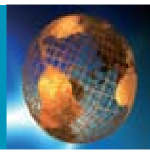

WSBI • December 2009 • ESBG
The global voice of savings and retail banking

NEWS & VIEWS

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Lessons from the crisis and priorities for the future of retail banking in Europe

RETAIL BANKING IS A CORNERSTONE for economic activity, as retail banks are the most prominent contact point between consumers and SMEs and the 'financial world'. It is therefore an area of central importance, even more so under the current circumstances. The present crisis sheds new light on core retail banking issues for which it will set new trends in the times to come.

Chris De Noose

In order to open the discussion on the lessons learned and new challenges in the retail banking area, on September 22nd of this year ESBG hosted a conference "Retail Banking in Europe – The Way Forward: Lessons from the crisis & priorities for the future". At the same occasion ESBG launched the new in-depth ESBG Report "Retail Banking in Europe – The Way Forward". It addresses important aspects of the ongoing financial crisis, establishes parameters for a reality-based approach to the long term integration of the European retail banking sector, and presents ESBG's views and recommendations on numerous aspects of retail banking policy.

The ESBG Report not only presents retail banking expertise, it also carries important messages for the ongoing political debates in context of the crisis. The first such message is that the events of the last two years have demonstrated that Europe's diverse banking landscape is an indispensable asset and contributes to financial and economic stability and prosperity. Indeed, one of the core characteristics of Europe's retail banking sector is the strong presence of savings banks and regionally oriented and socially committed retail banks. Such banks are stable and responsible partners for citizens and enterprises in Europe, and have continued being so during the crisis. The diversity in banking models and in banks' priorities has protected Europe's economies against the domination of uniform herd behaviour in the banking sector. In fact, for the real economy, pluralism in the banking sector means risk diversification.

Whilst views are divided on whether the EU is currently experiencing a credit crunch, in our view it is certain that without Europe's pluralistic banking sector, there would have been a severe break down in bank lending. This insight goes hand in hand with the observation that – also due to their principles of sustainability and their business

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philosophies – ESBG members' lending to the real economy and especially to SMEs has proven robust. All in all, Europe's pluralistic banking sector has created the conditions for economic recovery.

Secondly, the ESBG Report points out that Europe needs to reconsider its banking values: Europe's banks should be evaluated on how they fulfil their role in the economy. Along the same lines, assessing banks solely on the basis of preconceived ideas about size and short-term profitability is not what Europe needs. This is only logical, since there is not one European banking model: different economic environments require diversity in sizes, business models, ownership forms, and organizational structures. Furthermore, banks' long run profitability is dictated by real economic growth and conscientious retail banking goes beyond short-term objectives based solely on size and quarterly results. It is now time to appreciate at all levels that a forward looking approach to retail banking is good for Europe's future.

Thirdly, especially at EU level, we need a greater recognition of core retail banking realities. Indeed, any policy and vision for the retail banking area has to take into account that demand for retail banking products and services reaches beyond the need for a product and the willingness to pay a certain price. Instead of a simple service provider, most customers want an accessible financial partner and services which adequately address their situation. Thus, retail banking builds on personal contact between banks and customers (relationship banking) and takes place at the local level. Furthermore, retail banking has strong national, regional and local components so that banking practices rightly differ according to the market environment and demand factors. As a result the local character of retail banking sets the rules for banks' business strategies, competition and market entry. These inter-linkages are crucial for discussing European level integration of the retail banking sector and for assessing a need for any further harmonisation of products, and practices.

What implications do these three messages have for the ongoing debates? As a consequence of the ongoing crisis there have been calls for broad changes to the EU, and even the global regulatory and supervisory system. Focussing on Europe, effective changes to the supervisory/regulatory system are undoubtedly necessary and supported by ESBG. However, none of the policy measures directed at correcting shortcomings to the regulatory or supervisory framework can be allowed to result in harm to those institutions which have proven resilient, reliable and sound. Endangering or putting at disadvantage a substantial and valuable part of Europe's banking sector is in no way an 'acceptable collateral damage'.

As a wider implication, we stress that Europe should not return to past mistakes and base its values on the dogma of high short-term profits and bank-size. Furthermore, successful market integration should not be equated with widespread cross-border retail banking and dominance of multinational banks. Equally, it needs to be accepted that successful sector integration does not depend upon full harmonisation of all retail banking related aspects at the EU level, though harmonisation of targeted areas can prove beneficial. In a market with 27 Member States generalizations are not a substitute for knowledge and understanding.

Any vision which calls for a uniform banking sector is untenable. Any vision of dominance by a small number of huge players active in all markets stems from political doctrine, but is not the result of a conscientious assessment of Europe's needs. The crisis has shown that it is the duty and responsibility of policy makers to safeguard a pluralistic banking sector in which the principles of comprehensiveness, responsibility and sustainability are well represented. Any reality-based approach to sector integration builds on core retail banking characteristics: relationship banking, local demand, and proximity banking.

If these messages are taken to heart, Europe has every reason to be confident that the future financial system will be a better and safer one, to the profit of Europe's economies and citizens.

Chris De Noose
Managing Director WSBI and ESBG

At the occasion of World Thrift Day 2009: Virtues of saving stronger than ever

Imagine that you had to finance all your daily needs: food, clothing, housing, education, etc. with only the cash money earned during the day or, worse, with credit. Imagine that you have no money set aside for a rainy day. This would cause an enormous amount of stress for anybody and that is why the virtues of savings are so deeply rooted in our societies. Several years of "irrational exuberance" have not tainted this habit.

Saving - now more than ever

Especially in the context of the current financial turmoil, it is important to highlight the importance of consistently putting something aside to have a safety net to guard against risks from unexpected events and to make personal goals possible such as getting an education, owning a home and starting a business. Saving money also prepares the way for the next generation and is critical for a country's well-being as savings can be re-injected into the economy by banks executing their traditional intermediation role.

Ambitious projects to increase savings

For WSBI and ESBG members alike, stimulating savings and proposing efficient products and services to collect these savings is part of their corporate DNA: they have done so ever since their inception and nowadays continue to be leaders in collecting deposits. Members in Chile, Brazil, Thailand, Uganda and many other countries use vans, trucks, motorcycles and boats to reach even the most remote villages in their efforts to propose financial services to all layers of the population. The project "Doubling the number of savings accounts in the hands of the poor", that is discussed in more details elsewhere in this publication, will boost this presence even further.

World Thrift Day on all continents

As every year, WSBI and ESBG members celebrated World Thrift Day - which was first celebrated in 1924 at the foundation of WSBI. Seminars, initiatives in the field of financial education, award ceremonies, press events, marketing campaigns and economic studies have been organised in Brazil, Chile, Germany, India, Kenya, Korea, Morocco, Peru, Slovakia, Spain, Sri Lanka, Thailand and other member countries. The big success encountered by these initiatives demonstrates that the savings idea is more alive than ever.

For more information on World Thrift Day, go to www.wsbi.org under "Events".

Picture: World Thrift Day - Austria

The Development Policy Forum is a partnership between Friends of Europe, the World Bank, the United Nations, France's Agence Française de Développement (AFD), the UK's Department for International Development (DFID) and the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) with the support of the Friedrich-Ebert-Stiftung and the International Monetary Fund (IMF), and in association with the European Commission Directorate General for Development and Relations with ACP States. The main activities of the partnership are regular debates and sharply written analysis on development issues.

Picture: Mr José Antonio Olavarrieta, WSBI President

Roundtable: Innovative financial techniques for the developing world

On 5 November in Brussels, WSBI partnered with the Development Policy Forum to organise a Roundtable to mark World Thrift Day. The meeting gathered more than 200 participants, including representatives of WSBI members from Benin, Botswana, Cameroon, Comores, Côte d'Ivoire, Czech Republic, France, Gabon, Kenya, Senegal, Sri Lanka, Tanzania, Thailand and the Netherlands.

The objective of the Roundtable was to discuss how the emergence of sound, sustainable and diversified financial sectors and markets in developing countries could positively contribute to their social and economic development.

Comments from the President of WSBI

José Antonio Olavarrieta, WSBI President, was one of the introductory discussants of the session "Finance for all". He highlighted the need for strong and diversified domestic financial sectors in developing countries, underlined the importance of savings, and called for financial innovation which benefits end users - i.e. retail customers, small businesses and the society as a whole. His views on the central role of savings echoed statements by other speakers, representatives from MicroSave and CGAP, and were supported by several participants. It was mentioned that one of the conditions to encourage savings through formal channels was to provide safe and viable savings vehicles. The affordability of products is also a key aspect, which needs to be combined with the sustainability of the deposit-taking institution.

A range of financial services for the poor

Participants agreed that a range of financial services should be made accessible to poor people: credit, savings, insurance, payments, and remittances - a key dimension of access to finance. To provide this range of services, a wide range of financial players is an asset – MFIs, cooperatives, NGOs, savings banks, postal savings institutions, etc. Regarding the specific case of postal savings institutions, it was highlighted that the momentum was right to build on their proximity network and on public trust to empower them and give them the capacities to lend. Access to the last mile, i.e. the rural and under-served areas, was identified as another key challenge which a multitude of players and innovative delivery channels could help solving. The development of agent banking, through retailers, grocery stores, lottery kiosks and the expansion of mobile phone banking are indeed promising avenues to reach the objective of full financial inclusion in developing countries.

Anne-Françoise Lefèvre

International policy-makers and national governments were called upon to take appropriate measures to ensure the stability of the financial system, to guarantee the protection of consumers and to continue opening up access to finance through enabling frameworks for innovative approaches like branchless banking. It was also highlighted that regulation should be combined with relevant supervisory capacities. The idea of introducing a right to an account for all was raised. It was added that bailout measures for banks in the aftermath of the crisis should not result in freezing innovation and that a balance should be reached between financial stability and financial access.

Winning innovations and financing development

The second session on "Winning innovations" examined how new instruments could be introduced to finance development, such as taxes or levy options. It was agreed that they should come as stable and predictable complements to ODA, and not as substitutes. A strong call for better coordination between the donor agencies was made, with quality and efficient aid being made available.

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Anti money laundering provisions and the challenge of financial inclusion: WSBI views and proposals

A number of WSBI member institutions in the developing world have raised concerns about the constraints to their business resulting from the implementation of Anti Money Laundering (AML) and Combating the Financing of Terrorism (CFT) regulations. WSBI has put together some proposals to ensure that the AML/CFT international framework fulfils its goals of efficiently combating money laundering and terrorism financing without inhibiting access to finance for vulnerable groups of clients.

Implementation challenges in developing countries

The main challenge in developing countries for the implementation of the AML/CFT provisions is the compliance with Customer Due Diligence requirements (CDD). This process involves gathering information regarding the identification and the verification of the identities and addresses of prospective clients. The underlying objective is to ensure that institutions know with whom they are doing business and thereby prevent that ill-intentioned persons or organisations abuse their services.

However, in a number of countries, gathering such evidence is a challenge because of the lack of formal addresses or the inexistence of a national identification registry. Compliance costs can be disproportionate compared to the risks - particularly when applied to "small" accounts and transactions. Such expenses increase the costs of services and can represent a barrier to accessing financial services. These costs can also lead to financial institutions withdrawing from client segments that are then unsustainable.

In practice and for various obvious reasons, financially vulnerable people which form a significant part of the (potential) clientele of savings banks often lack proper identification documents. Because of that they are reluctant to embrace formal banking services. These problems can prevent the development of innovative ways of banking (e.g. agent/mobile phone banking), particularly suited to the needs of low income people in developing economies.

WSBI calls for a proportionate AML/CFT framework

WSBI fully understands and agrees with the objectives of the AML/CFT rules and the need to define internationally applicable standards - the Financial Action Task Force (FATF) Recommendations. Financial inclusion and AML/CFT rules actually pursue mutually supporting and complementary objectives: enabling more citizens to use formal financial services increases the reach and effectiveness of AML/CFT controls. Therefore, frameworks should be developed which both:

- Encourage the provision of formal financial services to large parts of the population - including to the low-income categories - and
- Design efficient and effective AML/CFT provisions that comply with the FATF Recommendations.

