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NEWS & VIEWS

Never waste a good crisis

“Never waste a good crisis”, said Machiavelli, “it can be turned into joyful transformation”. Indeed, a crisis shakes people out of their complacency, creates opportunities to challenge conventional wisdom and gives leaders room to challenge vested interests and create positive change. Certainly, the financial sector is still in crisis, but are we really turning it into joyful transformation? WSBI and ESBG are convinced that they can contribute to achieving this ambitious objective.

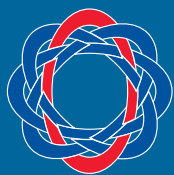
One of the conventional wisdoms that have been challenged is that regulators should foster the development of big, internationally active financial institutions. Indeed, many policymakers were convinced that only big, international champions that offer all banking services, from retail banking to trade finance and investment banking, could thrust the economy forward. At the same time, they considered smaller institutions that concentrated on retail banking to be obstacles to the creation of competitive economies. This conventional wisdom was certainly one of the reasons for the financial crisis. Indeed, the crisis has clearly shown that such “monoliths” can transform into dominoes that fall in a flash. Nothing was there to break their fall – never mind stand them back up – and the handling of these fallen “champions” has caused severe headaches for more than one country’s policymakers. While they’re still popping aspirins, it should be clear by now that only banking sectors diversified by players of all sizes, specialities and business models, and with solid connections to the real economy, can resist the shockwaves that rocked the financial sector. However, one of the challenges that we face in 2011 is to embed this vision in the regulatory and supervisory packages that will be implemented on a global scale.

Taking this lesson to heart, WSBI and ESBG are highly critical of a one-size-fits-all approach to regulating bank risks. This is a particularly pressing issue in view of the upcoming transposition of Basel III into national jurisdictions. Indeed, in the EU, as in other markets, legislators must take great care when adopting a regulatory approach drafted for large international banks in a pluralistic banking environment in which banks of all sizes and regional orientations coexist and compete. Policymakers’ commitment to Basel III should not be questioned, but neither should a hasty and inadequate implementation be promoted. The real challenge is to apply Basel III appropriately to the banking sector. Tackling this challenge is vital, as otherwise Basel III will not become a “stabiliser” of the banking sector but a force that constrains economically valuable and necessary retail banking activities at the local and regional level, to the detriment of both financial stability and economic prosperity.

IN THIS EDITION

Interchange for
SEPA Direct Debits:
the inconvenient
truth

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WSBI



ESBG

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WSBI and ESBG will do whatever it takes to avoid a one-size-fits-all approach to regulating bank risks. Imposing higher capital ratios without taking into account the specific risks that stem from the business activities of banks will not automatically wipe out all risk from bank balance sheets.



CHRIS DE NOOSE
WSBI - ESBG MANAGING DIRECTOR

Until now, the reform of financial regulation and supervision has been to a very large extent undifferentiated. Forcing all financial institutions to accept higher capital buffers and liquidity ratios does not take into account that systemic risks stem first from large and internationally active banks. Not only has no credible action been taken to establish that these big financial institutions will no longer be bailed out by “captive” governments; implicit government backing of big financial institutions has actually become stronger. This can only lead to market distortion and excessive risk taking. Achieving a level playing field in the financial market does not mean that all financial institutions should be treated in the same way. On the contrary, achieving a level playing field requires an approach that addresses the specific business model and associated risks of each of the various segments that make up the banking sector as a whole.

Another immediate challenge is the proposed European Commission regulation for end dates of the migration to SEPA payment instruments. For several years now the banking industry has called for the legislator to put an end to the uncertainty surrounding the adoption by users (government entities, corporations, SMEs, consumers) of pan-European payment instruments. Unfortunately, the Commission’s proposal includes the regulation of technical standards – which would force early adopters to invest again, stymie innovation and not remove ambiguity, and leave the door open to a multiplicity of quasi-European solutions. Furthermore, the Commission would use this regulation as a means to ban interchange for direct debits, which would compel debtor banks to provide the service and shoulder the risks without any remuneration, as charging either creditor banks or debtor customers would be prohibited. In the very competitive worldwide economic environment now emerging, such regulation is hardly the foundation for an efficient and competitive European economy.

The new international standards for financial reporting, specifically IFRS 9, are another major cause for concern. This specific rule for financial reporting leads to an asymmetrical treatment of assets and liabilities and has a major impact on the banking books of our members. Another concern is that retail banks could be required to use fair value accounting for the valuation of some classic loans on their balance sheets. This is not compatible with the retail bank business model.

News from the financial inclusion front is altogether more positive. Policymaker and industry representative awareness that the financial sector should be at the service of society and not the other way around has risen since the crisis, with increasing recognition that stable banking markets require the provision of access to financial services for as many people as possible. Consequently, more attention is being paid to financial inclusion as a way to sustainably “bankarise” and empower individuals and boost formal economies.

At WSBI, this momentum is palpable: we have progressed from awareness-raising to implementing solutions, providing a golden opportunity to WSBI and ESBG member banks all over the world. Decades of grass roots experience on all continents is a great source of inspiration and knowledge for policymakers and stakeholders who must seize the political momentum now driving the financial inclusion movement. In a rapidly changing world, WSBI members need to grasp the nettle. They must translate their knowledge of and affinity with less privileged clients or prospects into concrete action and business opportunities that improve the lives of the poor and sustain banks; substantially lower product and service fees to compete with new players, such as mobile telephone operators; optimise distribution channels, if necessary, by creating alliances with other retail champions to increase dramatically the proximity of our institutions; quickly overcome regulatory obstacles, such as anti-money laundering rules that don’t take into account country specificities of proving one’s identity; and improve consumer protection and financial literacy, which will create long-term client relationships.

On every continent where WSBI and ESBG are active, the challenges remain legion on the long road from severe crisis to joyful transformation. But in 2011 WSBI and ESBG will do their utmost to help transport members to just such a destination. With your help, we can succeed.

Chris De Noose
WSBI - ESBG Managing Director

Interchange for SEPA Direct Debits: the inconvenient truth



Norbert Bielefeld

As part of its Regulation proposal setting end dates for migration to SEPA, the European Commission proposes to ban any form of remuneration that debtor banks could receive from creditor banks for processing regular direct debit transactions (often called “interchange”). To justify its proposal the Commission makes only sparing and selective use of data and facts. The graph on the facing page consolidates publicly available

data and facts so the reader can draw his/her own conclusions as to whether SEPA Direct Debits would work better for society if interchange was allowed.

The messages from this snapshot are:

1. **Direct debits are far more accepted (used) in countries with interchange** (whether for normal or “R” transactions, which are direct debit transactions that fail to be processed automatically) than in countries without interchange. Countries with interchange actually account for 76% of all EU direct debit transactions (in volume); the level of multilateral interchange varies from country to country. There are two exceptions: the Netherlands and the United Kingdom.
2. **Direct debits in countries with interchange also represent a greater share of all non-cash transactions** than in countries without interchange. (Apart from the two countries mentioned above, exceptions are Ireland, Slovakia and Poland.)
3. In the top five countries by transaction volume with interchange the banking industry is less concentrated than in other countries. Contrary to the assertion by the Commission, **interchange is not an obstacle to competition**. The concentration data from the Netherlands and the United Kingdom, however, do not support this conclusion.

Thus, there is no compelling data that banning interchange for SEPA Direct Debits would foster their acceptance, or favour competition. In addition the reader should know that:

- A 2008 Commission Report (“Preparing the monitoring of the impact of SEPA on consumers”, DG Health and Consumer Protection) found that for at least 88% of euro direct debit transactions in France, Germany, Italy, the Netherlands and Spain, the debtor is generally not charged by his debtor bank (or only by some debtor banks) for handling direct debit transactions. **A combination of regulatory obligations and policy maker expectations protects consumers where direct debits are most frequently used.**
- A multilateral interchange for SEPA Direct Debits would not be “a hidden fee between banks”. Such a multilateral interchange fee would be referenced in the SEPA Direct Debit

Rulebook published by the Scheme Manager, and displayed on the latter’s Extranet. In effect, the applicable multilateral interchange fees have been set by Regulation 924/2009 and also published (notably) by the Commission, so that no creditor – in theory, the impacted party – may credibly claim that the fee is “hidden”.

