and support small and medium-sized businesses. The Bank is one of the largest participants of government programs, under which we provide soft loans for agricultural development, housing purchase and SME support.

I would also like to note that RSK Bank supports the policy in the sphere of women's entrepreneurship development. We develop and implement products designed to support women in SMEs.

All these large-scale works of the bank are directly related to the economic development of Kyrgyzstan and increasing accessibility to financial services.

Given the growing emphasis on sustainable banking practices, could you elaborate on RSK Bank's commitment to Green finance and ESG principles?

RSK Bank expresses its commitment to the goals and objectives of the National Development Strategy of the Kyrgyz Republic for 2018-2040, supports the UN Sustainable Development Goals, the Principles of Responsible Banking approved by the United Nations Environment Program Finance Initiative (UNEP FI) and strives to implement the above goals and principles in its activities.

We intend to develop cooperation with international organizations whose activities are related to the implementation of projects aimed at reducing (mitigating) the impact and adapting to the consequences of global climate change.

It should be noted that the Bank has approved the Environmental and Social Policy in order to implement part of the Bank's strategy aimed at sustainable development of an effective environmental and social risk management system, reducing the negative environmental and social impact of the Bank's and our clients' activities on the environment, and observing gender equality in the selection and servicing of clients.

In addition, the bank has adopted 13 sustainable development goals, within the framework of which projects aimed at minimizing CO2, construction of renewable energy sources, implementation of programs to ensure food security, preservation of water resources of the country, support of recycling enterprises and many others are at the stage of development and implementation.

Last year, "RSK Bank" OJSC became the first bank in Kyrgyzstan to join the United Nations Global Compact.

In addition, within the framework of the above initiative, the Bank participates in the SDG Ambition Accelerator. This program is a gas pedal aimed at motivating the participants of the UN Global Compact to set ambitious corporate goals in the field of sustainable development and help companies to integrate the 17 Sustainable Development Goals into corporate strategies, management and operations.

The Bank also approved an action plan - a roadmap for ESG implementation. As part of the Roadmap implementation, the Methodology for waste utilization (paper, plastic and metal utensils, cut plastic cards, seals) was developed and approved. Workshops for employees on organization of the waste management system and ESG are held on a regular basis.

How does RSK Bank approach corporate social responsibility, and what initiatives have been particularly impactful?

The Bank's goal is not only to achieve economic success, but also to contribute to the social and environmental well-being of our country and society as a whole.

As one of the country's largest financial institutions, we demonstrate a high level of corporate social responsibility. This includes organizing and supporting social and environmentally significant projects and activities to preserve the country's biodiversity and beyond. The Bank attaches great importance to supporting sports, culture and charitable assistance.

I would like to reiterate that in our activities we apply tools to solve the problems of ecology and the surrounding world. These are financing of projects aimed at minimizing CO_2, construction of renewable energy sources, such as small hydroelectric power plants, wind farms. Implementation of programs aimed at ensuring food security, preservation of the country's water resources, support for recycling enterprises.

In what ways does RSK Bank prioritize innovation and technology in its banking operations?

Once again, I would like to emphasize that today "RSK Bank" has set a course towards full digital transformation. Our global task is to transfer clients to remote service by creating favorable conditions for the population.

We have implemented a mobile application with more than 900 different services, online banking for legal entities and other modern solutions to improve customer service. The Bank is actively engaged in optimizing banking processes to provide faster and better service to customers and to increase the efficiency of its work.

At the beginning of the year, the bank established a high-tech company RSK Technologies, where innovative digital products and services will be developed.

Speaking of novelties, I would like to mention the imminent introduction of a super modern RSK mobile application, where users will be able to find the widest range of services.

We have not forgotten about entrepreneurs. In the spring, together with our partners, we will present the Ishker24 application, which will provide solutions to every businessman's pain points. Opening a sole proprietorship, paying taxes, submitting reports, accepting payments and many other services will be available in a smartphone.

In addition, "RSK Bank" monitors modern trends in the financial sphere and pays great attention to staff training. We have created the RSK Academy, which is an internal corporate university, the main purpose of which is to continuously improve the level of qualification and knowledge of the bank's employees in cooperation with leading educational centers and consulting companies.