Standards should be tailored to a national context

With this in mind, WSBI has developed proposals to ensure that the FATF Recommendations fulfil the objectives of efficiently combating money laundering and terrorism financing, without inhibiting access to finance. The FATF Recommendations allow for flexibility in their implementation meaning that national measures can be tailored to the local context. Developing countries should be encouraged to take advantage of this option, instead of fully reproducing the international standard, designed for developed countries, in their national legislation.

A number of examples exist, such as in Mexico or South Africa, which demonstrate that customisation of AML/CFT Recommendations at country-level can respond to the needs of low income prospective clients. Their approach is based on the perceived level of risk of transactions and of clients. There are two complementary types of measures:

- The definition of a reduced CDD regime where the risks are potentially low, and
- A gradual implementation of the FATF Recommendations, across financial sectors, institutions and operations The idea is to apply differentiated levels of AML/CFT controls, starting with full implementation of the Recommendations for the sectors and transactions presenting higher risks of money laundering and financing terrorism. These controls would move closer to a comprehensive regime as capacities of the countries to properly identify and master the risks involved develop.

WSBI therefore has called upon the FATF to raise awareness of national authorities on the options offered. It has also developed a policy note for members to use in their bilateral dialogue with their national authorities – available upon request.

Joining forces with relevant institutions

The FATF is conscious of the challenges on financial inclusion arising from AML/CFT regulations. Addressing for instance the Eastern and South African Anti-Money Laundering Group Ministers meeting in August 2009, FATF President Mr Paul Vlaanderen stated that: "…the pursuit of financial inclusion and the pursuit of an effective AML/CFT regime are complementary; they are by no means conflicting financial sector policy objectives. Without a sufficient degree of financial inclusion, a country's AML/CFT system will safeguard the integrity of only a part of its financial system – the formally registered part – leaving the informal and unregistered components vulnerable to abuse. Measures that ensure that more clients use formal financial services therefore enlarge the legitimate financial sector".

The FATF has consistently suggested that national governments should make proper use of the flexibility granted to them in adopting AML/CFT standards and customize them to local contexts so as to maximize their effectiveness. WSBI has made contact with the FATF Secretariat and regional bodies (Eurasia, Asia/Pacific, South America, Caribbean, Middle East and North Africa, Eastern and South Africa, West Africa).

Coordinated efforts are also being developed with a number of international organizations, which have taken initiatives and made proposals to efficiently reconcile financial integrity and financial inclusion. Already, WSBI has engaged in a policy dialogue with the World Bank, CGAP and the Alliance for Financial Inclusion (AFI) in order to keep the momentum around this policy issue.

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Two recent European Commission studies: "Retail Financial Services" and "Bank Fees"

Nadine Dauer

For several years, retail financial services have been at the heart of the European Commission's efforts to work towards further integration of the Single Market.

As a follow-up to the Single Market Review, the Commission established an annual Consumer Market Scoreboard in 2007 in order to identify problems in the functioning of the Single Market for consumers. Assessing the outcome, the Commission Directorate General for Health and Consumers (DG SANCO) identified retail financial services as one sector where consumers experienced difficulties and launched an in-depth market analysis of retail financial services.

Studies on the retail banking market and bank fees

On 22 September 2009, DG SANCO presented the results of its in-depth regulatory analysis in the form of a "Retail financial services study" at the occasion of the ESBG Conference on Retail Banking in Europe. In this context, the Commission also conducted an independent Bank Fees Study which analysed account prices and levels of transparency among 224 banks comprising 81% of the EU retail market. Based on data collected in 2008 and at the beginning of 2009, the Commission reported on the situations consumers face in the Member States in areas such as access to and understanding of pre-contractual information, advice from financial advisors, the level and transparency of bank fees, and the process of switching of bank accounts.

In parallel, major actions of the Commission have focussed on the European mortgage and credit market since 2007. The Commission's Internal Market and Services Directorate General (DG MARKT) has undertaken various initiatives addressing issues such as pre-contractual information, financial advice, assessment of creditworthiness, conduct of business rules, access to and exchange of credit data, and credit intermediaries. As a next step, the Commission plans to come forward with a broad package on responsible lending and borrowing in the EU to address outstanding issues in the European mortgage and credit markets. All studies and policy initiatives conducted so far will feed into this package - likely including also the findings of the retail financial services study.

ESBG's involvement

Based on its longstanding experience in dealing with the retail banking business, ESBG has been actively involved in the ongoing discussions and is thoroughly assessing the findings of both Commission studies. ESBG understands the Commission's need to take a closer look at the issues addressed, following the Commission's policy to put the consumer at the centre of designated policy initiatives and to counter the effects of the financial crisis. However, in areas such as pre-contractual information, advice and account switching, the existing policy tools should be carefully evaluated before launching new policy actions.

Policy tools that already exist

A major step towards addressing many of the outstanding issues of credit markets had already been made with the adoption of the Consumer Credit Directive (2008/48/EC) in 2008. The implementation process will be finalised in June 2010 and will certainly give a good indication of the functioning of the new tools for advice and pre-contractual information - namely the mandatory Standardised European Consumer Credit Information Sheet (SECCI) as well as the self-regulatory European Standardised Information Sheet (ESIS).

In the area of account switching, the self-regulatory Common Principles on Account Switching came into force on 1 November 2009 and represent an important step forward to making it easier for consumers who wish to switch their bank account within a country. Given the timing of the Retail Financial Services Study, the effects of these instruments could not be taken into account.

What's next?

As the financial crisis is ongoing, consumers, stakeholders and EU institutions will remain intensely interested and closely observe the retail financial services area. The new Commission will have to decide whether the already initialised actions on responsible lending and borrowing will be continued or whether they will be combined with DG SANCO's policy initiatives for an even broader approach. In any case, regulators should be cautious when taking the Retail Financial Services Study and the complementary Bank Fees Study as a basis for possible future EU actions.

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International Payments Framework getting ready for 2010 launch

Norbert Bielefeld

Two institutions (the Federal Reserve Bank on one side of the Atlantic, and the pan-European payments processor Equens on the other) have declared that they will begin to process transatlantic retail and commercial payment transactions denominated either in Euro or in US Dollars in the first quarter of 2010, using the standards and the rules defined by the International Payments Framework (IPF). It would seem that this project is close to delivering on the efforts of the 20 banks, banking associations (including WSBI) and vendors involved.

What is the International Payments Framework?

So what is the IPF about? The IPF is a rulebook that defines the obligations of participants (either banks or processors, also called Clearing and Settlement Mechanisms, or CSMs), with respect to handling cross border payments remitted by originators or destined to beneficiaries. The IPF defines a credit transfer standard which is actually a subset of an ISO standard. Furthermore the IPF has developed, and will administer, a set of mapping rules between the European and the US credit transfer standards, and the IPF standard. The IPF as such will not process any transactions. However an IPF Association will be established (registered in the US) to hold the intellectual property and administer the rulebook.

The International Payments Framework actually builds upon the stalled WATCH (Worldwide Automated Transaction Clearing House) project of the late 1990s. At that time the idea was to establish a single bulk payment processing capability for multi-currency transactions which would be settled using the CLS (Continuous Linked Settlement) consortia banks. The idea failed to gain the support of a sufficient number of national clearing houses on which it relied to source and deliver transactions from originators and to beneficiaries.

The business need for the IPF

The business need for greater and deeper standardization in international payments has not gone away. On the contrary, customers – whether private individuals or corporates and SMEs – will assuredly welcome more certainty, while banks and other payment service providers should be interested in the possibility of reducing their cost basis, and developing value propositions which allow them to compete with new entrants. Only the reality that for many market participants cross border payment transactions represent a rather small fraction of overall payment flows, and that most market participants had been busy with projects in the European Union and the United States, would account for why it has taken so long to develop a new response to a long standing business requirement.

Of course, the IPF is not the sole response to efficiency in cross border payments. Traditional correspondent banking has been continuously enhanced, and in parallel some correspondent banks are also considering using the IPF rules going forward.

Moving forward

The current plan is that all IPF documentation should be finalized for the end of February 2010. The IPF Plenary meeting scheduled for 25 & 26 February would then be requested to formally approve the documentation set, vote to establish the Association, and open the call for new Members. Once transactions are flowing across the Atlantic, new currencies and countries could then be added to the scope of the IPF rulebook.

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IAS 39: Stakeholders' needs have to be taken into account

Raphaël Delli

IAS 39 – the International Accounting Standard "Financial Instruments: Recognition and Measurement" – is on the top of the agenda on how to temper the effects of the financial crisis. The major question is when to measure instruments using "fair value" versus when to measure instruments based upon amortised cost. The standard already attracted considerable controversy when the International Financial Reporting Standards (IFRS) were made compulsory for all listed companies beginning in 2005. In response to lobbying initiatives of stakeholders against the development of certain provisions within the standard, the European Commission only partially adopted IAS 39.

The current financial crisis has shown additional shortcomings in the standard, as IAS 39 has exacerbated pro-cyclicality in banks' balance sheets. Two main issues are being discussed. First, when should financial instruments be valued at market prices versus valuing the instruments at cost paid in the past. Second, how to mitigate the rather sudden impact of the current "incurred loss" approach – where major losses happen quickly – to a method which introduces expected losses over a smoother time period.

These concerns became a pressing political issue after April 2009 when the G-20 demanded a more practical approach in accounting in order to avoid pro-cyclicality in the future. As a consequence, in July 2009 the International Accounting Standards Board (IASB) announced a three-phase project to revise and replace IAS 39.

- The first phase outlines "when" to measure fair value and specifically deals with the issue of fair value option and the reclassification out of fair value – into a value based on the original cost of the instrument.
- The second phase, published in early November 2009, proposes an expected cash flow approach to impairment.
- The third phase concerns hedge accounting.

Overall, the IASB has decided to maintain a mixed measurement model, meaning that financial instruments will continue to be measured either at fair value or at amortised costs.

Against this background, ESBG has strongly supported the initiatives to achieve a more practical application of accounting rules. ESBG has been actively involved in the ongoing discussions on fair value and impairment, especially with the European Commission which took some of the most important ESBG concerns into account when responding to the IASB. In addition, ESBG appears to be in accordance with the G-20 conclusions as well as with the Basel Committee on Banking Supervision high level guiding principles on IAS 39.

ESBG main points are that:

- The new standard should allow banking transactions to be portrayed reliably. Therefore, IAS 39 must reflect the business model of banks.
- The new IAS 39 should not result in an expansion of fair value accounting especially for institutions involved in credit intermediation.
- Accounting lessons from the financial crisis should be taken into account. The IASB should recognise that fair value is not effective when markets become illiquid.
- Reclassification out of fair value should be allowed in rare circumstances following the occurrence of events that have clearly led to a change in the business model.
- Provisions and impairment related principles should be adapted based on sound methodologies that reflect expected credit losses in the banks' existing loan portfolio over the life of the portfolio.
- Convergence between US GAAP (United States Generally Accepted Accounting Principles) and IFRS is critical but solutions should not be rushed at the expense of quality and transparency.

In November 2009, the Commission held a meeting with stakeholders to discuss the International Accounting Standards Board's (IASB) new standard, IFRS 9, which is part of the project to replace IAS 39. ESBG attended this meeting and had the opportunity to strongly promote its views. Confronted with arguments against a rushed endorsement, the Commission delayed the introduction of the new standard until 2010.

In the medium term, ESBG is concerned that, given the extremely challenging timelines for the IAS 39 revision and despite the strong signals from policy-makers on the pressing need for changes, the necessary reforms will be difficult to achieve. Only limited and tailored proposals can be implemented for the 2009 end of year results. Finally, an in-depth and unprejudiced reflection on the application of IAS 39 is still necessary in order to achieve well functioning, stable and globally accepted solutions for all kinds of financial institutions.