- Contrary to the statement of a Commission representative, **interchange for direct debits is not intended to “finance the direct debit scheme” but to remunerate debtor banks for the costs and risks they incur** in handling¹ collections presented by creditor banks on behalf of creditors. Debtor banks have been compelled by legislation to accept SEPA Direct Debits presented by creditor banks. The proposed SEPA migration end dates Regulation mandates debtor banks to perform tasks which go beyond the practices implemented by the banking industry, whether at the national level or in preparation for SEPA.
- Both in public and in documents² supporting the proposed SEPA migration end dates Regulation, the Commission has qualified interchange for direct debits as being anticompetitive by object, which is wholly unprecedented **in the absence of any systematic legal and economic assessment**, and at a distance from the Commission’s own procedures.³
- The proposed SEPA migration end dates Regulation prevents banks from recouping their costs from either creditors (indirectly via creditor banks) or debtors. This impossibility to recoup unavoidable costs will increase prices for non-related products – as happens already with cash. Such cross-subsidies are at odds with the “transparency” otherwise pursued by the Commission and the philosophy underpinning Principle VIII of the

¹ At minimum, debtor banks perform the following tasks when handling direct debits: setting up and maintaining the application, receiving direct debit collections from creditor banks (directly or indirectly via clearing mechanisms), verifying debtor details, checking required execution date(s), storing transactions until settlement, checking debtor account accessibility, checking possible debtor oppositions, verifying creditor identifier and unique mandate reference, checking account provisioning, performing debtor and clearing mechanism-related accounting, storing transactions for potential returns support, among others.

² See in particular the 17 November 2010 public hearing on SEPA and the December 2010 Impact Assessment accompanying the Proposal for a SEPA migration end dates Regulation.

³ In its 30 October 2010 SEC(2009)1472 Working Document on the Applicability of Art. 81 of the EC Treaty to multilateral interbank payments in SEPA Direct Debit, the Commission stressed (para. 13) that the “assumption [of a restriction of competition, in particular by object] is made solely for the purpose of this document and is without prejudice to a future case by case assessment...[and]...cannot replace a systematic legal and economic assessment within the context of an investigation”.

2001 BIS Core Principles for Systematically Important Payment Systems.⁴ Certainly, the assumption continuously entertained by policymakers and regulators that payment services can be provided at no cost is an issue for the future of SEPA.

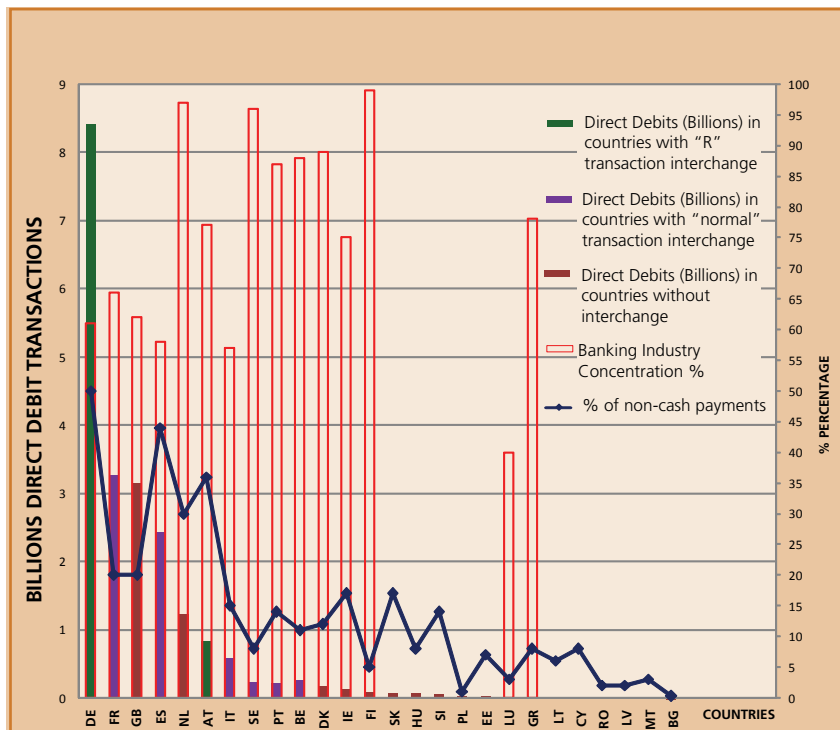
- The average amount of a direct debit transaction in Europe is EUR 785⁵ – evidence that direct debits are used for business-business collections to a significant extent. Against this backdrop, it is difficult to convincingly defend that even a 8.8 eurocent interchange fee would contribute to increasing creditor prices given that in at least 76% of situations such an interchange (which is sometimes even greater) is already a factor in the creditor's cost basis.
- A contrario, representatives of creditor associations refused to commit to lowering customer prices in the case that interchange for direct debits is banned – despite the fact that creditors reap significant benefits from direct debits (notably in terms of receivables and liquidity management, and ease of accounting) and that the direct debit reachability obligation imposed by Regulation 924/2009 reduces their marketing burden even further (see proceedings of the Commission's 17 November 2010 public hearing on SEPA end date).

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⁴ BIS SIPS Principle VIII: "The system should provide a means for making payments which is practical for its users and efficient for the economy" and (see section 3.8.2) "the costs of providing payment services will depend on the quality and the features demanded by users..."

⁵ 2010 CapGemini World Payments Report. This average amount rose 8.7% from EUR 722 between 2008 and 2009.



Legend

- The green, purple and red bars show billions of direct debit transactions per Member State (ECB Blue Book 2009 data; 2009 Czech Republic direct debit data was unreported).
- In six countries* (Belgium, France, Italy, Portugal, Spain, Sweden – purple bars) debtor banks receive remuneration from creditor banks for processing direct debit transactions.
- In two countries (Austria and Germany – green bars) creditor banks will be charged by debtor banks for direct debit transactions which fail to be processed automatically ("R" transactions). In some of the countries (France, Portugal, Spain) listed under the previous bullet interchange for "R" transactions may also be charged.
- The handling of direct debits does not give rise to interchange arrangements in any of the remaining countries (red bars).
- The blue line represents direct debit transactions per Member State as a percentage of all non-cash transactions in that Member State (ECB Blue Book 2009 data).
- The transparent bars are a representation of the concentration of the banking industry in each country (Casu/Girardone, 2003).

* According to the Commission's December 2010 Impact Assessment supporting the SEPA migration end-dates Regulation Proposal. However, according to banking industry sources, interchange is also levied in the Netherlands.

In Europe and worldwide CSR gains momentum



Laura Gutierrez

Corporate Social Responsibility (CSR) is defined by the European Commission as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. Savings banks have a longstanding commitment to CSR through a wide range of activities, from microfinance, financial inclusion and financial education projects to environmental activism and cultural heritage preservation.

CSR in the spotlight

In the international and European political arenas, CSR is gaining momentum at an unprecedented rate. Businesses are now expected to demonstrate their commitment to CSR, as international fora assert that fully embedded CSR policies supporting sustainability objectives are the key to addressing increased global competition, climate change, resource shortages and global poverty. At the European level, the recent European Commission Communication “An Industrial Policy for the Globalisation Era” established CSR as crucial to increasing confidence in businesses and to the sustainable performance of European industry. Given the financial and economic crisis, it is stated that CSR strategies can help strike a balance between short-term profit maximisation and long-term sustainable value creation.

One relevant CSR topic is company reporting of non-financial information. The impact of a business goes beyond its financial result, as its activities have repercussions for the environment and society. Increasingly, businesses are reporting not only on their financial results, but also on so-called Environmental, Social and Governance (ESG) issues. Some savings banks already report on ESG issues; with an eye on sustainability, they provide information on the impact of their activities on the environment and society. The debate over ESG disclosure is currently a hot topic. In 2009 and 2010, the European Commission held six workshops dedicated to reporting and disclosure, where representatives of businesses, investment funds, trade unions, human rights groups, governments, media and consumer organisations shared their views and proposed policy ideas. ESBG participated and issued its first position on ESG disclosure, highlighting the importance of taking a voluntary approach towards CSR and disclosure. In November 2010, the Commission launched a public consultation on company reporting of non-financial information, with the aim of improving the Commission’s understanding of how stakehold-

ers approach the topic. The Commission is expected to propose a related policy initiative in the upcoming Communication on CSR, due in 2011.

ESBG at the 2010 European Commission CSR Multi-stakeholder Forum

The European Commission Multistakeholder Forum on CSR invites organisations representing employers, business networks, trade unions and NGOs, with the aim of promoting innovation, convergence and transparency of existing CSR tools and practices. As a member of the Forum Coordination Committee and an organisation with a strong interest in CSR, ESBG participated in the Forum’s final plenary session on 29 and 30 November 2010. The November meeting presented the opportunity for stakeholders and the Commission to exchange views on the Commission’s upcoming Communication on CSR. During the meeting, participants took stock of developments in the field of CSR over the past two years, and discussed possible ways forward concerning key challenges that still need to be addressed. WSBI/ESBG CSR Committee Chair Arnaud Berger participated in the plenary session “Looking back – what progress has been made in the uptake of CSR?” and provided an extensive overview of the achievements of European savings banks in the field of CSR for 2009 and 2010. More precisely, Mr. Berger explained how European savings banks have undertaken several initiatives and actions in four main areas:

- introducing more social and environmental awareness to business practices;
- continuing to finance the real economy;
- trying to work with more transparency;
- regaining consumer confidence.