What challenges and opportunities do you foresee for RSK Bank in the coming years?

We have a lot of plans and opportunities. In the short term, we plan to open correspondent accounts in European and Asian banks, sign a consulting agreement with Renaissance Capital (London) to obtain a credit rating from the international rating agency Fitch Ratings Inc. (New York), place Eurobonds on the London Stock Exchange, obtain a license for depository activities and become the first depository bank in Kyrgyzstan, issue asset-backed tokens (stablecoins), and obtain permission from the National Bank of Kyrgyzstan.

In addition, the bank, in collaboration with the state-owned cellular operator, launched the creation of a state fintech ecosystem in Kyrgyzstan. The cooperation within the first GovFinTech project involves combining the potential of two leading state-owned companies to launch innovative mobile-financial technologies and improve the efficiency of banking and telecommunication services. The first product of the partnership, as I mentioned earlier, was a unique unified mobile application Ishker24 for entrepreneurs.

Is there a particular message or vision you would like to share with the WSBI community and stakeholders?

First of all, I would like to express my gratitude to WSBI for the trust and acceptance of RSK Bank into its ranks. For us, membership in the association has become an important step in strengthening our position in the global financial market and expanding our international practice. I am confident that interaction with global banks will help in developing retail services and gaining access to knowledge, best practices and the latest solutions that can improve the bank's operations. The experience of WSBI members in applying the latest technologies and innovations in retail business and using global approaches to develop the savings business is extremely important to us. I will especially emphasize the opportunity to share experience on ESG issues for preserving the ecology of the country and the region, in general.

SUSTAINABLE FINANCE

The CSDDD dilemma or how to choose between Kant and Machiavelli?

By Adrien Boudet

"The European Union is currently facing a Machiavellian moment in History" according to Thomas Gomart, the director of the French Institute of Foreign Affairs (IFRI)[1]. Indeed, the European Union is being challenged by other powers in several sectors, notably the economic one, and seems to be ignoring this reality as it is busy promoting worldwide cooperation, notably regarding the transition towards sustainability. In Gomart's opinion, the EU must acknowledge that its model is being threatened and, hence, take the appropriate steps to protect itself and be ready to face these competitors (US, China, Russia etc.) instead of naively trying to cooperate with them since they probably have no wish to do so. However, tackling climate change requires a true cooperation in order to succeed. In this regard, instead of the Machiavellian competition, Kant's legacy[2] stresses the need for international cooperation on several international topics. As of today, the environment is undoubtedly one of them. Therefore, what should the EU choose between Machiavelli's pragmatic realpolitik and Kant's cooperating idealism?

REALPOLITIK OR IDEALISM: THE UE WITH THE WORLD OR AGAINST IT?

The Corporate Sustainability Due Diligence Directive (CSDDD) is a perfect case study of this tension between the need for cooperation to tackle climate change and the need for the EU to avoid any naiveness that would hamper its competitiveness vis-à-vis other powers. « Europe has to find its place in the ongoing competition between the U.S. and Chinese systems, and it needs a strong, competitive economy in order to hold its own on the world stage" reads the letter sent by the German Ministries of Finance and Justice to other Member States, justifying its opposition to the CSDDD. Indeed, the final CSDDD text[3] notably mentions rules regarding the "civil liability of companies for damages caused to a natural or legal person, under the condition that the company intentionally or negligently failed to prevent and mitigate potential adverse impacts or to bring actual impacts to an end and minimise their extent and as a result of such a failure a damage was caused to the natural or legal person[4]." One might fear that such provisions will weaken EU companies whereas there are no equivalent requirements for US or Chinese companies of comparable size. This provision leads to the question of how the EU can use its influence on a market if its companies are forced to withdraw from it eventually.

This is even more striking as the US adopted two years ago the Inflation Reduction Act, implementing more subsidies for its own companies and, hence, strengthening their competitiveness towards European ones. As Machiavelli stressed: "anyone who holds as real and true what should undoubtedly be, but unfortunately is not, is heading for inevitable ruin."