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The G20 Pittsburgh Summit

Focus on regulation, supervision, and financial inclusion in developing countries

The G20 Summit in Pittsburgh on 24-25 September 2009 discussed important measures to remedy the perceived shortcomings in the regulation and supervision of the global financial sector and to tackle the issue of financial inclusion in developing countries. As a follow-up to input for the April 2009 London Summit, WSBI/ESBG and their members expressed concerns and submitted proposals on a number of key issues. Specifically, the submission:

- Highlighted the importance of a pluralistic market structure for stability;
- Called for adequate supervision of "mega-institutions", which should not harm other financial services players. A level-playing field for all markets participants should be guaranteed;
- Supported an assessment of the need for targeted capital increase - once markets have recovered – which takes into account the diversity of ownership structures in the banking sector;
- Stated that the introduction of a "leverage" ratio may not actually achieve the objective of limiting the build up of leverage in the financial sector and therefore called for an in depth impact assessment;
- Shared the view that compensation incentives within an institution should support long-term, firm-wide profitability.

WSBI also reiterated its call for the reform of international financial institutions and its support to strengthening financial sectors in developing economies, in particular through the development of a solid domestic banking infrastructure. G20 members acknowledged that they have a collective responsibility to recognize that all economies, rich and poor, are partners in building a sustainable and balanced global economy.

The G20 members committed to improving access to financial services for the poor and decided to set up a G20 Financial Inclusion Expert Group. This group will identify lessons learned on innovative approaches to providing financial services to vulnerable groups, promote successful regulatory and policy approaches, and elaborate standards on financial access, financial literacy and consumer protection. CGAP (The Consultative Group to Assist the Poor) and the International Finance Corporation (IFC) will be steering this group and WSBI has expressed its interest and readiness to contribute to the upcoming work.

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PERSPECTIVES

New WSBI/ESBG Perspectives: "Beyond microcredit: the role of savings banks in microfinance"

WSBI/ESBG's recently published Perspectives (Number 59 in the series) gives an overview of WSBI member banks' microfinance activities in Latin America, Africa and Asia. It highlights the specific characteristics of WSBI member banks' microfinance activities and the diversity of the microfinance models implemented.

Perspectives 59 also presents WSBI/ESBG's views on a regulatory environment for microfinance conducive to financial inclusion. WSBI/ESBG specifically calls for supportive conditions to increase the level of access to finance, supports the regulation of microfinance activities and not of institutions, and advocates for a level playing field between all actors involved in microfinance activities, along the principle "same business, same risks, same rules".

To download Perspectives 59, go to: www.wsbi.org under "Publications – Perspectives."

To request a printed copy, email anne-francoise.lefevre@savings-banks.com

Microfinance in Europe – Ongoing initiatives

In order to further develop microfinance, the European Commission DGs have launched several initiatives. ESBG is eager to be involved and share experiences.

Astrid Hagenah

Over the past few years, microfinance has gained more importance in the discussions at EU level. Microcredit has been recognised as an important tool to create jobs, generate growth and fight financial exclusion. In order to further develop the microcredit sector, different Directorate Generals of the European Commission have launched several initiatives, such as the JASMINE initiative, the "Progress Microfinance Facility" and an investigation on "Microcredit and the Role of Banks".

The JASMINE initiative aims to support the development of microfinance institutions (MFIs) in Europe and became operational in early 2009. Meanwhile, the Progress Facility has a broader scope and intends to provide credit to micro-enterprises as well as to unemployed and disadvantaged people wishing to start their own business. The Progress Facility is currently being discussed in the Parliament and the Council, and is expected to become operational in 2010. In addition, the Commission has undertaken an investigation on "Microcredit and the Role of Banks" involving several workshops in order to gain stakeholders' views. The results will feed into a Commission report and will be an indicator for the development of possible future policy actions in the area of microcredit.

Ensuring a high level of access to finance for microentrepreneurs and fighting financial exclusion have throughout history been a part of the business model of savings banks. It comes naturally due to their mandate to contribute to their regions' development and be socially responsible institutions. In addition, the experience of ESBG members shows that microcredit provision can be financially both successful and sustainable. Therefore, ESBG in general welcomes the measures taken by the Commission to improve the environment for microcredit in Europe. It is a positive sign that the Progress Facility and the Commission's assessment of the role of banks in the microcredit sector both clearly acknowledge the importance of a plurality of actors and the importance of avoiding unfair competition between publicly funded MFIs and banks. ESBG and its members will continue to push forward in enhancing the role of savings banks as microcredit providers and are eager to contribute further with experiences in the area.

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"Ensuring a high level of access to finance for microentrepreneurs and fighting financial exclusion have throughout history been a part of the business model of savings banks

Significant progress in implementation of market standards for Corporate Actions

ESBG, the European Banking Federation (EBF) and the European Association of Cooperative Banks (EACB) - together forming the European Credit Sector Associations (ECSA) – have committed to harmonizing national rules in relation to Corporate Actions processing with a view to improve efficiency in European domestic and cross-border corporate actions. A corporate action is an event initiated by a public company that affects the securities (equity or debt) issued by the company – such as the payment of dividends, interest on a bond, etc. In order to monitor and to review the progress achieved in the pursuit of the implementation of the standards, ESBG hosted a workshop as part of the ECSA's mandate to promote private sector proposals for harmonizing national rules in relation to corporate actions processing.

The objectives of this fourth Workshop, titled the ECSA Workshop for National Coordinators on Giovannini Barrier 3 – Corporate Actions, were to:

- Take stock of the gap analysis and implementation progress in relation to the Market Standards on Distributions, Reorganisations and Transactions Management;
- Discuss/exchange views on the pending market standards;
- Derive new ideas for regional/country implementation actions;
- Identify common issues to be addressed with public authorities (regulatory and tax barriers); and
- Define an action plan for filling the remaining 'gaps' in relation to the approved market standards and for the implementation of the pending standards.

Fifteen countries provided information on their implementation status - Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Greece, Italy, the Netherlands, Portugal, Spain, Sweden, Switzerland and the United Kingdom. These countries cover by far the largest share of securities transactions in Europe.

The overall status of the implementation is very positive with 60% of the standards already implemented, 15% in progress and 20% which have not been implemented There are major differences across the three different parts of the market standards. While distributions (73%) and reorganisations (69%) have a high percentage of already implemented standards, less than half of the transaction management standards (48%) have been implemented. This can partly be explained by the specific case of Buyer Protection not existing in multiple markets.

Of the remaining issues, the largest part is dependant on legal barriers in the single countries – which require changes in local law – as well as on major infrastructure projects like TARGET2-Securities (T2S) or the Euroclear Single Platform (SP). Furthermore, there are close links to other parts of the chain (issuers, stock exchanges). The elaborated set of market standards leads to changes in local market practices and to sometimes very costly system enhancements. There is great confidence that the issues reported by the national Market Implementation Groups (MIGs) can be resolved. The dates mentioned for implementation by the countries are not beyond 2010 with the exception of those linked to major projects like T2S or SP.

The outcomes of the Workshop were compiled into a comprehensive report, Dismantling Giovannini Barrier 3: The European harmonisation of rules relating to corporate actions processing - Implementation status report. The report was presented to the European Commission at the CESAME II meeting held on 20 October.

ESBG and the other ECSAs will continue to actively promote and monitor the implementation of the markets standards on corporate actions processing in order to reach a full European harmonization of rules in this area. ESBG and the other ECSAs realise that all stakeholders have a role to play in this process at European and national level. Thus, they are aiming to broaden and deepen the involvement of national implementation groups in this process.

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"ESBG and the other ECSAs will continue to actively promote and monitor the implementation of the markets standards on corporate actions processing in order to reach a full European harmonization of rules in this area

Tricky details in the official proposals for the reform of the supervisory architecture


Larisa Dragomir

As expected, in September 2009, the European Commission issued a package of legislative proposals for reforming the EU financial supervisory architecture. The package contains four draft regulations and a draft decision aiming to establish a new macro-prudential body under the auspices of the European Central Bank, as well as three sectoral micro-prudential authorities to replace the current Lamfalussy level-3 committees. The package was completed in October with a proposal for a Directive setting up the scope of the concrete powers to be granted to the three micro-prudential authorities – the so-called "Omnibus" Directive.

The Council of the EU and the European Parliament have now been called upon to adopt the proposed measures. The Council of the EU has already reached a compromise on the macro-prudential proposals and is rapidly progressing in defining its position on the micro-prudential structures, with a view to achieving final agreement by the end of the year. The Parliament has recently also started work and appointed a rapporteur for each proposed piece of legislation. The Parliament envisages the adoption of the legislative measures in the Economic and Monetary Affairs Committee in April 2010 and in the Plenary in June 2010.

Since the beginning of the discussions, ESBG has been broadly supportive of the envisaged two-pillar structure - provided that the structures for macro-prudential supervision are effective and micro-prudential supervision builds on the central role of national supervisory authorities. However, there are some worries about the legitimacy of some of the proposed powers of the new micro-prudential bodies. In particular, ESBG – whilst favoring consistency in the application of financial regulation throughout the EU – has concerns about the adoption by the Commission of binding technical standards which are defined in very broad terms. Furthermore, that these standards would be adopted through an atypical procedure would disturb the balanced institutional equilibrium established through the current Lamfalussy procedure and would unduly strengthen the Commission's powers without providing for corresponding accountability mechanisms.

Furthermore, the possibility given to the new Authorities to take binding decisions against individual financial institutions appears to entrust them with powers that ignore the ordinary enforcement mechanisms of European Community law. These provisions - combined with several broadly defined enabling clauses in the proposals - may open the door for the transformation of the reformed supervisory architecture into a two-tier system that would allow direct supervision of certain actors at EU level, to the detriment of a level playing field. ESBG is currently preparing a common position in reference to the draft legislation.

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Crisis management and resolution in the banking sector – an international framework on its way (?)

The failure and near failure of numerous financial institutions has led to inevitable and important questions such as – Is there a need for additional powers to be given to supervisors to allow them to intervene early? Do these powers and the way they are exercised need to be the same in every country? Should there be plans in place for a bank if it fails? How can the effects of the failure of one institution be contained so that it does not negatively impact the entire economy? These are only some of the questions being posed at the international level.

Since the beginning of the financial crisis it has been a regular argument that repair of the regulatory framework should address issues related to early intervention, crisis management, and bank resolution. In April 2009, G20 leaders mandated strengthened international cooperation on crisis prevention, management, and resolution. In September the Basel Committee launched a consultation on cross-border bank resolution. The next month, the European Commission published a Communication for consultation on an EU-wide framework for crisis management in the banking sector.

The Basel Committee's recommendations for cross-border bank resolution

The Basel Committee identified challenges and options for reform based on analysing several case studies (Fortis, Dexia, Kaupthing, and Lehman Brothers). Its ten recommendations have been grouped into three categories:

- The first category concerns **'strengthening national resolution powers and their cross-border implementation'**. The Basel Committee proposes to give effective national resolution powers to national authorities, to establish a consistent framework for the coordinated resolution of financial groups and financial conglomerates, to pursue convergence of national resolution measures, and to facilitate mutual recognition of crisis management and resolution proceedings among different countries.
- Regarding **'firm-specific contingency planning'**, the Basel Committee promotes the reduction of complexity and interconnectedness of group structures and operations, planning in advance for orderly resolution (living wills), and the timely production and sharing of information.
- Regarding **'reducing contagion'**, the Basel Committee supports the use of risk mitigation techniques to reduce systemic risk and enhance resiliency, the use of bridge financial institutions, and the elaboration of clear options and principles for the exit from intervention by public entities.

The European Commission's views on crisis management

The Commission's Communication and accompanying Staff Working Document reveal EU decision-makers' views on possible measures to underpin an effective framework for crisis management and an orderly winding-down of failing cross-border institutions in the EU.

The Commission's objectives are twofold:

1. The establishment of effective early intervention mechanisms that would endow national supervisors with the appropriate powers and tools for taking timely action; and
2. Developing an EU-wide resolution framework to contain serious disruption or contagion risks in the case of failure of cross-border institutions.

Regarding early intervention tools of supervisors, the Commission discusses a number of issues including:

- The need for further harmonisation of supervisory tools and powers in Member States,
- Better coordination among the relevant authorities involved,
- The possible triggers for intervention - joint assessment by supervisors of emergency situations versus structured or automatic triggers,
- The possibility of modifying the current framework for the supervision of branches,
- The importance of winding-down plans (living wills) for crisis management.
- The issue of intra-group asset transfers and the possibility of developing an EU framework for asset transferability for banking groups.