The November Multistakeholder Forum also provided the opportunity for stakeholders to debate topics that will be addressed in the upcoming Communication on CSR, such as responsible investment and ESG disclosure.

Debate on the promotion of more responsible investment

The debate on Socially Responsible Investment (SRI) is intrinsically linked to the debate on ESG disclosure and reporting. SRI discussions at the Forum focused on the possible negligence of institutional investors, regarding both governance and the assessment of ESG issues in their investment decisions. Many participants



claimed that a current lack of ESG data hinders the work of analysts dealing with the non-financial performance of companies. In this respect, it was asserted that financial indicators alone are not sufficient to measure all risks in the economy, as systemic risk also exists in environmental, social and governance realms. Discussions assessed several needs, including mandatory ESG disclosure for listed companies; more transparent institutional investor policies and voting; engaging civil society and pension fund participants in the SRI debate; and formulating benchmarks to determine what exactly is expected from the markets. It was also acknowledged that the European Commission can play a facilitating role in the promotion of SRI, for example, by undertaking a media campaign to promote investor demand, or by promoting the integration of ESG topics in educational programmes.

Debate on transparency, reporting and ESG disclosure

Discussions revealed a shift in debate from mandatory requirements versus voluntary initiatives to issues of accountability versus materiality. These two pairs of terms represent two different approaches: the first reinforces the transparency of companies on a range of social and ethical obligations and expectations, while the second fuels promotion of business performance through more effective and relevant non-financial reporting. Another challenge is convergence in a globally accepted standardised reporting framework, as numerous initiatives exist at local, European and international levels. In addition, should convergence towards a common approach be attained, the following issues would need to be tackled:

- the ability of businesses to effectively meet disclosure requirements;
- the understanding and willingness of investors to value ESG information;
- the scale and reach of disclosure requirements and the possible impact on SMEs;
- the balance between quantitative data and strategic narrative requirements;
- the challenge of comparability in data between companies and sectors and even within the same company over time;
- the challenge for accounting standards bodies to integrate financial and non-financial standards;
- the capacity of auditors and verifiers.

Integrated reporting, an emerging trend

Some businesses report not only their financial results, but also the impact that their activities have on the environment and society (ESG reporting). To build on this transparency, the next step could be to have financial reporting and ESG reporting converge, resulting in so-called “integrated reporting”. Should integrated reporting become a legal requirement, savings banks would also be obliged to produce integrated reports, and this would mean that financial Key Performance Indicators would have to be redefined in order to integrate sustainability.

International Integrated Reporting Committee

In August 2010, Accounting for Sustainability (AFS, an initiative spearheaded by the Prince of Wales), the Global Reporting Initiative (GRI) and other organisations responsible for financial accounting and reporting established the International Integrated Reporting Committee (IIRC). The IIRC seeks to promote integrated reporting, by facilitating and coordinating collaboration between key institutions to develop a generally accepted integrated reporting framework that would combine financial and sustainability reporting. The IIRC expects to unveil some framework proposals by November 2011 and is striving to place the topic on the G20 agenda. ESGB is closely following the IIRC’s progress toward a global framework for integrated reporting.

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IFRS at a crossroads: European retail banks fight for greater visibility



Raphaël Delli

Since the beginning of the financial crisis discussions on the need to simplify accounting standards, introduce anti-cyclical measures, and achieve the convergence of the International Financial Reporting Standards (IFRSs) and the American Generally Accepted Accounting Principles (GAAPs) have been at the top of the G20 agenda. Now, the IFRS 9 project to overhaul the accounting standard for financial instruments is entering its final year, yet questions and doubts persist and

remain as pressing as when the project was launched a year and a half ago.

This is mainly the result of the approach chosen by the International Accounting Standards Board (IASB). Rather than respond to the limited demands of stakeholders, the IASB decided to address the issues listed above by introducing a complex three-step project to replace the current accounting standard by a new one, IFRS 9. The revision of the accounting standards for financial instruments is subject to two important political deadlines, and affected by major economic and accounting cultural differences. The IASB has to finalise IFRS 9 by 30 June 2011 and has to follow the G20 by converging IFRSs and GAAPs by the end of 2011. The latter deadline is crucial, because if convergence is not achieved important countries such as China and India may not endorse the IFRSs as such but rather adapt them to Chinese and Indian tastes, and thus the goal to achieve a single worldwide accounting standard will have failed.

The conjunction of these two political deadlines puts tremendous pressure on the IASB to find the right balance between the diverging points of view of fair value accounting between Continental Europe on the one hand and the United Kingdom and the US on the other hand.

It appears clear to ESBG that with such a short political deadline and an overly ambitious goal, the IASB might ultimately settle for a weak standard. The IFRSs may exemplify the lowest common denominator and the preferences of the more powerful stakeholders. ESBG, understanding that accounting is at a crossroads, is therefore fighting for European retail banks to have greater visibility and avoid any collateral damage.

IFRS 9 Phase 1: the standard

Today, only the first step to replace IAS 39 by IFRS 9 is known. It concerns the classification and measurement of financial assets and liabilities. Because of its complexity this first step was divided into two sub-phases: in November 2009, the IASB published "IFRS 9 Financial Instruments", which covers the classification and measurement of financial assets. This proposal left the financial liabilities untouched and it was only in May 2010, after a long consultation process, that an exposure draft, "Fair Value Option for Financial Liabilities", was proposed.

As a result, it now appears clear that the final IFRS 9 will introduce asymmetrical accounting: accounting for financial assets will be changed altogether, but the classification and measurement for financial liabilities will remain fairly similar. ESBG criticised this asymmetrical treatment of assets and liabilities. The same view was taken by the European Financial Reporting Advisory Group (EFRAG), the accounting advisory body of the European Commission. The IASB has so far rejected the concerns raised by ESBG and other European stakeholders, on the grounds that simplification was needed. Nevertheless, from a stakeholder perspective this argument becomes increasingly dubious, since in the present approach the handling of financial liabilities will remain complex.

IFRS 9 Phase 1: the interpretation

Furthermore, IFRS 9 Phase I is problematic when it comes to its interpretation. In fact, many stakeholders focused at first on their trading book and did not see the impact that IFRS 9 could have on their banking book. Moreover, the IASB introduced illustrative examples only after the end of the consultation process, thus rendering impossible any comment on them. It is against this background that one of ESBG's members, Erste Group Bank, understood that two examples in the standard could lead to some classic loan products acquiring undue fair value, which would be incoherent with the business model of retail banks.

After this problem had been identified, ESBG and its members launched a campaign to resolve it and addressed the IASB directly in order to ensure that retail banks would not incur "collateral damage". Specifically, ESBG described the critical loan products at stake and used a simulation exercise to demonstrate the dramatic impact that these examples could have. The IASB acknowledged

that such risk had not been foreseen, as the intention had been to tackle some structured products of investment banks. ESBG is now waiting for the IASB to formally remedy this situation.

Next steps: IFRS 9 Phases 2 and 3

While IFRS 9 Phase 1 is controversial, Phases 2 and 3, too, are criticised.

On 31 January 2011, the IASB published a new impairment proposal. This re-exposure of Phase 2 had become necessary since major stakeholders (such as the Basel Committee), but also the IASB's internal advisory panel, criticised the first proposal of 2009. This time, the IASB has worked conjointly with its American counterpart, the Financial Accounting Standards Board (FASB), and is moving closer to stakeholders' positions. ESBG is currently consulting its members on this proposal.

Phase 3 concerns the major issue of hedge accounting. Last year, ESBG sent a proactive position paper to the IASB and to the Commission on portfolio hedge accounting. ESBG's positions seem to have been taken into account – at least partially – by the IASB, as the standard-setter bases its proposal on risk management practices. However, the IASB is following a similar process to that of Phase I: Phase 3 is in fact divided into two sub-phases. More precisely, the IASB decided to expose a general model for hedge accounting so that it can take into consideration the comments received on this general model when developing the portfolio hedge accounting model. ESBG, which would have preferred a single comprehensive proposal, is currently consulting its members.

Conclusion

Savings and retail banks in Europe are directly concerned by the arm-wrestling contest over the purpose of financial reporting. As 2011 will be a critical year owing to the desire to have accounting standards worldwide converge, it is of the utmost importance that savings and retail banks in Europe become more visible to the IASB.

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Sprinting regulators: dashing towards Basel III and a new crisis management framework in the EU



Judith Ay

Motivated by the experiences of the crisis and commitments made by the G20, the European Commission is currently working hard to develop legislation in various important areas. Amongst the most important from a retail banking point of view are, firstly, the transposition of Basel III in Europe, and, secondly, the development of an EU framework for crisis management and resolution. Basel III is designed to increase bank resilience to solvency and liquidity stress, whilst the EU crisis management framework aims to provide supervisors with the necessary tools and legal powers to handle ("resolve") failed banks and restructure them should they, nevertheless, prove not to be resilient enough.