On the contrary, Kant would argue that the EU must "act as though its every actions were to become a universal law". In this regard, setting up environmental and social standards for big companies and their suppliers, as intended by the CSDDD, is indeed something the EU should do since other regions are likely to follow its example thanks to its "soft power[5]". Elaborating further on this idea, how could the UE present itself as the leader of the environment and human rights if not setting the right example with its own companies? This is one of the main critics raised by southern countries when being asked to transition quickly by western ones which did not pay attention to climate harm during their industrial revolution. Moreover, since climate change must be tackled as soon as possible, big European companies must continue to be ambitious despite (legitimate) competitiveness' concerns.

THE DANGER OF PLAYING REALPOLITIK WITHIN THE EU

Whether the EU must follow a realpolitikal approach when competing with foreign companies is beyond question.

Nonetheless, the CSDDD reveals the danger of a situation where member states tend to follow Machiavelli's lessons against one another. Indeed, the difficulties in adopting this text are partly due to the fact that some member states are pursuing a domestic agenda rather than a European one. In this regard, one might think that France's push to exclude the financial sector's downstream part from due diligence requirements was inspired more by the wish to attract financial companies after Brexit rather than considering the financial sector's specificities (which is again a legitimate concern though). More recently, the German liberal party's attempt to block the text in the Council is also probably more linked to their domestic situation (it reaches around 5% of the share of the votes ahead of the June EU elections) rather than their wish to see Europe becoming a geopolitical player. This is probably the most worrying trend. The EU is already being challenged on many aspects by other powers and critics within member states are rising, as shown by the latest polls and elections.

In the end, maybe the EU does not have to choose between Machiavelli and Kant eventually but it should rather find a balance between them. Concretely, the EU must continue to promote its ideals and values (with laws like the CSDDD) through its strengths, such as its economic power - the implementation of a border carbon adjustment mechanism is an interesting example in this regard. At the same time, the EU cannot afford to be naïve and should emancipate itself from other powers by being ready to reciprocate these powers in case they threaten its companies. This is not by being less ambitious regarding the environment and human rights that the EU will defeat populism, but rather by showing that promoting these values is not antinomic with the protection of its own citizen and companies.

"Europeans must improve their comprehension of world affairs if they wish to defend their interests vis-à-vis States intending to exploit their divisions to impose their own values"[6]. CSDDD illustrates it. Maybe it is time to behave as Kantians inside the EU and as Machiavellians when it comes to facing our main competitors, and not the other way around?

Adrien Boudet
is WSBI-ESBG advisor
with expertise on
sustainable finance

1 Thomas Gomart, L'affolement du monde.
2 Kant, Towards a perpetual peace.
3 At time of writing, the final text has not been voted neither in the Council nor in the European Parliament because of postponements due to last minute U-turn from some member states.
4 Article 22 of the final text.
5 Intended as "power (of a nation, state) deriving from economic and cultural influence, rather than coercion or military strength", Nye, Bound to lead.
6 Thomas Gomart, L'accélération de l'Histoire.

DIGITAL FINANCE

Modern bank robbery: Keeping banks secure in the digital age

By Janine Barten

Willy Sutton (1901-1980) was a colorful character who stole an estimated $2 million during his forty-year bank robbery career. When asked why he robbed banks, Sutton simply replied, "Because that's where the money is."

In today's digitalized world, Sutton would have to change his modus operandi. Criminals are now not only interested in banks for the money in there but also for the data they hold. As such, banks face a variety of new security challenges. And while financial institutions are at the forefront of innovation, employing new technologies to improve their services, the risk of cyber threats, fraud, and data breaches grows.

In order to stay ahead of these challenges, it is important for the banking sector to stand together. That's why WSBI-ESBG decided to bring member experts together to discuss best practices during the 1st Joint meeting of the Cybersecurity Network and Banking and Technology Network.

Hosted by Erste Group Bank in Vienna on 14-15 December 2023, the meeting brought together over 30 experts from all over the globe to exchange on recent developments in banking security. The two-day event featured not only WSBI-ESBG members, but also distinguished guest speakers to delve into key issues for the banking sector. A wide array of topics, including fraud, digital wallets, and artificial intelligence was explored through presentations followed by interactive discussions.