As regards the second objective, the Commission analyses the challenges resulting from the current framework – i.e. national resolution regimes apply to cross-border situations. Because of the substantial differences in national frameworks and the current incentives to ring-fence national assets – not allowing them to be transferred to another country – the Commission favours the adoption of an EU-wide bank resolution framework. The Communication develops ideas in relation to the objectives of such a framework and its possible scope, the resolution tools needed, stakeholders' rights, the application of resolution measures to a banking group, and the financing of cross-border resolutions.

ESBG is currently analysing the consultation documents in order to prepare a common position. Crisis management and bank resolution are complex subjects intimately connected with related topics such as burden-sharing, the regime governing large exposures and intra-group exposures, and others. In principle, the proposals for 'contingency planning' and 'living wills' seem justified as instruments capable of fostering dialogue between supervisors and banks. However, such tools should not be perceived as rigid commitments that are made before problems occur, given that the failure of an institution always entails unexpected elements and may render whole or parts of such prior planning obsolete and inadequate for an effective winding-down.

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Role and responsibilities of depositaries under scrutiny

Ulrike Kohl

The Madoff scandal, which also affected some investment funds in Europe governed by the UCITS Directive, has called into question a number of – so far generally accepted – provisions under the UCITS Directive with respect to depositaries. Depositaries are responsible for supervising and safeguarding the assets. The questions concern notably the attribution of fault to the depositary in the case of assets which have been handled inappropriately or lost.

In this context, the European Commission launched an investigation regarding the implementation of the UCITS Directive into national law especially related to depositaries. The feedback statement has just been published. Depositaries also came into the spotlight at the national level.

The role of depositaries is also being discussed in the ongoing legislative procedure on a Directive on Alternative Investment Fund Managers (AIFM). The Commission has proposed that a depositary be liable to the AIF managers for any loss suffered by the AIF managers as a result of the depositary's failure to perform its obligations pursuant to the proposed Directive - unless the depositary can prove that it could not have prevented the loss which occurred.

In ESBG's view, the proposal for an AIFM Directive represents a break from national traditions and practices. The implementation of the proposed AIFM Directive would constitute an element of harmonisation of civil law, a considerable task, which would take a considerable period of time. Moreover, the modified liability regime would reduce the attractiveness of the depositary business as well as increase the costs of this business. This would consequently lead to a reduction of the number of depositaries in the market, a reduction of competition, and an increase in the fees for using a depositary.

Looking forward, the liability should be based on the attribution of fault to the depositary, which means that the principle contained in the UCITS Directive should be maintained and applied similarly in the case of the AIFM Directive. The weaknesses which have become apparent in the financial crisis can be tackled by clarifying the duties of depositaries and clarifying the use of sub-custodians, who hold the assets on behalf of the depositary.

Ongoing discussions in the Council of Finance Ministers and the European Parliament show that concerns related to the provisions for depositaries within proposed AIFM Directive are taken seriously by policy-makers. These discussions will require close attention.

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WORLD THRIFT DAY - Savings and retail banks celebrate around the world

India

Austria

Tanzania

News and Views dedicates a series of articles on Corporate Social Responsibility strategy and experiences developed by WSBI and ESBG members, as a bottom line of their business model and with the objective to bring a return to stakeholders and to society.

CSR

The German savings banks – an integral part of their communities

Finanzgruppe
Deutscher Sparkassen- und Giroverband

It is difficult to describe in a few words the diversity of the social engagement of the German savings banks. More than 400 savings banks, regional savings banks associations, Landesbanken, other entities of the network and the national association itself, the DSGV, are highly active in this area. Savings banks stand for best practices in Corporate Social Responsibility (CSR) as entities that – due to their legal form – do not have to apply profit-maximization targets, but rather focus on serving their mission and the interests of all stakeholders involved.

The focus of business activities of German savings banks is on their region (municipality, district). Thus, it is an essential part of their "raison d'être" that they have strong interests in the economic and social well-being of their region. They play a key role for regional structural policies. In addition savings banks and their more than 600 foundations contribute to increased quality of life on a huge scale. In 2008 the German savings banks group spent more than EUR 450 million on projects in the area of culture, social affairs, supporting sports, the sciences, education, protection of the environment, etc.

The savings banks group is by far the biggest promoter of cultural projects in Germany. Roughly one sixth of private cultural sponsorship in Germany is provided by members of the group. The scope of sponsorship is as diverse as cultural life itself. The group supports cultural events of international and nation-wide reputation and importance, such as the "Documenta" in Kassel (one of the leading events for contemporary art) or the co-operation with the "Staatliche Kunstsammlung Dresden", one of the most important collections of ancient art in Germany. It also supports many projects and events on the regional and local level.

With their engagement the companies of the group bring culture and art into every day life, safeguard the cultural heritage, support young artists and contribute to giving them a basis for their personal artistic development. One prominent example for this is "Jugend musiziert", a nation-wide contest where each year up to 20,000 young musicians participate at the local and regional level. The winners then compete in the national contest. A very important aspect of this initiative is that it combines promoting interest in playing musical instruments on a very broad scale for many, many people in the regions as well as supports the development of world-class musicians by providing an ideal platform to start their career.

The same principle of combining help and support for everyone interested as well as for top performers is applied in the area of sports. The savings banks are a major sponsor of local and regional sport events. They support the movement of the "Deutsches Sportabzeichen" where the entire population is invited to participate in sports activities. On the other hand the savings-banks group is one of the official partners of the German Olympic team and gives significant financial support to 40 "Eliteschulen des Sports" ("Elite Schools of Sports").

There are many other CSR-initiatives and projects which can be mentioned here:

- "Geld + Haushalt" ("Money and Household"): The main aims of this advisory service in the field of general financial education include improving the financial scope of action of private households and, associated with this, preventing over-indebtedness.
- For over 30 years, the Sparkassen-Schulservice has been supporting the financial education of young people in Germany. It offers vivid and educational advertisement-free materials for schools.
- „Planspiel Börse"/"The European Stock Market Learning"- a game that has been enlarged with the help of the ESBG and members in Austria, France, Italy, Luxemburg, Spain, and Sweden. The game helps students to understand how financial markets work and is part of financial education initiatives.
- "S-Wissenschaftsförderung" a foundation that fosters dialog between the savings banks group and the academic world and provides financial support to research institutes, academic publications, symposia, seminars and congresses.
- The Savings Banks Foundation for International Cooperation (SBFIC) promotes and advises the institutional and economic development of savings banks and similar financial institutions in Central and Eastern Europe, and in developing countries across Africa, Asia and Central America.
- Social engagement: support for kindergartens and schools, for initiatives concerning the better integration of immigrants and suitable housing for senior citizens
- Last but certainly not least: a growing number of projects in the regions for the protection of the environment.

CSR is becoming more and more important. It seems obvious that business has to share social responsibility. The idea that a stable human society could exist on the basis of an economy exclusively run on a shareholder value and profit maximisation basis is "unthinkable". Savings banks in Germany have been setting benchmarks for CSR since their creation 200 years ago.

Special guest contributor:
Wolfgang Neumann,
Director "DSGV EU-representation"

WSBI and ESBG are two legal entities with separate statutory bodies. Apart from the common management structure of both organisations – the Brussels-based Joint Office – WSBI and ESBG are represented by separate Boards of Directors that define the general policy and the positions of the organisations vis-à-vis third parties. The members of the WSBI and the ESBG elect their Board of Directors every three years and mid-2009 marked the end of the previous mandates.

New Board of Directors for WSBI and ESBG

World Savings Banks Institute

At its 16th meeting held on 29 April 2009, the General Assembly of WSBI elected 26 Directors as representatives of the different regional groups among the worldwide membership. These representatives will be seated on the Board for the next three years:

EUROPE	
Organisation	Represented by
Österreichischer Sparkassenverband (Austria)	Michael Ikrath, Secretary-General
Féderation Nationale des Caisses d'Epargne (France)	Joël Guerriau, Directeur Général, FNCE
Deutscher Sparkassen- und Giroverband e.V. (Germany)	Heinrich Haasis, President
Associazione di Fondazioni e di Casse di Risparmio SpA (Italy)	Sandro Molinari, Honorary Chairman
Banque et Caisse d'Epargne de l'Etat (Luxembourg)	Jean-Claude Finck, President and CEO
SNS Reaal (the Netherlands)	Rien Hinssen, Member of the Executive Board, Chairman of the Board of Directors
Montepio Geral (Portugal)	Antonio Tomas Correia, President
Confederación Española de Cajas de Ahorros (Spain)	José Antonio Olavarrieta Arcos, Managing Director
Swedbank (Sweden)	Carl Eric Stålberg, Chairman *Also President of ESBG*

ASIA PACIFIC	
Organisation	Represented by
The Industrial & Commercial Bank of China Ltd. (China)	Jiang Jianging, Chairman
National Savings Institute, Ministry of Finance (India)	S.K. Das, Joint Secretary (Budget), Ministry of Finance
Postbank Company of Iran	Mahmoud Afzali, Chairman & Managing Director
Philippine Postal Savings Bank (Philippines)	Virgilio A. Mortera, President
Government Savings Bank (Thailand)	Yongyuth Tariyo, Senior Executive Vice-President
Bank Simpanan Nasional (Malaysia)	Maning Adinan, CEO *Also President of the Asia Regional Group*

AFRICA	
Organisation	Represented by
Botswana Savings Bank (Botswana)	Landrick Oteng Sianga, Managing Director, *Also President of the Africa Regional Group*
Caisse Nationale des Caisses d'Epargne (Côte d'Ivoire)	Marcellin Zahui, Director General
Kenya Post Office Savings Bank (Kenya)	Nyambura Koigi, Managing Director
Caisse de Dépôt et de Gestion (Morocco)	Hassan Boubrik, Secretary-General
Tanzania Postal Bank (Tanzania)	Alphonse R. Kihwele, CEO

THE AMERICAS	
Organisation	**Represented by**
Caixa Econômica Federal do Brasil (Brazil)	Maria Fernanda Ramos Coelho, President
BancoEstado (Chile)	José Luis Mardones Santander, President *Also President of the Americas Regional Group*
Banco BCSC (Colombia)	Carlos Upegui, President
Federación de Cajas de Crédito y Bancos de los Trabajadores (El Salvador)	Macario Armando Rosales Rosa, President
Banco del Ahorro Nacional y Servicios Financieros (Mexico)	Jaime Gonzales Aguade, Director General
Independent Community Bankers of America (USA)	Camden Fine, President & CEO

The new Board of Directors appointed the new President, the Vice-Presidents and the Treasurer of WSBI, who constitute the new WSBI President's Committee for the next three-year mandate period:

PRESIDENT of the WSBI: Mr **José Antonio OLAVARRIETA ARCOS**, CECA (Spain), unanimously re-elected for a 2nd mandate
VICE-PRESIDENTS: Mr **Camden FINE**, ICBA (USA) - Mr **Joël GUERRIAU**, FNCE (France) - Mr **Heinrich HAASIS**, DSGV (Germany) - Mr **José Luis MARDONES**, BancoEstado (Chile) - Mr **Yongyuth TARIYO**, GSB (Thailand) Mr **Marcellin ZAHUI**, CNCE (Côte d'Ivoire)
TREASURER: Mr **Carlos UPEGUI**, Banco BCSC (Colombia) who took over the position of Mrs. **Eulalia ARBOLEDA DE MONTES**

European Savings Banks Group

The last General Assembly of the ESBG was held on 21 September 2009. It elected 15 members of the Board of Directors among the 29 members of the ESBG, which will seat at the Board for the next three years mandate period:

Organisation	Represented by
Deutscher Sparkassen- und Giroverband e.V. (Germany)	Heinrich Haasis, President
Confederación Española de Cajas de Ahorros (Spain)	Juan Ramon Quintas Seoane, Chairman
BPCE (France)	François Pérol, President
Associazione di Fondazioni e di Casse di Risparmio SpA (Italy)	Sandro Molinari, Honorary Chairman
Österreichischer Sparkassenverband (Austria)	Alois Hochegger, President
Swedbank (Sweden)	Carl Eric Stålberg, Chairman
Sparebankforeningen i Norge (Norway)	Arne Hyttnes, Managing Director
Lloyds Banking Group (United Kingdom)	Colin Walsh, Managing Director of Savings, Investment and Protection
SNS Reaal (the Netherlands)	Rien Hinssen, Member of the Executive Board, Chairman of the Board of Directors
Banque et Caisse d'Epargne de l'Etat (Luxembourg)	Jean-Claude Finck, President and CEO
Czeska Sporitelna (Czech Republic)	Dusan Baran, Vice Chairman of the Board of Directors & First Deputy CEO
Montepio Geral (Portugal)	Antonio Tomas Correia, President
Bank of Valletta (Malta)	Tonio Depasquale, CEO
OTP Bank (Hungary)	Sandor Csanyi, Chairman & CEO
Samband Islenskra Sparisjoda (Iceland)	Gudjon Gudmundsson, Managing Director

PRESIDENT of the ESBG: Mr **Carl Eric STÅLBERG**, Swedbank (Sweden)
VICE-PRESIDENTS: Mr **Heinrich HAASIS**, DSGV (Germany) - Mr **Alois HOCHEGGER**, ÖSV (Austria) - Mr **François PEROL**, BPCE (France) - Mr **Juan Ramon QUINTAS SEOANE**, CECA (Spain)
TREASURER & Vice-President: Mr **Sandro MOLINARI**, ACRI (Italy)

The WSBI and ESBG President's Committees are high-level platforms for the exchange of views on current developments at national and regional level, and discuss local information and trends of impact and interest for WSBI/ESBG members.