These two efforts address the EU banking sector as a whole, but, more specifically, they target problems at larger, internationally active financial institutions with substantial wholesale banking activities. They complement each other from a financial stability point of view, and for both pieces of legislation the Commission has set itself highly ambitious deadlines. Indeed, the intention is to present both legislative proposals to the European Council and the European Parliament in June 2011 for adoption via the co-decision procedure. In both cases, this necessitates a "regulatory sprint".

The current pace of both these exercises raises numerous questions for the banking sector, particularly for banks that are not their main targets, such as many small and medium-sized regional financial institutions with a retail banking focus. Most of these, owing to their long-term and low-risk business orientation, proved stable and resilient during the crisis. Yet, now they find themselves exposed to significant uncertainty as to whether the new legislation will take due consideration of the specificities of the EU banking sector, such as its pluralistic nature and the co-existence of, and competition between, major and minor players. In addition, given the far-reaching upcoming changes, a "regulatory overload" may become a threatening reality, whether in terms of new quantitative standards or of the manpower needed to comply with new reporting requirements. In this context, a critical factor is whether the great speed of these reform processes allows regulators to develop legislative proposals that are both suitable for European realities and proportionate in the burdens they will impose.

In fact, June 2011 is fast approaching, while many aspects of the legislative proposals to be delivered are without precedent.

Basel III will be transposed into the EU via a review of the Capital Requirements Directive, yet it contains several untried measures, such as capital buffers, quantitative liquidity standards and a leverage ratio. Whilst the last two measures will be up for review, as their implementation is foreseen for a later date, it is still a matter of serious concern that the Commission may not have time to conduct a full consultation with stakeholders before presenting its legislative proposal. This may prove to be a considerable drawback, as it is also questionable whether the associated Impact Assessment will be sufficiently representative of the EU banking sector (after all, for the euro area alone, the ECB has counted 6,352 credit institutions as of January 2011 and last year's EU quantitative impact study for Basel III only covers 246 banks). Regarding an EU framework for crisis management and resolution, this, too, is unprecedented and contains several innovative issues like a "bail-in" of creditors of unviable banks (via writing down a bank's debt or converting it into shares, should an ordinary wind-up of the bank itself prove infeasible). Whilst in this case a stakeholder consultation is currently taking place, there may still not be much room to take into account and react to the feedback of the consultation, if the Commission sticks to presenting its proposal in June 2011.

The goal of both initiatives is clear and indisputable. It is necessary to increase the stability of the banking system, to reduce as much as possible the problems that arise when banks are "too big to fail", and to keep banks from again becoming a burden to tax payers and contributing to a renewed financial crisis. It is also clear that not much time remains to establish new and better rules. However, is it wise for regulators to sprint to the finish when the proposed reforms take place not on an even racetrack, but on uncharted and difficult terrain?

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It is necessary to increase the stability of the banking system, to reduce as much as possible the problems that arise when banks are "too big to fail", and to keep banks from again becoming a burden to tax payers.



23 November 2010

ASBEA meeting and Remittance Switch Workshop in Nairobi

The Remittance Switch is a cooperative remittance platform that links financial institutions in the countries of origin with those in countries of destination, simplifying the remittance process. It functions as a kind of proxy for WSBI members that wish to offer remittance services without having to sign separate agreements with each and every destination financial institution.

This year's ASBEA (Association of Savings Banks of East Africa) meeting was held in the context of the 100th anniversary of the Kenya Postal Savings Bank (see page 32) and opened with an address by the Governor of the Kenyan Central Bank, who stressed how drastically the financial landscape had changed in only a couple of years. Citing market access for the general population as a main objective, he said savings are important, "yet more important maybe is what you do with the savings". Savings is the only way to accumulate assets and fight future shocks: banks should not set minimum balance thresholds for savings accounts which discourage first-time bank users. The governor provided examples of actions by the Central Bank of Kenya to encourage the extension of banking services: the development of community-based or even nationwide microfinance institutions and agency banking for remote areas (with the recent introduction of some 8,000 agents), the establishment of a credit reference bureau to harmonise information for dissemination, and, as the economy still relies heavily on cash, the Central Bank's creation of a network of money centres (which, among other things, control for counterfeit banknotes). All of these actions have led to 11.5 million people who now have access to banking services in Kenya, mainly through micro-accounts.

A WSBI Remittance Switch Workshop was held at the meeting and gathered some 25 participants from Kenya, Tanzania and Uganda. Members were impressed by the WSBI Remittance Switch approach, which WSBI and partner service provider Arias/MFIC introduced through presentations that stressed the following:

- On the basis of World Bank figures (in terms of official and informal remittance flows and average remittance fees – end to end) the remittance market for the five East Africa Payment System countries is worth about USD 345 million in annual

revenue for money transfer operators, banks and other service providers.

- On the basis of fees shared between sending and receiving institutions, a mere 1% market penetration would generate USD 1.7 million in annual revenue – or many times the investment required not only to connect to a service provider but also to adjust internal systems and spend on product development and promotion.
- All the busiest migration corridors, including those originating in major migration destination countries (US, Canada, United Kingdom) – which combined with intra-East Africa account for 80% of remittance flows – are covered by the Remittance Switch.
- The WSBI Remittance Switch approach puts members in total control of their brand, their value proposition to their customers, and their pricing, with a net take for members significantly higher than with any of the leading money transfer operators.
- With the Remittance Switch members have the opportunity to cease being a mere disbursement point and to genuinely interact with customers seeking financial services. WSBI partner service providers offer the whole gamut of possible remittance products, including mobile payments.

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How can we increase financial inclusion?

On the following pages we present WSBI and ESBG activities in the field of financial inclusion. These articles, varied and diverse as they may seem, reflect the five axes of our mission to provide access to finance for all: policy frameworks, product development, delivery channels, financial literacy and consumer protection.

Financial inclusion policies should foster enabling regulatory and supervisory frameworks that strike the right balance between risk and implementation cost. The AML/CFT rules, whose implementation the Financial Action Task Force is currently discussing, are a fine example.

Products and services should be developed or adapted to suit the needs of the most vulnerable clients and become affordable, accessible and secure, while delivery channels should be diversified, not only through the use of state-of-the-art technology, but also through partnerships with successful retailers. The “Doubling savings accounts” project illustrates the challenges of these specific aspects of financial inclusion. Finally, financial literacy, especially for children, needs to be stimulated, while consumer protection must be emphasised as a prerequisite to creating long-term relationships.

Financial inclusion: ESBG’s views on access to a basic payment account



Astrid Hagenah

During the past few years, ways to foster financial inclusion have been hotly debated at the European and international levels. Following its 2009 Communication, “Financial Inclusion: Ensuring access to a basic bank account”, the European Commission issued the autumn 2010 Communication “Access to a basic payment account”. The Communication is a working paper that details principles aimed at ensuring that all consumers have access to a basic payment account in the EU at a reasonable cost.

As the promotion of financial inclusion is part of the savings bank mission, ESBG has been closely involved in the ongoing debate and welcomes policymakers’ acknowledging the importance of realising financial inclusion for all EU citizens. ESBG agrees that access to a basic payment account is crucial to financial inclusion and a precondition of fully participating in the economic and social life of a modern society. Every initiative to promote and foster access to a basic payment account for stakeholders at the national or local level is therefore highly appreciated.

When it comes to the question of possible legislative action at the European level to combat financial exclusion and guarantee the right of access to a basic payment account, ESBG is convinced that no regulatory intervention at the EU level is needed or justified. Following the principle of subsidiarity, national solutions have to be found to combat financial exclusion where it occurs. Member States should decide individually on how to best promote access to a basic payment account, and no single model should be imposed. National solutions have to respond to citizen needs and should take into account the specific causes of finan-

cial exclusion, which vary from country to country owing to different cultural and historical backgrounds, economic and social circumstances. In addition, the creation of a “right” of access to a basic payment account would not only contradict the principle of contractual freedom but also hamper the innovation of new products and services. Moreover, the situation in Member States with existing national regulation on financial inclusion shows that no total coverage can be reached by legislative means. The promotion and sharing of best practices or a Commission recommendation is therefore the more suitable solution to tackle the problem of financial exclusion and to foster citizen participation in banking. In this respect, it is important to emphasise that many ESBG members have extensive experience in developing specific, targeted schemes for ensuring that the most vulnerable members of the population have access to basic financial services.

The Commission Communication states that the basic payment account should be available at a reasonable cost. ESBG and its members are convinced that all products and services should in general be offered under market conditions. However, the provision of a basic payment account might require different corporate cost accounting structures compared to a regular payment account, as one must assume that a first-time bank customer will not demand an additional product or service. The Commission Communication states that the development of technical guidance might be required to determine reasonable cost, but ESBG believes that any guidance would be an encroachment on the banks’ business decision to determine the prices and fees of its products and services.