Participants were warmly welcomed by Roland Supper, Group Chief Security Officer at Erste Group, who gave an overview of Erste's initiatives and expertise in the cybersecurity realm during his opening remarks. Next on the agenda was a roundtable discussion on cybersecurity maturity, led by Bernardo Horta, Head of Group Cyber and Information Security at Erste Group, who outlined Erste's governance set-up. Members explored how the right security maturity level is measured and governed in a federated environment.

After that, Nenad Milanovic, Chief Information Security Officer at Erste Group, illustrated fraud uses cases dealt with by Erste Group's security operations centre, stressing that financial institutions are not only delivering financial services to their clients nowadays, but are in essence evolving into software companies. He highlighted current threats and responses that exist to secure and protect data and gave a historical overview of the information security journey at Erste Group.

On a similar note, members were given a summary of Erste Group's cybersecurity awareness initiatives, such as employee trainings, campaigns, and phishing simulations by Carina Kloibhofer, Head of AT Data Privacy Security Management. Erste Group has also been encouraging the gamification of learning through their 'Bankers vs. Hackers' board game and an escape room during the European Cybersecurity month. The day was wrapped up by Diederik Bruggink, Head of Payments, Digital Finance and Innovation at WSBI-ESBG.

While the first day centered around the topic of cybersecurity, the following day included discussions on the European Digital Identity Wallet (EUDIW). The meeting was opened by Oliver Lauer, Head of digitallabor.berlin at the Deutscher Sparkassen- und Giroverband (DSGV) and chair of the Cybersecurity Network, who discussed the risks and opportunities of synergetic wallets with meeting participants.

Moving forward, Norbert Sagstetter, Head of Unit e-IDAS at the European Commission (DG CNECT) discussed with members the strategy behind the EUDIW. Characteristics of the wallet were outlined, emphasizing its free use for all European citizens, acceptance throughout the European Union, and its strong focus on security and privacy. There are currently four pilot projects testing many different use cases of the wallet (NOBID, EWC, Potential, and DC4EU). Use cases in finance are for instance account onboarding (Know Your Customer), payments (Strong Customer Authentication), qualified electronic signatures, and the Digital Euro. Finally, Mr Sagstetter elaborated on the timeline of the wallet, which is expected to be available in the second half of 2026.

Building on the presentations on digital identity wallets, Ronny Khan, Project Lead at the NOBID consortium, informed members about recent developments in the NOBID Large-Scale Pilot project, which is focusing specifically on payments security in the European wallet. He also touched upon the eIDAS 2.0 regulation and the potential impact of the digital euro on the eIDAS system.

The EUDIW was then brought to life by Florian Andreae, Senior Software Engineer at DSGV and Architect at the European Central Bank's Digital Euro Work Stream, who demonstrated recent work done on the wallet to implement the Digital Euro. Possible payment security approaches concerning the Digital Euro and Strong Customer Authentication (SCA) were discussed with members, who were shown how to use the e-ID wallet to make purchases in a store.

The final topic on the agenda was the role of artificial intelligence in tackling fraud. In this regard, Óscar García-Olalla, Head of AI & Data Science at Xeridia, showed the digital banking use cases they are working on, illustrating the ways in which AI is employed in fraud monitoring. The discussion on artificial intelligence continued during a roundtable discussion led by Michael Wachert-Rabl, Cyber and Information Security Specialist at Erste Group, exploring the AI Act from a practical perspective. Members deep-dived into topics as compliance, AI governance, and codes of conduct.

As the second day drew to a close, the final remarks were delivered by Danith Valles, Chief Enterprise Architecture Officer at Cecabank and chair of the Banking and Technology Network. WSBI-ESBG thanks Erste Group for the excellent hosting and looks forward to future exchanges with a strong and unified network of banking, innovation and security experts. It is clear that banks stand ready to face the challenges brought by the successors of Willie Sutton.