The newly elected statutory bodies will undoubtedly successfully represent the regional and responsible retail banks that are part of the WSBI and the ESBG network.

New WSBI/ESBG member in Croatia: Obrtnicka stedna banka (Crafts Savings Bank)

"We may not be able to be the biggest bank in Croatia, but we can be the best partner for SMEs."

Obrtnicka stedna banka (Crafts Savings Bank) from Croatia joined WSBI/ESBG as a member in September of this year. News & Views sat down with board president Suzana Barada and board member Davorin Rimac to discuss the bank's traditions and its future plans.

Mrs Barada and Mr Rimac, could you please introduce Obrtnicka stedna banka/Crafts Savings Bank to our readers?

In the 1930's, Zagreb's craftsmen wanted to protect their businesses and existence so established their own savings and loan cooperative. The main objective of the cooperative was mutual financial support and assistance to smaller crafts businesses – such as carpenters, metal-workers, and service providers like hairdressers, etc. In 1933, the Crafts Savings and Loan Cooperative was founded in Zagreb (with the abbreviation CSLCZ).

Since then we have successfully continued carrying out the initial mission – collecting savings, extending loans to craftsmen and providing banking services for members. In 2007 the decision was taken to transform the CSLCZ into the savings bank Obrtnicka štedna banka (Crafts Savings Bank – CSB). The Croatian Central Bank issued a license which came into effect on 11 July 2008. CSB is the first new bank which has been registered in Croatia in the last ten years and the first and the only savings and loan cooperative which has successfully transformed into a savings bank. We have five branches in different regions of Croatia and are opening a sixth in the near future.

Can you describe what the transformation from a savings and loan cooperative into a savings bank has entailed?

The transformation into a full-fledged savings bank provides us with new opportunities and new responsibilities. The new opportunities come from the legal framework which allows us to do business with all type of clients, craftsmen, legal entities and individuals and to offer new products and services. As a Loan Cooperative we were restricted to doing business only with individuals.

The new responsibilities are due to the fact that, as a full-fledged savings bank, we are under the strict supervision of the Croatian National Bank. The legal framework for credit institutions is highly regulated. By comparison, the regulations for loan cooperatives were very simple and not as complex as for credit institutions. We had to change the process of risk evaluation for loan approval procedures.

Can you describe the direction in which your bank plans to move in the future? What role would you like it to take within the Croatian banking sector?

CSB's vision is to achieve growth surpassing that of the financial services market, to develop products and services in accordance with best practices of private banks, and to be a benchmark for quality in providing banking services to craftsmen and SMEs.

Our business strategy is aimed towards increasing our assets by:

- Developing retail banking products and services and expanding to new geographical areas in order to cover the entire domestic financial market;
- Developing non-banking financial services;
- Fully integrating physical and electronic distribution channels;
- Developing Customer Relationship Management (CRM) with a client-centred model; and
- Developing all types of financial services as a universal financial institution.

Our aim is to become the first and the best choice for craftsmen, small and micro businesses and entrepreneurs in Croatia. The size is not as important as the quality of service tailored to our clients.

Your bank is focused on working with craftsmen and small businesses. Can you describe your client base and your work in your communities?

At the moment most of our clients come from the base built up during our existence as a loan cooperative. Some of them have been our clients for generations. Whole families were clients – grandfathers, fathers, and sons. Tradition is important to us and we will try to keep, stimulate and develop loyalty in our business. Since our clients are craftsmen and small businesses we are closely connected with local authorities. They support us in our activities because in that way they support crafts and small business. Our interest rates on loans and our fees are not just the result of market fluctuations and solely for profit – though this is also an important factor. The fees and interest rates also must be acceptable for clients faced with the current crisis and daily struggle for survival. We view our SME clients as our partners,

Obrtnička štedna banka
utemeljeno 1933.

and not just sources of revenue. This is our contribution to the communities we are based in and we would like to build a bank which incorporates these values.

What types of products do you offer your clients and are most important to your business?

We offer all types of products: loans, savings, deposits, payment transfers, cards, electronic banking, ATM services, POS, etc. However, loans, savings and deposits are the most important products to us and to our clients.

How has your bank being affected by the current economic crisis?

Our SME clients, together with individuals, belong to the most vulnerable group of the population. We have some problems in collecting receivables from clients but at the moment we are able to effectively cope with this. During the crisis, we have not raised our interest rates – as most banks have done. This is an indication of the sense of partnership which we share with our clients, of which many are also part owners of the bank since it was formed out of a cooperative structure.

You have recently joined ESBG and WSBI. What motivated you to join and how do you think this membership will aid your bank?

Our motivation for joining WSBI/ESBG is very clear. We are a savings bank we share the same or very similar values and attitudes regarding the banking business. As a small and new savings bank institution, we expect knowledge transfer in cooperation with other members. We also are interested in sources for our future growth which could include investment in our equity. We are very positive that we will find partners interested in supporting our development on a mutually profitable basis.

We hope that ESBG and WSBI members – especially among members from Europe but not exclusively – will recognise our bank as an opportunity to build a banking institution in Croatia which could be a model resulting from successful cooperation. We have all the preconditions for such a project – a strong tradition, a unique structure of shareholders with 1,125 craftsmen and individuals, an orientation towards supporting the real economy. We expect that some bank, group of banks or institution will be interested in working with us as project worthy of attention.

Key facts on the Republic of Croatia

Croatia is a republic located in South-eastern Europe on the Adriatic Sea
Population: 4.49 million
GDP: 69.33 billion USD - 82.39 billion USD PPP
GDP per capita: 15,440 USD – 18,349 USD PPP
Area: 56,594 square kilometres
Capital: Zagreb
Currency: Kuna (approximately 5 Kuna/USD)

Key facts on Obrtnicka štedna banka (Crafts Savings Bank d.d.)

Creation: Founded in 1933 as the Crafts Savings and Loan Cooperative Zagreb (CSLCZ) and in the summer of 2008 was transformed into the Crafts Savings Bank.
Total assets: approximately 27 million USD
Total number of customers: approximately 5000
Number of branches: 5 branches in 5 different regions of Croatia

Tanzania Postal Bank

"The bank in Tanzania bringing financial services to the under-banked and unbanked of the entire country."

Tanzania Postal Bank is a long-standing member of WSBI and will be a participant in the project "Working with savings banks in order to double the number of savings accounts in the hands of the poor". News & Views sat down with Alphonse KIHWELE, the CEO, to discuss the bank's outreach to people across Tanzania and its future plans.

Mr Kihwele, could you please introduce Tanzania Postal Bank (TPB) to our readers?

TPB is a bank working to bring financial services to the under-banked and unbanked of Tanzania – including individuals and SMEs. We are a fully licensed bank, offering credits, monetary transfers, insurance, and of course access to savings accounts. We are also very active in Corporate Social Responsibility (CSR) activities. We are fundamentally a mass-market bank with a proven track record in developing modern banking products.

Can you describe what TPB does to encourage access to finance in Tanzania?

Access to finance is a key part of our mission and our operations. We are the bank in Tanzania going beyond the cities to truly serve the people. In addition to the 26 branches and 12 ATMs, TPB also utilizes the 115 post offices which are distributed throughout the country. With this extensive network, TPB has been able to serve 20% of the rural community. We also develop products to suit the needs of our customers – which are often small savers. This includes the development of payment services through mobile phones.

Our focus is definitely on lower income people throughout the country. The required opening account balance for a savings account with TPB is 10,000 Tanzanian shillings (around USD 8); in commercial banks, the requirement is 100,000 shillings (around USD 77). Because of our broad geographical outreach and proximity to customers, as well as our affordable accounts, we have a customer base of 1,270,000 people out of a total number of savings accounts in the banking industry in Tanzania of 6,752,000.

TPB will be involved in the project to double the number of savings accounts in the hands of the poor. Can you describe what this will entail?

We plan to scale up our distribution channels around the country – including developing and supporting a network of PoS (Point of Sale) terminals and supporting technological improvements. We aim to have 500 outlets where customers can have access to financial services.

Your bank is also very active in Corporate Social Responsibility (CSR) activities. Can you describe your work in the community?

Our commitment to CSR is very important to TSB. We assist in a wide variety of ways – including through supporting education, through implementing health projects, supporting treatment of people who are HIV positive, supporting orphans, and sponsoring youth sports leagues. We also work to help communities with basic activities such as digging wells for clean water, and assisting in cases of emergencies and natural disasters through distributing food and other activities.

Lastly, can you tell us why you are a member of WSBI?

Our membership to WSBI has yielded very fruitful results. WSBI has provided opportunities to cooperate with other members – for example in East Africa. WSBI has also supported TPB through training and capacity building. Through being a member of WSBI, we can get new ideas about our business, see if they are feasible for us to implement, try to implement them, and come out a winner.

Key facts on the United Republic of Tanzania

Tanzania is located in Eastern Africa, bordering the Indian Ocean, between Kenya and Mozambique
Population: 41.05 million
GDP: 20.72 billion USD – 54.25 billion USD PPP
GDP per capita: 505 USD – 1,300 USD PPP
Area: 947,300 square kilometres
Capital: Dar es Salaam
Currency: Tanzanian Shilling (approximately 1300 Shilling/USD)

Key facts on Tanzania Postal Bank (TPB)

Creation: Established in 1991 and began operations in 1992 as a successor to the Tanganyika Post Office Savings Bank (TPOSB), which was established in 1925 and became operational in 1927.
Total deposit balance: USD 57.46 million
Total number of customers: 1,270,000
Number of branches: 28 branches and 115 post offices which provide financial services

Kapital Bank - striving to become the leader of the banking business in Azerbaijan

KAPİTAL BANK

News & Views sat down with the WSBI member from Azerbaijan – Kapital Bank. We spoke to Punhan Narimanov, the Deputy Director of the Treasury Department about his bank and their work as a leader in banking in Azerbaijan.

Key facts on Azerbaijan

Azerbaijan is located on the western shore of the Caspian Sea between Iran and Russia.
Population: 8.24 million
GDP: USD 46.38 billion (USD 77.61 billion PPP)
GDP per capita: USD 5,628 – USD 9,500 PPP
Area: 86,600 square kilometres
Capital: Baku
Currency: Manat (approximately 0.80 Manat/USD)

Key facts on Bank Kapital

Creation: Formed in 2000 under the name United Universal Joint-Stock Bank by the merger of Agro-Investment Bank, Industrial-Investment Bank and Savings Bank – with roots back to 1874. In 2005, it was re-named "Kapital Bank".
Total assets: approx. USD 728 million
Total number of customers: 220,000
Number of branches: 89 branches and one sub-branch throughout Azerbaijan

Mr Narimanov, could you please introduce Kapital Bank to our readers?