ESBG agrees with the Commission that it is necessary to raise public awareness of basic payment accounts. It is important that the information is provided in a simple and clear manner in order

to reach potential clients who might lack a solid understanding of banking services. A solid understanding of financial matters helps consumers to make informed choices, and financial education tools are crucial to reaching this goal. Member States, educational bodies and authorities, financial regulators and institutions and other stakeholders have a shared responsibility to increase citizens' knowledge of financial issues. It is in the interest of all stakeholders to work together towards improving the situation, and ESBG members have traditionally been involved in creating and participating in various financial literacy schemes at the local level, offering solutions tailored to the needs of different target groups.

ESBG stands ready to share its members' expertise and successful best practices to fight financial exclusion. We look forward to continuing the discussion with both the Commission, which in the coming weeks is expected to present a proposal on access to basic payment accounts, and the European Parliament, which is in the process of drafting a report on the issue.

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WSBI actively involved in FATF guidance on financial inclusion

The Financial Action Task Force (FATF), an international body that establishes standards for "Anti-Money Laundering/Combating the Financing of Terrorism" (AML/CFT), has decided to develop a guidance paper on the application of its "40 + 9 AML/CFT Recommendations"¹ in a financial inclusion context. Implementation of AML/CFT rules has been a challenge, especially in emerging and developing countries where, for example, personal identification and addresses are not formally organised. This has discouraged individuals from accessing the formal financial system and financial institutions from serving them.

FATF will thus develop guidelines that facilitate access to finance for unbanked/undocumented individuals and remove any obstacles to their using banks, in both developed and developing countries. The final document will be approved in June 2011.

For some years, WSBI has called attention to the challenges posed by the implementation of AML/CFT rules, based on the experiences of its member banks, especially in Africa.² FATF invited WSBI to contribute to relevant discussion at the 2009 Consultative Forum for market players, and to a specific session in November 2010, where discussion involved representatives of Amex, Western Union, Orange/France Telecom and WSBI. It focused on difficulties caused by the application of FATF Recommendations both in developed countries, where many undocumented persons

perform payments and remittances, and in low-capacity countries, where the lack of a national identification register or street address system hinder the application of Know Your Customer/Customer Due Diligence (KYC/CDD) requirements. Either case amounts to a barrier to opening an account and thus prevents financial inclusion, mainly of low-income earners. Representatives discussed new delivery modes, primarily mobile phones or branchless banking channels, through non-bank agents such as retailers, petrol stations and pharmacies.

WSBI called for the development of well balanced and proportionate frameworks that synthesise the objectives of encouraging the provision of formal financial services to large parts of the population, including low-income earners, and of designing efficient and effective AML/CFT provisions, in compliance with the FATF Recommendations.

The responsible FATF Working Group has decided to develop the guidance paper in close collaboration with the industry. WSBI has been invited to coordinate the input of market players, which includes banking providers but also mobile phone operators, money transmitters and microfinance institutions.

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¹ www.fatf-gafi.org/pages/0,3417,en_32250379_32236920_1_1_1_1_1,00.html.

² www.wsbi.org/uploadedFiles/Position_papers/0565%20updated.pdf.

WSBI views on financial inclusion: how do we make it happen?

Inclusive finance is high on the agenda of national, regional and international policymaking bodies, especially following the decisions of the November 2010 G20 meeting in Seoul, which included the adoption of a financial inclusion action plan.¹ In recent months, WSBI has engaged in the debate over how to fill the financial access gap.

WSBI has developed the following ideas and proposals to develop inclusive banking sectors, with a specific focus on emerging and developing economies²:

- financial inclusion has to rank high on the priority list of global banking and financial standard-setting bodies and policy institutions, and be achieved through the coordinated actions of interested stakeholders at the national level and across sectors (financial/banking and social welfare/development/education, etc.; refer to the article in this series "Action Plan on Financial Inclusion at the G20 Seoul Summit");
- financial inclusion involves providing access to an entire range of affordable, safe, accessible, adapted and user-friendly financial services and products (credit, savings, remittances, insurance, etc.); integrating people for the long term in the formal banking system, starting with access to an account and the opportunity to build a banking history; offering access to transaction facilities, an essential step that in itself will not exhaust the demand for and benefits of banking services;
- financial inclusion calls for the development of innovative techniques related not only to financial services delivery (branchless banking), but also to product design, which has to be tailored to the specific needs of poor people, and to the provider's institutional set-up, with a view to combining the assets of different types of businesses to both extend outreach and lower costs;
- financial inclusion requires a diversity of sound and efficient financial services providers operating on a level playing field.

WSBI believes that the international community should support the development of inclusive financial sectors, through a number of policy actions:

- develop enabling and proportionate regulatory and supervisory frameworks conducive to financial inclusion, i.e. with the right balance between the risk to mitigate and the implementation costs;

- defining supportive frameworks to encourage the opportunities that technology solutions, such as mobile phone banking and more wide-ranging branchless banking or "banking beyond borders", create for expanding access to finance:



Anne-Françoise Lefèvre

- approach "new" distribution channels as complements to physical branches, which should remain the pillar of accessible banking services;
- adopt a service-based (as opposed to a provider-based) regulatory approach, to ensure that all providers can operate on a level playing field, whatever the distribution channel they use and whatever their institutional status;
- encourage the development of partnerships between "traditional" banking providers and non-bank market players, such as microfinance institutions, mobile money operators, retailers, etc.;
- emphasise the importance of financial literacy efforts, especially for children, adolescents and young adults, as part of a learning-by-doing process, and consider introducing financial education into school curricula;
- ensure an appropriate level of consumer protection, as a core element to building long-term relationships based on trust and confidence.

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¹ See article p. 16.

² See www.wsbi.org for financial inclusion position papers.

Corporate governance & access to finance go hand in hand



WSBI finalised a study on corporate governance and access to finance, whose main objectives were:

- to determine the link between the implementation of good governance principles and the large-scale provision of access to financial services;
- to identify the key corporate governance practices that enable WSBI member banks to provide broad access to finance;
- to place the overall analysis in the context of the global financial crisis and subsequent reform agenda.

WSBI worked with a consultant, Afi-Analistas Financieros Internacionales, which conducted qualitative and quantitative research based on a survey sent to all WSBI members. In addition, a sample of five members,¹ representing WSBI member diversity of legal status, ownership structures, governance models, geographic spread and market development levels, received a more thorough assessment.

While the study found and quantified some evidence of a positive correlation between corporate governance and access to finance, identifying a direct and causal relationship between the two concepts was not straightforward. A number of other factors in savings bank outreach also need to be taken into account, for example, the regulatory and supervisory environment or the degree of financial development of the market in which they operate.

Nevertheless, the study found that:

- countries with better standards of corporate governance tend to have higher levels of access to finance;
- in countries with a better corporate governance environment and a relatively greater presence of institutions with an access to finance mission (as is the case with WSBI members), financial outreach tends to be greater;
- as the quality of corporate governance in a country improves, the average deposit size of bank accounts decreases, which indicates greater banking market penetration.

Moreover, study results show that corporate governance components that are under the control of members have more influence on promoting better accessibility to financial services than do country-specific components of the national legal framework or business environment. In this respect, one of the main “internal” elements of corporate governance that seem to contribute to broader outreach, according to some indicators, is a clear reference to access to finance in the institution’s mission statement. This seems essential to ensure that policies implemented by the bank stay on target, especially in the case of public institutions.

The study confirms that the long-term orientation of their business strategies implies that WSBI members tend to lend more in relative terms during bad times, thus making a significant contribution to the stability of the financial system, and at the same time supporting efforts towards greater access to finance. This is the result of complying with their mission and institutional objectives, which are fundamental elements of their corporate governance mechanisms.

The study will be published as an issue of *Perspectives*, distributed to key access to finance stakeholders and institutions, and promoted at upcoming WSBI meetings and public events to which WSBI will contribute.

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WSBI members tend to lend more in relative terms during bad times, thus making a significant contribution to the stability of the financial system

¹ Sparkassen Finanzgruppe/DSGV Germany, Kenya Post Office Savings Bank, Federación de Cajas Municipales de Ahorro y Crédito/FEPCMAC Peru, Philippines Postal Savings Bank and Spanish Savings Banks.

Action plan on financial inclusion endorsed at the G20 Seoul Summit

At their November 2010 Seoul meeting, G20 Leaders reiterated their strong commitment to financial inclusion and the importance of improved access to finance. This is one of the priority fields of the multiyear development action plan to support developing countries and meet the Millennium Development Goals (MDGs).

The financial inclusion related actions include:

- An action plan on financial inclusion, for the implementation of the Principles for Innovative Financial Inclusion. This will include supporting the Standard Setter Bodies (FATF, Basel Committee, etc.) to further incorporate financial inclusion objectives into their work and encouraging further private sector activities to increase access to financial services.
- The launch of the Global Partnership for Financial Inclusion (GPFI) as an inclusive platform for all G20 countries, interested non-G20 countries and relevant stakeholders. GPFI will be run with the Alliance for Financial Inclusion (AFI), CGAP and IFC. GPFI's work in the next year will include helping countries put into practice the principles for innovative financial inclusion, strengthening data for measuring financial inclusion, and developing methodologies for countries wishing to set quantitative financial inclusion targets. The progress made by GPFI will be reported at the G20 2011 Summit in France.
- The support of SME finance, through a flexible SME finance framework to mobilise funds to finance winning proposals of the SME finance challenge and other successful SME financing models.