Janine Barten is WSBI-ESBG advisor with expertise on digital finance and innovation

RETAIL BANKING

ESBG's Retail Banking Conference explored future of retail banking amid challenges and opportunities

ESBG's Retail Banking Conference 2023 brought together a constellation of banking experts, policymakers, and industry leaders. This annual event, a tradition since 2008, tackled the pressing challenges and evolving landscape of the banking sector, offering a comprehensive exploration of crucial issues shaping the future of retail banking.

Kicking off the conference, Peter Simon, Managing Director of WSBI-ESBG, highlighted the major role of retail and savings banks amidst economic uncertainties. From geopolitical tensions to energy price fluctuations, Simon underscored the significance of these institutions in ensuring financial stability and fostering economic growth.

Delivering the first keynote speech, Mr. François-Louis Michaud, Executive Director of the European Banking Authority (EBA) discussed the financial sector's transformation from pre-crisis stability to crisis management. Comparing European and U.S. regulatory approaches, he emphasized the importance of ongoing efforts to assess the sector's health, particularly in a high-inflation environment. Michaud also delved into the role of banks in addressing climate change and sustainability, stressing the need for regulatory stability.

Mr. Thomas Matis, Senior Manager Financial Services of KPMG made a short presentation during which he presented findings on the ongoing discussion of inducements in the German retail investment advisory market. He highlighted the preferences of German retail investors for personalized guidance and the potential impact on engagement with financial instruments if investors are unwilling to pay for advisory services.

During the first panel, MEP Stephanie Yon Courtin, Evert Van Walsum (ESMA), and Christian E. Castro (CaixaBank) led a crucial discussion on the Retail Investment Strategy. Ms. Courtin stressed collaboration for navigating over a thousand amendments, underlining its impact on the retail banking future. Van Walsum highlighted aligning frameworks with banking needs, emphasizing adaptive legislation. Castro added practical insights, focusing on the delicate balance required for effective regulation. The discussion centered on trust and transparency's pivotal role in legislative frameworks, acknowledging the multifaceted challenges faced by the retail banking sector. The panel refrained from advocating one-size-fits-all solutions, considering the potential impact of banning inducements on accessibility for lower-income consumers.

The ambiance shifted to a dynamic rhythm as Fiona Van Echelpoel (ECB), Peter Kerstens (European Commission), Erik Ljungberg (Swedbank), and Andrea Tessera (Banca Sella) explored the delicate balance between disruption and tradition in Open Finance with the moderation of Mr. Diederik Bruggink, ESBG's Head of Payments, Digital Finance and Innovation. Ms. Echelpoel emphasized trust as fundamental in financial services, underscoring the need for transparent, clear communication, and ethical conduct. Mr. Kerstens delved into the technicalities, stressing responsible data exchange and the crucial role of purpose limitation in safeguarding against misuse. Mr Ljungberg, for his part, highlighted regulatory oversight's role in fostering innovation while preserving alignment with data protection regulations, introducing regulatory sandboxes as key tools. Mr. Tessera concluded with a focus on common standards and interoperability, crucial for seamless integration of financial data across diverse sectors.

In the fireside chat, Ms. Arianna Vannini, Chief Economist DG INTPA, International Partnerships European Commission addressed global economic challenges and the evolving financial architecture, emphasizing the significance of public-private partnerships for investments in climate, digitalization, and sustainable development. She was followed by Ms. Ana Puente Pérez, Head of Sustainability and Digital Finance at the Spanish Ministry of Economy and Digitalization who took the stage to deliver the second keynote speech. Ms. Pérez summarized the Spanish Presidency's focus on banking regulation, including Basel III, CRD V framework, PSD2, Digital Finance Package, and the Capital Market Union. Sustainable finance and the EU Green Bond Standard were highlighted to align financial regulations with environmental objectives.

Panel 3 illuminated the role of retail banking in steering sustainable finance. Featuring Marcel Haag (European Commission), David Lukas Rozumek (IMF), Veronika Pountcheva (ISSB), and Karolin Schriever (DSGV), the discussion navigated key aspects of this crucial landscape. Mr. Haag highlighted the challenges in aligning retail banking with evolving sustainable finance regulations, emphasizing the need for consistent and streamlined rules. Ms. Pountcheva shed light on ISSB's efforts to establish international sustainability disclosure standards, focusing on a universal baseline and climate-related disclosures to meet investor demands. Ms. Schriever delved into the challenges faced by retail banks in the green transition, emphasizing the importance of simplifying disclosure processes. The panel stressed the need for sustainability reporting frameworks aligned with corporate strategies, with a commitment to developing manageable frameworks for SMEs, ensuring financial access without excessive reporting burdens.