Kapital Bank is the leading retail bank in Azerbaijan. In 2000, the bank was formed from the merger of three banks – Agro-Investment Bank, Industrial-Investment Bank and Savings Bank. In 2005 we were re-named "Kapital Bank". Our history goes back a long way – dating back to 1874 when the first branch of Savings Bank was started in Baku.

Kapital Bank is a universal bank primarily focused on retail banking. We are the most active retail bank in Azerbaijan with the largest number of clients throughout the country. We have 89 branches, one sub-branch, and one regional head office and are the primary facilitator of government pensions, social security payments, public salaries, and other important financial services. We are also very active in providing credits including mortgages, credit cards, small loans, etc.

Can you describe what distinguishes your bank from others in Azerbaijan?

Since we are the largest retail bank in Azerbaijan, we deal with individuals and SMEs. At the same time, we provide services for all sizes of companies – including larger businesses. We have the most experienced and well-trained staff of any other bank in our country with over 2400 employees serving our clients. The most important characteristic of Kapital Bank is that we provide every client we deal with the same excellent level of service – be they rich or poor, big businesses or small businesses.

Azerbaijan has a large expatriate population living in other countries – predominantly in Russia. Does your bank have a large amount of business dealing with remittances or clients abroad?

There are approximately 2 million Azeri people living in Russia alone – with many in Moscow – and many in other countries as well. To give some context, there are only about 8.2 million people living in Azerbaijan. Our branches house 60-70 percent of the money transfer service outlets in Azerbaijan. As such, remittances are an important – though not the most important – part of our retail business.

What motivated you to become a member of WSBI and how do you think this membership will aid your bank?

Our membership to WSBI is important because it provides us with a global perspective on what is happening in retail banking. It also facilitates contacts with other banks. Furthermore, we are in the process of getting to know Europe and the EU better – including the financial players, the regulatory issues, etc. WSBI and ESBG can help in providing information about these areas as well.

> **"The most important characteristic of Kapital Bank is that we provide every client we deal with the same excellent level of service – be they rich or poor, big businesses or small businesses.**

The 2009 WSBI Postal Savings Banks Forum
Highlighting the potential of the postal savings institution model in the current economic context

In Brussels in early November 2009, the WSBI Postal Savings Banks Forum took place. The theme of the forum was "Global financial crisis, market developments and evolution of postal savings banks". The discussions demonstrated that although the recent financial crisis has resulted in a general lack of confidence in banking institutions, postal savings banks have emerged in a much better position and played a major role in preserving public trust. Under the Chairmanship of Mr Amine Benjelloun Touimi, Director General of Poste Maroc, discussions highlighted the increasing role of postal savings banks on domestic retail banking markets and the challenges they have to face in the light of their evolving institutional status and growing exposure to markets' risks and competition:

- On the impact of the crisis and market developments: Postal financial institutions benefit from a new impetus in the current context and are well-placed to develop their market positions further. The UK Coalition for a Post Bank and the upcoming launch of Al Barid Bank in Morocco illustrated the relevance of the postal banking model in today's environment - to fill the financial inclusion gap and deepen the retail banking offer;

- On regulation and supervision: The institutional status of WSBI member postal savings institutions varies across countries. In most cases, central banks already play a role in the oversight of their activities while strong and genuine partnerships with Post Offices are essential for achieving outreach. The future of the postal banking network should be seen in the broader context of the development of the agent banking model, with the objective of enhancing financial inclusion;

- On remittances: Postal banks are instrumental for the remittance's distribution chain and their potential should be further used to develop transparent, secure, simple, cheap and quick solutions to transfer money. IFAD's remittances facility, whose next call for proposals will be launched during the 2nd quarter of 2010, will provide support for new services and innovative ways to provide access. INAFI's experience showed that efforts should also be made to encourage the productive use of remittances, in order to engage with diaspora populations. Currency management is a tool that helps to maximize the benefits of remittances services, as was illustrated by a presentation from Korea Post;

- On technology and innovation: The most promising banking technologies identified were mobile phone banking, SMS banking, internet banking, turning ATMs into multifunctional and self-service machines, and developing the use of biometric facilities. Security is amongst the major hurdles and commonly accepted standards should be developed to prevent the loss of confidence in these advanced technologies. In terms of multi-channel approaches, PostBank Kenya and National Savings Bank of Sri Lanka illustrated that branchless banking, through agent banking, POS, hand held devices, etc. enabled both institutions to substantially reduce the costs of servicing clients in remote areas.

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The 2009 WSBI Postal Savings Bank Forum brought together more than 40 delegates from WSBI postal savings institutions from Botswana, Cameroon, Comoros, Côte d'Ivoire, Czech Republic, Gabon, Kenya, Korea, Morocco, Romania, Sri Lanka, Tanzania and Vietnam, as well as other interested institutions such as the UK Coalition for a Post Bank, Postfinance International Development Netherlands, Eurogiro, the International Fund for Agricultural Development (IFAD), and INAFI (International Network of Alternative Financial Institutions).

Savings banks of East Africa strengthen cooperation

Hugues Kamewe

In August 2009 in Tanzania, the Association of Savings Banks of East Africa (ASBEA) - Kenya, Tanzania and Uganda- held meetings hosted by Tanzania Postal Bank. Member institutions welcomed Burundi Post as an observer which will probably become a full member in 2010.

Members discussed recent developments, specifically the problems posed by the global economic recession which has affected the lives of people and small entrepreneurs in the region and Africa as a whole - threatening to drive millions into poverty and a debt trap. Savings banks should develop business models suited to facing the challenges so that they can enlarge their customer base by offering small scale products and services in a sustainable commercial way. The meeting served as an excellent platform to inspire participants in their response to the business challenges that lie ahead and to strengthen the commitment of savings banks to their regions and the societies in which they operate.

At the forum, participants also discussed the need to efficiently use technology innovation and to forge collaboration with technology companies where possible. This is seen as a key area to further enlarge outreach to customers. This can be done by seizing the opportunities offered by technological innovations to upgrade savings and retail banking activities, broaden the scope of the services provided, and improve their quality, especially for the benefit of the un-banked population.

A three-day training entitled "Leading Change in a Volatile Environment" - was organized for before the meeting in cooperation with WSBI.

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SAVE THE DATE

29 September 2010

Brussels, Belgium

ESBG Conference:

Retail Banking in Europe

Following up from the extremely successful 2009 conference entitled "Retail banking in Europe - the way forward: Lessons from the crisis and priorities for the future", ESBG will again host retail bankers, regulators, decision-makers, and others for a conference on retail banking.

The event, which coincided with the release of the report "Retail banking in Europe – the way forward", featured over 200 participants from countries throughout Europe and other continents. The report can be found at www.esbg.eu.

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International cooperation amongst the savings and retail banks

First Business Cooperation Event

ESBG organised a Business Cooperation Event in Berlin on 22 and 23 September 2009 hosted by DSGV, the German Savings Banks Association. The event allowed account managers in ESBG member banks to discuss what is needed to be able to accompany small and medium-sized enterprises (SME) and private customers in their international business activities. The event also provided a forum for participants to learn about existing European business cooperation initiatives, such as the International Business Network (IBN) and Tevea International, to discuss ways and means of generating business flows and additional value-added services around these initiatives and to identify new cross-border business cooperation opportunities.

International support required by SME customers

SMEs, unlike larger corporates, require considerable assistance and support when they venture out of their home market to do business in other countries. In addition to the usual banking products and services, they also require access to local expertise. This includes general country information, the search for cooperation partners, access to services such as lawyers, accountants, tax advisors, chambers of commerce and investment authorities, government subsidies, etc.

The typical banking products and services required by SMEs in their new country of business include:

- account opening and related financial services
- access to internet banking
- payments and cash management
- local foreign currency support
- financing, possibly accompanied by counter guarantees and
- access to leasing and factoring solutions.

International support required by private customers

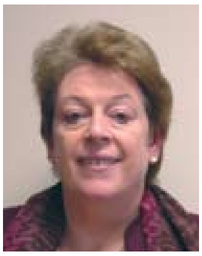
The number of private customers requiring assistance from their financial institution for their international activities is growing, but remains niche. These customers mainly include expatriate professionals, persons with a secondary residence in another country, students and migrants. The requirements vary depending on the customer segment as well as the country concerned. The typical demands of private customers are for account opening and account related services including payments as well as access to internet banking. Other needs can include real estate services as well as insurance.

The International Business Network

The International Business Network (IBN) - one of ESBG's business cooperation platforms for both SME and private customers - was presented at the event. The SME service is an end-to-end cross-border account opening solution for SME clients targeted at account managers. It is Intranet based and backed up by a network of contact persons who can provide tailor-made banking service as well as access to local expertise. The private customer service offers a cross-border account opening facilitation service as well as information on insurance and real estate services in some countries.

The consensus at the event was that the IBN service is a well developed and very useful source of information which can provide ESBG member banks access to an international network of like-minded banking partners as well as access to valuable local expertise. Accordingly, it is a very useful tool for account managers to accompany their customers in their international business needs. Renewed efforts need to be made to raise awareness of the service among account managers in the various countries and to extend the geographical coverage of the service. A first good step in this direction is the decision by the Erste Bank group to include all of its subsidiaries in Central and Eastern Europe in the SME service.

TEVEA International



Fiona Joyce

The event also allowed participants to learn about TEVEA International, a fully owned subsidiary of the savings banks organisations in four European countries and WSBI/ESBG. Its main business lines are foreign VAT optimization & recovery throughout Europe, tax representation in France, United Kingdom, Germany & Switzerland, and consulting and training on tax matters.

TEVEA also offers commercial & administrative support in international development for SME's under the Optimexport brand. This includes such services as prospecting abroad in 85 countries, qualified information search: sales agents, distributors & customers lists, market research, management of financial flows of subsidiaries set up in France as well as access to an international network of chartered accountants and lawyers.
Information on TEVEA International available on: www.tevea-international.com

Conclusion

This initiative brought together for the first time SME and private customer account managers with common interests around concrete international business opportunities. It was recognised that cooperation at international level through the natural network represented by the ESBG/WSBI membership is an invaluable resource to accompany customers in their international business needs and to get access to valuable local expertise. ESBG will use the input obtained during this event to enhance and expand existing international business cooperation platforms such as the IBN and will continue its activities facilitating stronger international business relations between its member savings and retail banks.

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ESBG calls for a fair, ambitious and binding climate change agreement in Copenhagen

In a recent letter to the participants at the United Nations Climate Change Conference that will take place in Copenhagen from 7-18 December 2009, ESBG urged immediate action and confirmed support for a fair, ambitious and binding climate change agreement in Copenhagen.

ESBG and its members recognise that preventing potentially catastrophic global warming resulting from an increase of over 2° C above preindustrial levels will require a global concerted effort from the business, political, civil society, industry and scientific communities across countries and continents in the developed, emerging and developing world. Therefore ESBG has urged all of the participants at the UN Climate Change Conference in Copenhagen to act in order to break the current gridlock and reach a global agreement that will make it possible to pave the way towards making the world a better and sustainable place to live for future generations.

Financial institutions and climate change

As a fundamental driver of the global economy, the financial community has an important contribution to make to defining sustainable solutions. The members of the ESBG have a long history of socially responsible banking all over Europe as well as a commitment to sustainable development - including environmental and climate change issues - at local and regional level. This responsible engagement is a part of the mission of ESBG members to make a return to society and reflects their long-term commitment to the communities in which they operate. This commitment has been reconfirmed collectively by the Board of Directors and the General Assembly of ESBG with the endorsement of a Resolution on the Environment at their last meeting in September 2009, which was enclosed with the letter sent to the participants at the Copenhagen conference.

In concrete terms, ESBG members aim to provide leadership and to support national and European actions to achieve greenhouse gas emission reduction targets by providing finance for energy efficiency projects and services as well as climate change mitigation and adaptation measures. The possibility of extending this commitment worldwide through the WSBI membership is also under consideration.