WSBI welcomed these G20 initiatives, which will help boost the political support for financial inclusion and encourage national governments to place this issue higher on their strategic priority lists. WSBI has expressed interest in participating in the Global Partnership for Financial Inclusion.

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¹ See media.seoulsummit.kr/contents.

² g20.gc.ca/toronto-summit/summit-documents/principles-for-innovative-financial-inclusion.

³ See the interview with AFI Executive Director on opposite page.

⁴ See www.seoulsummit.kr

Making financial inclusion a political priority

An interview with AFI Executive Director Dr Alfred Hannig

Managed by a small, international team in Bangkok, the Alliance for Financial Inclusion (AFI) is a knowledge network of central banks and other financial regulatory bodies in developing countries, providing its members with the opportunities and resources to share, develop and implement proven financial inclusion policies.

What have been the key developments for AFI since it was founded in September 2009?

In AFI's first year we focused on building our policy network. Early leadership from central bank governors in Thailand, the Philippines, and Kenya, and from the president of Mexico's National Banking and Securities Commission, was essential to forming our steering committee, which helped the AFI secretariat get established in Bangkok and engage with central banks in additional developing countries. Over 30 central banks joined our network in the first year, and after two years it included nearly 70 member institutions. During the second year we expanded our activity: in addition to building the network, we activated it and began providing services. AFI formed its first working groups and its grant programme began awarding funds to support member policymaking activities. To date, nearly 20 central banks have participated in about a dozen knowledge exchange visits in order to learn from each other. AFI's membership has met twice, in Kenya in 2009 and in Indonesia in 2010, and between annual meetings the membership community is able to maintain its cohesion and momentum by connecting and exchanging via an online platform launched in 2010.

What are AFI's priorities for 2011?

Small working groups of 10 to 20 member institutions will collaborate on several key topics, including mobile financial services, data and measurement, financial integrity and inclusion, and consumer protection. New areas of interest are emerging from

the policymakers, including leadership and strategy for financial inclusion. AFI members will be active in the Global Partnership on Financial Inclusion, the initiative launched by the G20 this year. Our overall goal will be to strengthen the network's governance and sense of ownership. What are, in AFI's view, the key challenges for inclusive finance in developing countries in the coming years? And opportunities?



Based on a 2010 survey of AFI members, some of the key challenges that developing country policymakers face include coordination among policymakers and market players on the national level, the absence of reliable data for informed policymaking, the lack of identification documents among the poorest populations, building protection and trust among poor customers, and elevating financial inclusion to be a top priority for politicians in developing countries. But new opportunities are emerging which many policymakers are looking to capitalise on to increase use by and expand access among the poor. These include the availability of technology, partnerships with private sector actors, learning from other policymakers pioneering new solutions around the world, and empowerment to self-set strategies and targets.

What is your analysis of the current microfinance crisis in India? What lessons can be learnt from this experience, from a financial inclusion regulator's perspective?

There is certainly international consensus that microfinance institutions play a pivotal role as catalysts of socio-economic development and poverty alleviation at the grassroots level. In pursuing this role, they have to conscientiously balance operational soundness with the social mission of helping clients improve their lives. Regulators and policymakers must perform the same balancing act: keep the microfinance industry safe, sound and sustainable without curtailing growth and expansion, while never forgetting that low-income and vulnerable microfinance clients are the ultimate stakeholders. The situation in Andhra Pradesh, India, is making policymakers, regulators and the rest of the world rethink how to strike this balance. The key challenge for policymakers is to allow the market to operate, but at the same time to ensure sound practices, good governance, prudent risk management, outstanding business ethics and consumer protection. Leading policymakers are motivated to keep the microfinance industry vibrant, sustainable, socially relevant, but also safe and strong.

How is the AFI network involved in the promotion of the mobilisation of small savings? What steps could generate more progress, from a financial inclusion policy perspective?

AFI sees savings as a cornerstone of financial inclusion. It is widely recognised by developing country policymakers that helping the poor accumulate savings in a safe and accessible way can reduce vulnerability and open doors to opportunities in business, social responsibility and education. There are several avenues through which policymakers are trying to encourage savings. One is to upgrade microfinance institutions to entities that accept deposits. Another option is the introduction of "no frills" or basic bank accounts by commercial banks, which are designed for low-income clients and feature low or no fees.

Do you see any fields for cooperation between AFI and WSBI?

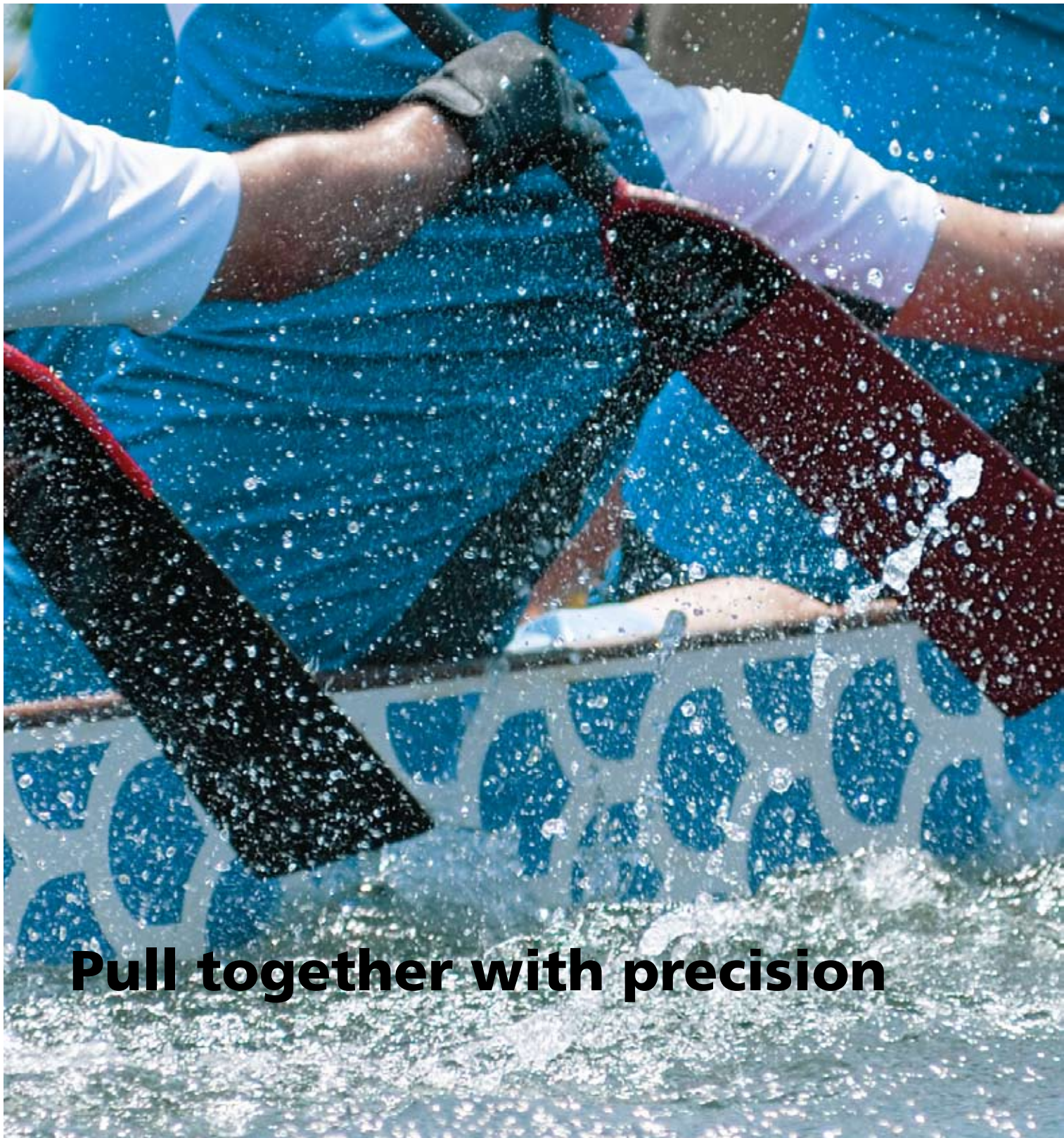
Yes, we certainly do. We see many collaboration opportunities between AFI and WSBI. We can establish a continuous dialogue between AFI members and WSBI members concerning topics such as public/private partnerships through AFI working groups on mobile financial services, and complementary issues such as financial integrity (AML/CFT standards). We can encourage regulatory dialogue between AFI policymakers, industry and new players, and develop coordinated views to contribute to high-level policy dialogue, such as the G20's Global Partnership for Financial Inclusion. And AFI can learn from WSBI's partnership models involving WSBI members, mobile network operators, payment system providers and NGOs.