In her keynote speech, Ms. Patricia Reilly, Head of Cabinet of Commissioner McGuinness discussed financial and regulatory topics, emphasizing the importance of financial stability, market integrity, and consumer protection. Regulatory initiatives, such as simplifying reporting requirements, benchmark regulations, and promoting open banking, were highlighted.

As the host of the event, Ms. Dominique Goursolle-Nouhaud, President of ESBG expressed gratitude for conference participation and emphasized the crucial role of savings and retail banks in Europe. Addressing challenges and opportunities in the digital transformation, she stressed the need for proportionate banking regulations and collaborative efforts among stakeholders. The ESBG Retail Banking Conference 2023 provided a platform for rich discussions, diverse perspectives, and a shared commitment to navigating the dynamic future of retail banking.

GLOBAL ADVOCACY

WSBI at COP 28: Scale2Save Brings Home Crucial Climate Perspectives

By Stephen Peachey & Weselina Angelow

WSBI's Scale2Save team, represented by Weselina Angelow and Steve Peachey attended COP 28 which was held in Dubai, the United Arab Emirates, on December 2023. It was a real eye-opener – there is a huge amount to do but they picked up a real sense of momentum around Climate Adaptation and Resilience. This is important to WSBI's membership, because adaptation and resilience is all about how the people who make up our customer bases handle shocks that otherwise undermine what they can do with us.

We were generously hosted by WSBI member AGFUND who had partnered with the Arab Bank for Economic Development in Africa (BADEA) to sponsor the Land and Drought Resilience Pavilion. AGFUND, led by Executive Director, Dr. Nasser, is a vital member within the WSBI community, contributing significantly to the shared mission of achieving impact beyond traditional financial inclusion promoting resilience and sustainable development for communities worldwide.

This puts us in front of vulnerable target market segments operating at the frontier between formal and informal economic activity. These people face everyday volatility around income and spending that is now being added to by climate volatility – delayed rains ruin planting patterns for smallholders and excess rains can destroy crops before they mature plus they can also wipe out whole neighbourhoods in informal urban and rural areas alike.

The session used specific learning from WSBI's Scale2Save programme to frame a debate around how vulnerable women in particular can best be helped to fund the investments needed to adapt income-earning activities so they are less disrupted by climate shocks. WSBI was glad to be joined by speakers from Dutch Entrepreneurial Development Bank FMO, WSBI member AGFUND, Uganda Development Bank (UDB) and Development Alternatives from India:

- Discussants agreed with Carrie Walczak from FMO that better matchmaking on the ground is needed between development financing and end beneficiaries so women entrepreneurs really benefit from climate interventions offered to them. Local knowledge is crucial to reach vulnerable businesses better. New ways need to be found for banks to on-lend to markets perceived as too risky through second loss guarantees.
- Kanika Verma of Development Alternatives talked about how important it was to embed development finance in skillset building and women's empowerment across all aspects of enterprise – create the right space and women are innately innovative and if climate financing is delivered as part of wider resilience and livelihoods building it has really good payback rates (in excess of 98%).
- Prof. Badr El Din A. Ibrahim from AGFUND agreed that mechanisms are needed for banks to take on risky customers instead of moving away from them in times of increased climate risk. Overall financial institutions need to invest larger parts of their portfolio in microfinance and help de-risking, particularly, farm businesses hit by climate shocks. In addition, there's demand for green and social guarantees for women enterprises that allow stretched repayment cycles.
- Patricia Ojangolem from UDB suggested bank-led digital platforms or Fintech partnerships are key for providing smallholders with a first access point to financing, lowering costs of credit and increasing flexibility in repayment cycles so vulnerable informal businesses can cope with shocks and grow into formality.