The ESBG Resolution on the Environment can be found on www.esbg.eu/Positionpapers.aspx

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200

Save the date
9 June 2010

Edinburgh, Scotland

Savings banks: A 200 year-old proven recipe for success rediscovered

Two hundred years ago, the first savings banks were started in Scotland with the mission of providing financial services to middle and lower class people who were excluded from the financial system of the time. The banks focused on financial inclusion and community development while at the same time being profitable institutions.

This banking model has spread across the world and has been a catalyst for incredible strides forward in economic and community development on all continents. In the context of the financial crisis, there has been a renewed focus on this model.

This conference will discuss the future of savings and responsible retail banking world-wide in the context of its past and present successes.

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Caixa Econômica Federal do Brasil supports migrants

Celine van den Abeele

An important agreement was signed between WSBI member bank in Brazil, Caixa Econômica Federal (CAIXA), the Inter-American Development Bank (IDB) and the Brazilian Micro and Small Business Support Service (SEBRAE), with the purpose of increasing the development of the programme "Remittances, Resources, and Training for Brazilian Migrants and their Beneficiaries in Brazil."

The objectives of the programme are to enlarge the use of the formal financial system through financial education activities and to provide training in entrepreneurship aimed at returning migrants to Brazil. This partnership is intended primarily for people who live in the State of Massachusetts in the United States who are originally from the mining region of Minas Gerais in Brazil, and the beneficiaries of these remittances located in Minas Gerais.

The programme targets 10,000 people. It is funded by CAIXA, SEBRAE and the Multilateral Investment Fund of the IDB (MIF).

CAIXA committed to promoting social inclusion, banking services and products adapted to migrants and remittance receivers. It also supports financial education for the lower segment of the population. As a partner, SEBRAE will provide training and dissemination of entrepreneurship knowledge to Brazilian migrants and their relatives, providing business sustainability.

This agreement comes as the follow-up from a 2006 pilot operation, which focussed on making immigrants and their families - in both the United States and Brazil - aware of investment opportunities (opening small businesses, specific credit lines for acquiring real estate, etc.). At the time a total investment of USD 1 million was contributed by the MIF, SEBRAE and CAIXA.

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Cooperation agreement among Sonapost in Burkina-Faso, FNCE, and WSBI

In June 2009, WSBI members SONAPOST (Burkina Faso) and the French Federation of Savings Banks (Fédération Nationale des Caisses d'Epargne, FNCE) signed a bilateral agreement for support. The ceremony took place under the chairmanship of Mr Noël KABORE, Minister for Post and Information and Communications Technology in Burkina Faso. The implementation of this agreement will provide timely support to accompany the restructuring of SONAPOST and will focus on three critical areas: selling techniques, human resources management, and IT.

This agreement is a part of the implementation of the framework cooperation agreement signed in 2008 between the West Africa Subgroup of WSBI (Benin, Burkina Faso, Cote d'Ivoire, Mali, Niger, Senegal and Togo), the FNCE, and WSBI. Similar bilateral agreements already exist with WSBI members in Cote d'Ivoire, Senegal and Togo.

Mr Arthur KAFANDO, Director General of SONAPOST anticipated a promising future for postal financial services. The restructuring of SONAPOST, the public postal operator is the cornerstone of an ambitious postal sector reform programme initiated by Government, which is assessing viable options for revitalising postal financial services - including a possible spin-off into a subsidiary.

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WSBI/ESBG presence at World Bank/IMF meetings in Istanbul

After two consecutive meetings in Washington DC – in 2007 and 2008 – the 2009 annual meetings of the World Bank and the International Monetary Fund took place in Istanbul, Turkey. Situated between Europe and Asia, Turkey used this large, international event to showcase to the world the achievements and strengths of its rapidly developing economy.

This year, the meetings focused on the world economic outlook, poverty eradication, economic development, and aid effectiveness. Thousands of delegates from all over the world attended dozens of meetings and conferences - in just one week.

At the occasion, WSBI/ESBG organised a networking reception on Monday 5 October, in the Hilton Hotel. This reception was sponsored by:

- ACRI, the Association of Italian Foundations and Savings Banks;
- BPCE (France);
- CECA, the Spanish Confederation of Savings Banks;
- Dekabank (Germany) a member of DSGV – the German Association of Savings Banks;
- SNS Reaal (Netherlands);
- Swedbank (Sweden); and
- Vakifbank - our Turkish member.

Attended by approximately 180 persons, the reception was an excellent occasion for WSBI/ESBG representatives and members to meet and discuss with policy makers and representatives of financial institutions. As Chris De Noose, Managing Director of WSBI and ESBG expressed it, "These meetings are one of the rare places where you can discuss with policy makers from World Bank and IMF, development banks and financial institutions from every country in the world - and all of that in one city and in less than a week".

WSBI/ESBG already invites you to the next reception, which will take place in the beginning of October 2010, in Washington DC, during the 2010 World Bank/IMF Meetings.

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WSBI

ESBG

ACRI Associazione di Fondazioni e di Casse di Risparmio Spa

BPCE

ceca CONFEDERACION ESPAÑOLA DE CAJAS DE AHORROS

DekaBank

SNS REAAL

Swedbank

VakıfBank

WSBI advocates for innovative banking services at IFAD/AfDB Global Forum on Remittances

The International Fund for Agricultural Development (IFAD) and the African Development Bank gathered a multi-stakeholder forum that made six recommendations to improve dramatically the African remittances market. These recommendations are:

1. Increase competition;
2. Empower market actors;
3. Achieve effective and efficient regulation;
4. Adopt new technologies;
5. Expand access to financial services;
6. Make more financial services available to rural areas.

These recommendations were submitted to the 9 November Rome G8 meeting on Remittances.

Improving the African remittance market is important in light of the EUR 30 to 40 billion in remittances transferred each year, and the 120 million people they impact.

The Forum opened with a striking comparison between the North-to-South America remittance corridor and the corridors to Africa. Over the past five years the North-to-South America corridor has attracted a wide range of both banks and money transfer operators originating transfers. This has enabled mainly banks in receiving countries to leverage their distribution networks and position themselves as buyers. The consequences are a high quality of service (with almost real time transfers) for an average total cost of 4%. By contrast the African market is dominated by two money transfer operators who impose exclusivity arrangements on payout locations. The consequences are:

- Less payout locations in the whole of Africa than in Mexico alone (with very poor coverage in particular in rural areas),
- Total costs for a remittance instruction that can reach 20%, and
- No technological innovation.

Just one example to illustrate the technology gap: although 76% of the population in Africa have a mobile phone this channel is barely used for financial transfers.

WSBI moderated a panel discussion on innovative banking products for underserved markets in Africa. The panel brought to the forefront the challenges and opportunities for both the supply and the demand side. Institutions that send remittances need to harness modern technology, cope with legal barriers and improve product design, while the institutions that receive remittances need to improve access to remittances, lower costs and undertake big efforts in the fields of financial literacy and education.

WSBI advocates in particular for the following principles:

- Exclusivity arrangements are incompatible with the objective of a competitive marketplace, and must be phased out. This will encourage more actors to enter the market, both as originators and on the distribution side.
- A level playing field should be created for all players, in particular by allowing access to payment and foreign exchange systems on a "same rights, same obligations" basis.
- Regulations should be coherent between markets, proportionate to the objectives and to the related risks, and result from a proper consultation process.
- New technologies should be promoted, but international standards should be used to the greatest extent possible, and interoperability should be preserved. Equally risks to end users should be minimized.
- Identity documents should be established that allow any migrant to comply with the "Know Your Customer" rules in the field of Anti-Money Laundering and Combating Terrorist Financing so that he or she can become a user of formal financial services. This will give a significant boost to the market.

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G8 International Conference on Remittances

The second G8 Conference on Remittances was held in Rome on 9 November 2009. It gathered representatives from international organisations, national ministries, embassies, Central Banks, and representatives from civil society. The conference was a follow-up to the initial conference held two years ago in Berlin.

The agenda included an update on the status of the activities of the Global Remittances Working Group, an update on the G8 "5x5" objective of cost reduction in remittance transfers - in other words reducing the cost of sending remittances to 5% over five years - and the preparation of an agenda for 2010 which should begin to address how to leverage remittances for more inclusive financial services.

As a backdrop for the conference, it was highlighted that a characteristic of the current economic crisis is that it affects both sending and receiving countries. This also leads naturally to the current focus on the cost of remittances. The current average global cost of remittances is 9.7% - but in some instances costs can be up to 25%. Therefore, at the L'Aquila meeting in July this year, the G8 set the objective to reduce the average global cost of remittances to 5% within 5 years – the "5x5" target. To achieve this objective it was suggested that:

- The January 2007 BIS and World Bank guidelines on international remittances should be fully implemented,
- Further technical assistance should be provided,
- Data gathered (up to now on 164 remittance corridors) should be enriched further, and
- The impact of the crisis on remittances should continue to be monitored.

The Italian website on the cost of remittances (administered by the Centro Studi Politica Internationale – CeSPI) was introduced (at www.mandasoldiacasa.it). It joins the significant number of mostly publicly administered websites which compare the costs of remittance service providers in a number of corridors. In the case of migrants to Italy, the 14 migration corridors studied cover 80% of remittance flows. Information on the website can be sorted according to transfer speed and total costs. The website also holds information about current account and other financial services offered. Finally it includes a section on promoting financial literacy, including on savings products.

The six concluding recommendations of the recent IFAD/AfDB Tunis Conference on Remittances were also presented (see page 30 for more on this conference), with an emphasis on the necessity to increase competition and put an end to exclusivity arrangements imposed by some Money Transfer Companies. Equally important points made at the IFAD/AfDB conference were:

- On the sending side, it is important to foster the flow of funds through formal channels. This should be facilitated via the acceptance of "consular cards" issued to migrants.
- On the receiving side access to financial services should be expanded through more aggressive support to financial intermediaries, the promotion of financial literacy, and a wider range of financial products including access to bank accounts.

Data presented by the World Bank highlighted the shift in migration, which is no longer a South-North phenomenon. Whilst 93% of migrants move for economic reasons, 40% of the overall 200 million international migrants go to OECD countries, 47% are "South-South" migrants, and 13% migrate to non-OECD countries. The current crisis has slowed migration flows, but overall existing migrants have not returned to their home country. Remittance flows are expected to have decreased by 6% in 2009 from an all-time high in 2008 and a shallow recovery is expected in 2010 and 2011. However, the overall decrease in 2009 translates unevenly across regions and countries. For example, in the Latin American and Caribbean area, 1.3 million households that used to receive remittances will not receive them in 2009, with El Salvador, Haïti, Guyana, and Nicaragua being the most affected.

At the G8 conference, the huge progress made since 2004 in gathering reliable data was noted. Further enhancements to be brought to definitions for Balance of Payments reporting are expected to bring data accuracy to new levels by 2012. Apart from ongoing work on better standardisation, the exchange of data bilaterally between sending and receiving countries is also encouraged in order to reduce the gaps that remain.

An update of the concept of Code of Conduct for remittances was also provided at the conference. It had already been agreed that such Codes should best be developed and promoted at national level. The key principles for a good Code of Conduct are:

1. It should customer-friendly;
2. It should be subject to regular review;
3. It must be managed independently from the industry;
4. The managing body should have sufficient human and financial resources;
5. The code of conduct should cover a widespread selection of service providers;
6. Key stakeholders in the remittance industry should be committed to it;
7. Compliance should be effectively monitored; and
8. A process for effective enforcement should be in place (even when adherence is voluntary).

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UPU/AFI workshop on financial inclusion and postal banking

About 200 people took part in the UPU/AFI workshop representing postal savings institutions, including a number of WSBI members – the Postal Savings Bank of China; Campost, Cameroon; Postbank South Africa – central banks, ministries of finance, postal authorities, and international organisations like the World Bank, the Bill and Melinda Gates Foundation, CGAP took part. WSBI was invited to contribute to the debate from a savings banks' perspective.

On 9 and 10 November 2009, the Universal Postal Union (UPU) and the Alliance for Financial Inclusion (AFI) organised a workshop to highlight the role played by postal networks in financial inclusion.