The issue of identity

For individuals without formal identification documents, opening bank accounts or accessing other financial services is often impossible.

Banks require identification to meet their Know Your Customer (KYC), anti-money laundering and counterterrorist financing (AML/CTF) standards.

In some countries, stringent KYC norms have been relaxed to allow for the creation of low-risk bank accounts without formal identification, and other data sources such as utility bills are increasingly being used to build a person's financial history.



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CALENDAR OF TRAININGS

01 2011

17-18	Risk	Strategic Risk Management	Board Members and Senior Executives	2 days	499€
19-21	Risk	Risk Management "Performance"	Senior Executives and Managers	3 days	799€
24-26	Risk	Credit Risk Management	Credit and Risk Managers	3 days	799€
31/1 - 1/2	Payments	Electronic Banking New Business Opportunities	Managers Involved in All Aspects of Electronic Banking, Services & Retail Banking & Risk Management	2 days	699€

02 2011

2-3	Payments	Managing Electronic Banking Risks (GB)	Managers Involved in All Aspects of Electronic Banking, Services & Retail Banking & Risk Management	2 days	699€
7-9	Risk	Operational Risk Management	Risk Managers, Auditors, Treasurers	3 days	799€
14-16	Branch	Train the Trainers on CRM	Branch Managers Marketing, Human Resources, Training, Distribution	3 days	799€
21-24	HR	Train the Trainers	Any Person with Managerial Responsibilities over Other Individuals	4 days	899€

03 2011

7-9	Branch	Strategic Risk Management	Board Members and Senior Executives	2 days	499€
10-11	HR	Risk Management "Performance"	Senior Executives and Managers	2 days	499€
14-16	Branch	The Management of Distribution Channels	Branch Managers, Production & Distribution Managers, Sales & Marketing Managers, ICT Managers	3 days	799€
17-18	Risk	The Financing of MFI	Branch Managers, Credit and Risk Managers	2 days	499€
21-23	SIM	Financial Branch Management Simulation	Branch Managers and Heads of Departments	3 days	999€*

04 2011

4-8	Risk	Credit Risk Management	Credit & Risk Managers	5 days	1199€
11-14	SIM	Strategic Risk Management System Banks Simulation	Internal Audit Risk & Credit Managers	4 days	999€*
tbc	HR	Human Resources: Career Development, Training Plan, Compensation Plans	HR & Training Managers	4 days	899€

05 2011

2-6	Branch	The Marketing of Savings Products for Low Income Segments	Marketing, Distribution production & Branch Managers	5 days	1199€
9-12	SIM	Strategic Sales & Market Penetration Banks	Marketing, Distribution production & Branch Managers	4 days	1199€*
25-26	Payments	Managing Retail & Low Values Payment Systems Risks	Retail Business Unit Managers Branch and Risk Operation Managers, Financial Controllers, Auditors		699€

06 2011

6-8	Branch	The Management of the Distribution channels	Branch Mangers, Marketing Sales , Marketing, Distribution, Production Managers etc	3 days	799€
13-15	Risk	Rating Systems & Scoring	Credit and Risk Managers	3 days	799€
tbc	HR	Train the Trainers	HR & Training Managers and Heads of Departments	4 days	899€

08 2011

1-2	Payments	Electronic Management New Business Opportunities	Managers involved in Electronic Banking, Payments, Retail Banking Services	2 days	699€
3-4	Risk	Managing Electronic banking risks	Managers involved in all aspects of Electronic Banking, Services & Retail Banking & Risk Mgt	2 days	799€
12-14	Risk	Operational Risk Management	Risk Managers	3 days	799€

11 2011

tbc	HR	Leadership & Team Motivation	Heads of Departments	2 days	499€
21-22	Payments	Mobile & Electronic Banking	Managers involved in Electronic Banking, Payments, Retail Banking Services	2 days	699€
23-24	Payments	Managing Retail and Low Payment System Risk	Retail Business Unit Managers Branch and Risk Operation Managers, Financial Controllers, Auditors	2 days	699€

*minimum 12 participants

VENUE:

Brussels. The courses can also be organised locally in your institutions and in this case the fees will be adopted accordingly.

NUMBER OF PARTICIPANTS

Eight minimum.

FEES:

The participation fees include course materials, expert fees, and lunches; they do not include travel and accommodation.

DURATION:

This can be adapted based on your needs.

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WSBI/ESBG training programmes: building a better retail banking industry

The savings and retail banking industry is in a state of constant flux. Recent crises have tested its fortitude, exposed risks, and spawned new regulations, while technological advances continue to expand the range of available financial services. Bankers must not only master industry fundamentals; they must evolve, embrace innovation, and repeatedly hone their skills and enhance their knowledge through training in order to offer state of the art services to their clients, instil confidence, and thus remain competitive.

Since the early 1990s, WSBI/ESBG has developed into a cutting edge, cost-effective training provider, transferring knowledge and experience to savings and retail banks worldwide. With our vast network of experts and multilingual capacity, we have a proven track record in over 70 countries and professional relationships with expert consultants from over 50 countries. Our vision is to become the first choice of our members for the provision of international training services.

Our philosophy

Training contributes to the growth of savings and retail banks. It is a tool they can use to partner with SMEs, individuals and other contributors to the real economy – those who provide products and services and create genuine industrial value. Savings and retail banks are the financial intermediaries these economic players need to finance their activity.

We have a strong commitment to social responsibility and sustainable development as values integral to providing banking services. Our members are characterised by the three “R”s – retail, regional, responsible – and WSBI/ESBG’s mission is to transfer the knowledge and instil the ethics necessary to disseminate this model and ensure that it continues to flourish.

Tapping the experts

WSBI/ESBG is in a unique position to offer members training programmes at low cost. Our training and consultancy team taps our extensive network of experts to provide top quality, country-specific training programmes by bankers who are not only the leading experts in their fields but who also possess specific knowledge and experience of banking in the country or region of the trainees. They have advised and worked with development, savings and retail banks, national and international financial institutions, and governments. As a result, our training programmes are always fresh, never stale.

For first-rate training programmes, look no further than WSBI/ESBG

While our core training and consultancy team offers a wide variety of training programmes in several fields – bank and branch management, credit products and services, risk management, marketing and sales, payments – the breadth and depth of our expertise affords us the flexibility to adjust, customise and tailor them to member needs. In short: we can train members anytime, anywhere, and on any subject, from how to receive customers to managing cash flows to determining credit ratings to team management – and much, much more, all while emphasising the values of community, responsibility and sustainability, and for an extremely competitive price.

Who can benefit from our training?

Depending on the programme, branch managers of retail banks, postal savings banks, and financial and microfinance institutions; members of the board and management committees and head office managers; credit and financial analysts, credit assessors and loan managers; and executives and managers from all other bank areas, such as treasury, accounting, risk management and marketing.

What participants can expect

In general, programmes consist of prepared courses supported by examples and case studies from member countries or relevant regions. Presentations include interactive debates and round-table sessions for analysing how specific issues can be tackled by your organisation. Participants interact within small groups to practise using techniques and tools. Working groups allow in-depth analysis of lecture subjects, participant exchanges and brainstorming on how to implement lessons learned. Some programmes include visits to relevant banking and financial institutions.

Synergy: imparting what we learn

WSBI/ESBG’s commitment to the responsible retail banking model creates a perfect synergy: we transfer to our members the knowledge we gain in what we do every day. We not only promote the interests of savings and retail banks; we research the latest developments in the vanguard of the industry, then use this expertise to meet members’ training needs in order to foster their development into dynamic, efficient, sustainable institutions that place a premium on the value of responsibility. But the effect of our training doesn’t end there. We make better bankers, better bankers make better banks, and better banks strengthen the industry as a whole and the retail banking model as one of the pillars of a healthy real economy.

Optimising the potential of postal savings institutions



Mamadou Diallo

How can postal financial institutions (PFIs) improve their services to meet the challenges of competitiveness and financial inclusion?

At the 2010 WSBI Postal Savings Forum (PSBF), discussions focused on how PFIs can leverage their large network of branches (including post offices) to provide affordable, accessible, and transparent products and services to low-income earners.

Participants pinpointed three elements that appear to be transforming the banking landscape in most developing countries and directly affecting the business environment of PFIs: financial inclusion ranks high on the agenda of policymakers worldwide and is backed by the G20; offering banking services to the poor is seen as a potentially profitable business, and, in addition to microfinance institutions (MFIs), big commercial banks are entering the niche; new players – mobile network operators – are also successfully entering the market (e.g. MPESA in Kenya).