But COP is much more about listening and learning than just sharing your own perspective. Here are three key learnings that Weselina and Steve brought back from COP 28 and think that WSBI members need to engage with:

- COP 28 saw a major announcement that **food will now be a mandated element of the evolving Nationally Defined Contribution commitments that governments make under COP.** This is long overdue, as agriculture and food production is often the biggest net emitter in low-income countries and there are estimates that it contributes 15-30% of all greenhouse emissions worldwide. The UN's Food and Agriculture Organisation contrasted this with only 4% of total climate financing flows to date having gone to the sector, while climate science agency CGIAR pointed out that agriculture is one of the very few sectors that can turn from emitter to carbon-sink if farmers are helped to switch to regenerative techniques. World Wildlife Fund are just about to launch a toolkit to help governments with the challenge of reflecting strategies for agriculture in Nationally Defined Contributions and National Action Plans. WSBI Scale2Save are already in touch with WWF and are working to mobilise funding to support members creating local financing tools that help farmers change to more adaptive farming models.
- **Gender is now a mainstream consideration across all aspects of the climate agenda.** It is increasingly clear that women often bear the impact of climate shocks disproportionately and play a huge role in managing a family's way out of the resulting disruption. This fits with Scale2Save learning about how women use savings to build resilience generally but often cannot use credit (or insurance) unless they are delivered in new and more flexible ways. During COP28 the UN Climate Funds (that manage hundreds of billions of dollars of public climate funding) ran a series of 'Ask the Expert' workshops and it fell to Steve to attend the one on gender. He came away really encouraged by the response of several of the experts and other people in the audience to WSBI's recent sign-up to the World Bank WE-FI Code. We were 100% right to sign-up early and Scale2Save is excited about the opportunity this gives to work with members who are committed and ready to be early movers in bridging the financing gap for women in enterprises. The data-driven evidence that the WE-FI Code will provide will be an important step for catalysing the demand and tying it to climate adaptation and resilience.
- **The Climate Financing Challenge will not be met by international flows alone.** Steve also attended a workshop run with FSD Africa support for the Blended Finance Taskforce to launch their Action Agenda for Mobilising Domestic Capital to Drive Climate-positive Growth. This is of direct and obvious relevance to WSBI Membership, who often mobilise huge volumes of very stable domestic savings. All too often people assume local currency climate finance is going to have to involve local capital markets but these are very underdeveloped in many of the countries that face the biggest adaptation and resilience challenges. The Taskforce shared the consultation version of their Action Agenda and Scale2Save is working on practical responses that would help WSBI members play a big role in mobilising the two dollars of local finance the Taskforce thinks will be needed for every dollar of international climate finance coming into the emerging and developing economies of the world.

Finally, there was another big announcement around **Loss and Damage** at COP 28 that the Scale2Save team think is of huge relevance to WSBI members.

Pannel Session: Building Climate Resilience for Women Entrepreneurs held on 4 December 2023 in Dubai

A key part of Loss and Damage is that money needs to flow traceably through to people who are suffering the consequences of climate change. The last-mile, digitised, small balance savings and farm-support platform solutions that Scale2Save have been focussing on for the last eight years are perfect for getting this money out to people whose living situation has been pulled back by a local climate shock. This is something the African Regional Group will actively integrate into their work plan for the year and an upcoming African Regional Digitalisation Group session will now focus on digital finance opportunities stemming from the Loss and Damage initiative.

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Financial News & Views
Established 2005 - Number 68

Published by World Savings and Retail Banking Institute aisbl
European Savings and Retail Banking Group aisbl
Rue Marie-Thérèse, 11 • B-1000 Bruxelles
Phone + 32 2 211 11 11 • communications@wsbi-esbg.org
www.wsbi-esbg.org

Responsible publisher: Peter Simon
Chief editor: Nihan Cevirgen

Price per issue: 4.90 euro
Subscriptions: communications@wsbi-esbg.org

Financial News and Views does not necessarily reflect the opinion of WSBI or ESBG.

Design & Layout: Altera. Print: Drukkerij V.D. We choose to print this paper on Circle Offset premium white 100% recycled paper. If you throw it away, throw it in the recycled paper bin!

ISSN number 2795-7497

https://www.wsbi-esbg.org/publications/

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