The workshop participants shared experiences and lessons on the different business models developed by postal networks in the BRIC countries (Brazil, Russia, China and India) that distribute financial services and enlarge financial inclusion. Representatives from the four countries presented their models and a number of points were clear from the discussion:

- With the global financial crisis, the social stability impact of financial policy is an additional factor which needs to be taken into account when developing an access to finance strategy. The volume of additional transactions from the newly banked will never put the stability of the financial sector at risk, but the social cohesion benefits are to be seen as a key element for the stability of a given country/region.
- The proactive role of governments is essential for successful financial inclusion policies - including through the postal networks:
- This should first involve implementing supportive and innovative public policies e.g. subsidies for innovative telecommunications or financial actors.
- Second, governments should consider getting involved in public/private partnerships and enabling the postal network to benefit from support, expertise, and collaboration from private market financial players.
- Third, governments should define an enabling regulatory framework ensuring the protection of clients and of their deposits, giving the required flexibility to adapt existing rules to technological progress and to innovation, such as branchless banking solutions. They should also clarify the role and responsibilities of each of the players involved in the banking transactions (e.g. banks, agents, telecommunications providers, etc.).
- Fourth, governments should play a coordination role between all private and public stakeholders involved in financial inclusion initiatives and programmes;

There is not one model superior to the others, and the choice of the institutional set-up (postal bank, strategic alliance with commercial financial institution(s), joint venture, agent banking, etc.) has to be made on a case-by-case basis. However, the agent banking model as introduced in Brazil has proven its effectiveness and is being replicated in a number of countries. For some participants, the future of postal banking networks has to be assessed in the broader context of the development of this model, where the postal network is one of the key agents which brings its proximity network and the trust factor into the financial inclusion scheme.
The introduction of new technologies in the distribution and delivery of financial services was perceived as a unique chance to lower the costs and increase geographic accessibility. Again, governments should support continuous technology innovation and its use for banking applications, while guaranteeing the safety and security of schemes.

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SAVE THE DATE

2010 Summer Forum

From Saturday 18 September to Tuesday 22 September 2010
Germany, Neuhardenberg

How do savings and retail banks face their new challenges?

The recent banking crisis has prompted calls for a tighter regulatory regime, which together with the harsher economic climate will force banks to adopt new strategies for cost-cutting and revenue maximization in order to preserve their future. The past actions of many retail banks have come back to haunt them and banks must revisit their business models to improve cost efficiency. Coupled with the necessity for cost savings is also the requirement for revenue growth strategy, which should move away from high risk approaches of the past few years. This is imperative in order to regain public's confidence in the banking sector.

The forum will accordingly address the impact of the new regulation on the Europe retail banking; it will analyse the opportunities that exist for retail banks to achieve long term cost savings and will highlight areas where banks can seek to grow revenue in the new environment. In particular, this will be the opportunity to review the core banking activities of the savings banks whilst analysing alternative growth strategies and tactics for the sustainable development of their business and client relationships.

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First conference of Latin American central banks on economic and financial education

In Colombia in September 2009, more than 120 participants from Central banks, banking institutions, international financial institutions, academics, education organisations, NGOs, etc. took part in the 1st Conference on Economic and Financial Education in Latin America and the Caribbean. The event was initiated by the Regional Association of Central Banks (Centro de Estudios Monetarios Latinamericanos – CEMLA) with the support of the Banco de la Republica de Colombia and the United States Council for Economic Education. WSBI took part in the panel discussion on the contribution of financial education to improving access to financial services.

Central banks from Argentina, Brazil, Colombia, Mexico, Dominican Republic and Venezuela presented their experiences which primarily focused on economic issues - the importance of financial stability, the basics about inflation, monetary policy - with a view towards improving public acceptance of the national economic policy and address the loss of public confidence and credibility affecting public institutions in Latin America. There was a broad consensus on the timeliness to develop financial and economic education initiatives in the current context of the financial crisis as well as on the need to initiate national strategies driven by government bodies and to coordinate the actions of central banks in this field at a regional level. The ultimate objectives should be to enable people to better understand the monetary policies implemented by central banks, to give them the skills to make the right financial decisions, and to enlarge access to the formal banking sector.

One of main recommendations was to introduce economic and financial education into the curriculum of schools. The meeting also highlighted the importance of developing tools to measure the impact and to evaluate the efficiency of financial capacity programmes to change people's financial behaviours.

There were some questions raised as to the opportunity to involve financial market players (banks, credit card providers, money transmitters, insurance companies, etc.) in economic and financial education programmes. Although a number of participants, including OECD and WSBI, underlined the importance of joint efforts from all interested stakeholders (public sector, financial sector, civil society), some central banks stated that the credibility and neutrality of the messages could be undermined if private financial institutions were associated with their initiatives. There was an agreement on the need to prevent any conflict of interests, and to strictly separate financial education programmes and the promotion of specific products or services.

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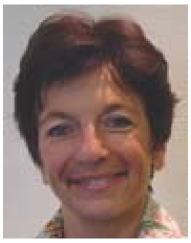
Latin American and Caribbean microfinance industry at a crossroads


Laurie Dufays

Arequipa, the second most important Peruvian city, offered its beautiful landscape at the foot of the Volcano 'Misti' to host the 12th Inter-American Forum on Microenterprise – FOROMIC – from 30 September to 2 October. FOROMIC is "the" annual event on microfinance in Latin America and the Caribbean. It is organized by the Inter American Development Bank (IDB), the main sponsor of the forum and the biggest multilateral lender for the region.

This year's FOROMIC event focused on the impact of the global economic crisis on the microfinance industry in Latin America and the Caribbean and provided a platform for 1500 participants from 36 countries to analyse, discuss and share experiences in areas such as financial education, consumer rights protection, microinsurance, microfranchises, savings mobilization and remittances. In the opinion of high level decision makers, the microfinance industry in Latin America and the Caribbean is at a crossroads, looking for new ways to increase its efficiency and better assess customer risks and needs. In this respect it is worth noting the growing number of microfinance institutions that want to offer savings products in addition to microcredit.

WSBI and members leading sections of the forum

Before the opening of the forum, WSBI – which has sponsored the event for several years – led a workshop on "The Marketing of Products for Low Income Segments". This was the occasion to share experiences with around 20 microfinance institutions and credit unions including some Cajas Municipales from Peru and BANRURAL, Guatemala. BANRURAL presented a package of savings product and health services for women with a saving potential of less than a quarter of a dollar per two weeks. Mr Adolfo Fernando Peña, CEO of the bank, showed how innovative and intelligent packaging of products and services allow the bank to remain profitable, notably through cross-selling. WSBI also provided an institutional presentation and participated as a speaker in a panel on financial education, which gathered close to 300 people. The model of the School Banks in Thailand raised significant interest among the participants – including the IDB.

The launch of knowledge platforms and web-resources for microfinance

Gregg Watson, Operations Officer at the IDB, mentioned that the construction of an internet portal collecting experiences on financial education would be highly recommended in order to save time, resources and optimise project development. The initiative is under consideration at the IDB, and should include the creation of a working group of institutions with experience in this field.

In addition to the above, the Multilateral Investment Fund (MIF – the funding arm of the IDB) launched MicAmericas (www.iadb.org/Micamericas) - a website that will showcase the latest information, analysis and articles about the microfinance industry in the region. This new platform will also offer visitors an opportunity to share their opinions and read expert blogs.

An opportunity for networking and moving forward

As in previous years, the forum was an excellent opportunity to strengthen the visibility of WSBI as the world representative of socially driven savings and retail banks, specialized in the mobilization of savings and the provision of microfinance services. The forum also helped the WSBI to identify new project opportunities for Training & Consultancy and to make useful contacts for the GRULAC (Regional Group for Latin America and the Caribbean) meeting on 7 and 8 December in El Salvador.

The next 13th Inter-American Forum on Micro Enterprises will take place in Punta del Este, Uruguay 1-3 December 2010.

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Branch Management: The favourite training programme of branch managers and heads of departments at WSBI member banks

When he arrived last October in Brussels, to follow a one month course on Branch management, Désiré Fagninou, Head of the Center of Financial Services, commented that their challenge at la Poste du Bénin was to fight against fierce competition, that offers very high interest rates on deposits - sometimes 13 % a month - with only a very limited range of savings products. Mr Faginou stressed the urgent need to be very creative and to differentiate La Poste du Bénin from its competitors with attractive, sound and effective retail banking strategies and tools.

These differentiation strategies are at the core of the Branch Management programme developed by WSBI. The various training modules teach how to achieve sustainability through the marketing to low income segments of the population, the organization of the distribution networks, the management of the company risks with a focus on credit, and the motivation of the staff. Ultimately the course on branch management is in line with the mission of the WSBI to fight poverty and promote financial inclusion.

More than 100 people from Postbank Uganda, Lesotho Postbank and from FEPCMAC in Peru have benefited from the training programme since 2007. The latest beneficiaries from this year are la Poste du Bénin, PosteFinances Senegal, les Services Postaux du Cameroun, and la Société Nationale des Postes et des Services Financiers des Comores. Some have participated in the one-month training programme while others joined for only one or two modules.

To complete their training, the participants have decided to continue working together on a common project related directly to the course that is to identify and then mitigate operational risks. This will take place through a group created on LinkedIn.com called 'BESSEC' (for Benin, Senegal, Comores and Cameroon). The group will be led by Isma Seck, Head of Operations and Network Department at PostFinances, Senegal.

Testimony about the Branch Management Training program

When they arrived mid October, Astou Kane and Diatou Diop, from PostFinance Senegal, said their objectives were to get a more in depth overview of the links between the bank's different departments and activities, to acquire new marketing and communication tools, and to improve their abilities to deal with their clients. After one month, both agreed that their objectives had been totally achieved:

"The programme organized by the WSBI completely fulfils our expectations, the themes cover all the key issues we are dealing with in our institution and are directly linked to the core activities of our bank. The experts are of very high quality and have a sound knowledge of our concerns in African institutions; the combination of theory and practical cases that was proposed in the course was very enriching".

Adapted to serve microfinance institutions

The programme has also been adapted to serve microfinance institutions. This year FINADEV and LE BACAR, two microfinance institutions from Benin, and 'Le Fond d'Impulsion de Microfinance' from Senegal took part in the trainings. Mr Abdou Kader Ba from 'Le Fond d'Impulsion de Microfinance"' is very enthusiastic about the programme and he is proposing to promote it throughout the network of microfinance institutions in Senegal. In the meantime, he plans to submit a request to become an associate member of the WSBI.

Branch Management Training in the coming year

The success of the programme means that WSBI will continue offering the Branch Management Training throughout 2010 in Brussels. For those interested, the programme can also be organized in your country upon request. In order to adapt to members needs, it will be broken down into modules of 3 to 5 days each and offered at a pace of about one module per month throughout the year; it will be provided in French and English.

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Participants in the recent Branch Management Training

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WSBI - ESBG The global voice of savings and retail banking

WSBI (World Savings Banks Institute) is one of the largest international banking associations and the only global representative of savings and retail banking. Founded in 1924, it represents savings and retail banks and associations thereof in 92 countries of the world (Asia-Pacific, the Americas, Africa and Europe – via ESBG, the European Savings Banks Group). It works closely with international financial institutions and donor agencies and promotes access to financial services worldwide – be it in developing or developed regions. At the start of 2008, assets of member banks amounted to more than €10,000 billion, with operations through more than 380,000 branches and outlets.

ESBG (European Savings Banks Group) is an international banking association that represents one of the largest European retail banking networks, comprising about one third of the retail banking market in Europe, with total assets of over € 6,000 billion (1 January 2008). It represents the interests of its members vis-à-vis the EU Institutions and generates, facilitates and manages high quality cross-border banking projects.

WSBI and ESBG members are typically savings and retail banks or associations thereof. They are often organised in decentralised networks and offer their services throughout their region. WSBI and ESBG member banks have reinvested responsibly in their region for many decades and are a distinct benchmark for corporate social responsibility activities throughout Europe and the world.

WSBI ESBG

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