Today, most PFIs are challenged in their core market by new, large-scale players with much more capacity, and are facing major, common difficulties: restrictive legislation that prohibits certain businesses (lending, foreign exchange, international business, etc.); AML/CFT rules that are not adapted to local contexts; lack of ICT capacity, limited products and use of manual processing products (i.e. paper passbooks); and complex, evolving relationships with post offices.

In order to overcome these difficulties and position PFIs as the preferred banks of unbanked low-income earners, a number of actions have been identified and should

be undertaken by members in cooperation with WSBI:

- the implementation of the principles of the WSBI Roadmap for the Development and Reform of Postal Financial Institutions¹ is perceived as a prerequisite, especially the ring-fencing between banking and postal services and the right governance setup; WSBI was encouraged to support members in encouraging governments to move on the reform agenda;
- thanks to the Bill and Melinda Gates Foundation, many WSBI members are upgrading their ICT capabilities and agent networks, but also their products; lessons learnt from current projects will be shared with the entire membership and interested stakeholders;
- members should consider joining forces with organisations that have complementary skills and expertise: mobile money operators, but also retailers, MFIs, etc., and bring their core assets to these joint ventures: experience at collecting small deposits, their network and the trust of their customers.

Successful experiences were shared concerning institutional reforms, product development, technology, risk management and partnerships.

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¹ www.wsbi.org/uploadedFiles/Position_papers/0620PositionPaperEN.pdf.

The 2010 WSBI Postal Savings Banks Forum (PSBF) was held in South Africa on 18-19 October, at the kind invitation of South Africa Post-bank, and in conjunction with the mid-term workshop of the WSBI/Bill and Melinda Gates Foundation programme “Doubling the number of savings accounts opened with the poor”. Participants included representatives of WSBI member institutions in Morocco, Kenya, Gabon, Lesotho, Sri Lanka, Uganda, South Africa, Burkina Faso, Tanzania, Zimbabwe, Vietnam, Tajikistan, Indonesia and India, and interested stakeholders and guest speakers from the African Union Commission, the Centre for Financial Regulation and Inclusion (Cenfri), CGAP, the Pan African Postal Union, the South Africa Savings Institute, the UPU, the National Treasury of South Africa, the Financial Intelligence Centre of South Africa, the Alliance for Financial Inclusion, and Post Finance International Development.

Global Savings Forum hosted by the Bill & Melinda Gates Foundation

The Bill & Melinda Gates Foundation hosted on 16-17 November the Global Savings Forum, which gathered over 260 leaders in government, banking, mobile communications and international development from around the world.



Tamara Cook

Since we were not able to invite everyone to the Global Savings Forum in Seattle on 16-17 November 2010, I wanted to share the discussion with the World Savings Banks Institute (WSBI) community. We focused on ways to bring an array of financial services, particularly savings accounts, to the 2.5 billion people living on less than two dollars a day. I encourage you to visit our website to learn more about the event

and read the briefs we prepared (www.gatesfoundation.org/financialservicesforthe poor).

To open the forum, Melinda French Gates, the foundation's co-chair and trustee, spoke about the importance of savings and noted that with financial inclusion becoming a priority on the global agenda and innovations rapidly emerging, "[T]he stage is set for incredible breakthroughs." As an example of such innovations, she mentioned the amazing success of M-PESA in Kenya, which was discussed frequently throughout the conference. She also announced that the foundation would give USD 500 million over the next five years in support of projects that work to improve access to savings accounts and other financial services among the poor. She highlighted six new grants totalling USD 40 million, including one to WSBI to define viable projects that could be supported to offer affordable, accessible and sustainable savings accounts for the poor.

After her speech, Gates joined Her Royal Highness Princess Máxima of the Netherlands, who serves as the U.N. Secretary General's special advocate for inclusive finance for development, and Sylvia Burwell, President of the Global Development Program, for a discussion that also included representatives from the World Bank, the Central Bank of Kenya, the Financial Architecture Bureau of the G20 Summit, the Financial Action Task Force and WSBI's Chris De Noose with a memorable quote, "[P]overty stops where savings starts". Princess Máxima stated her strong belief in the power of financial inclusion, singling out savings as a debt-free way to make investments and take advantage of opportunities. She also noted the importance of studying the impacts of various types of savings products to understand which work best for the poor.

The rest of the conference was organised around three broad topics:

- 1) **Client Propositions that Address Real Needs** tackled the issues from the perspective of poor people who face many barriers to accessing formal savings accounts such as the time and cost of travelling to the bank and products not designed to meet their needs. The discussion began by recognising what we have learned so far and celebrating successes like Equity Bank, Bangladesh microfinance institutions and Bank Rayat Indonesia. The session closed with examples of the historic opportunity to change the client proposition through new models such as mobile money and banking through retail channels.
- 2) **Making Economics Work for the Poor** focused on the challenges financial service providers face when offering low-value financial services. The first discussion was with a group of bankers, including Steve Peachey representing WSBI. We presented relevant data from two sample banks and discussed what economic strategies can be used to the poor's advantage, especially outsourcing cash handling to reduce transaction costs, and increasing average balances. Foundation Deputy Director Ignacio Mas moderated a panel discussion that included, among others, outgoing Safaricom CEO Michael Joseph; Equity Bank CEO James Mwangi; and Foundation Co-chair and Trustee Bill Gates. They addressed how partnerships and technological advances can push forward financial inclusion, and discussed the challenges of serving the poor through third-party retail stores.
- 3) **How Governments Can Promote Financial Inclusion** brought together key policymakers and government officials to discuss the role of government. Alfred Hannig of the Alliance for Financial Inclusion emphasised the importance of policymakers and regulators from the South learning from each other and the innovation the South is generating. A group of central bankers discussed the need to balance opportunity, innovation and safety when considering regulations for new models, such as mobile money. This was followed by a discussion of how to harness government assets and needs, in which Jaimé González Aguadé of WSBI member BANSEFI in Mexico participated.

Financial Services for the Poor Director Bob Christen closed the forum by asking, “Where do we go from here?” He reminded the group that this event was a sort of “coming out party” for the foundation, to present how we’re thinking about savings, generating research and building a repository of best practices. Building on the Microsoft story, the foundation works from the premise that it is possible to change things on a global scale, in a way that matters and transforms lives. Thus we are not just interested in “working on” savings; we want to figure out how to “crack the savings nut”. Engaging the broader community is the only way to make this happen. We must do our utmost to ensure we’re communicating clearly and sufficiently and willing to get out of our comfort zones – to come out of our shells, if you will, and focus relentlessly on cracking the savings nut.

We look forward to the continued participation of WSBI and its members in this repository of best practices and in seeking to meet the challenges of offering savings services to the poor. During the forum, I had a side meeting with WSBI members and staff to reflect on emerging themes. Our discussion focused on the importance of partnerships and savings banks’ willingness to innovate. During the forum, Bill Gates talked about the importance of technology-enabled partnerships and challenged public banks to “either be extremely competent and embrace these things, or you will disappear.” Savings banks have been financial inclusion pioneers in many countries, especially when it comes to savings, but they will have to adapt if they want to maintain that leadership position.

Today, an historic opportunity exists for the WSBI community to take advantage of rapidly evolving markets, forge creative partnerships with mobile operators, technology providers, and retail networks, and radically expand the availability of affordable, accessible and sustainable savings accounts for the poor.

I look forward to continuing this discussion. Please feel free to e-mail me.

**Tamara Cook, Program Officer,
Financial Services for the Poor**
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From left to right: Luis Urrutia, President, Financial Action Task Force, Chris De Noose, WSBI-ESBG Managing Director, and Melinda Gates.

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Today, an historic opportunity exists for the WSBI community to take advantage of rapidly evolving markets, forge creative partnerships with mobile operators, technology providers, and retail networks, and radically expand the availability of affordable, accessible and sustainable savings accounts for the poor.

18 months after the launch of the “Doubling Savings Accounts” project: What lessons for financial inclusion?

Lesson 1: It is more difficult than expected for banks to become genuinely accessible to the poor, especially in the rural market.

The rural poor do not cluster in ways that make them easy to serve and population densities are often as low as 20 households per square kilometre (and even lower in some regions). Taking into account poor general infrastructure (roads, electricity grid, etc.), traditional ways of providing access – branches, post offices, etc. – simply cannot be made economically sustainable in some of these very sparsely populated areas. Other solutions have to be devised. Some have been pioneered by savings banks, such as mobile branches and non-bank correspondent agents, but others are coming from outside the banking industry (see Lesson 2). Investigating the nature of the access gap and planning to deploy the right kind of access is vital to reaching the poor in a sustainable fashion.

Lesson 2: Competition from telecommunications companies drives change.

Competition from telecommunication companies is the major challenge for savings banks today. These companies excel at offering targeted service packages at accessible prices to more and more people. Even if savings banks have a historic advantage in dealing with the poor, they have serious difficulties of moving to a service, product and price level that can withstand a comparison with new competitors. The new competition and expansion of mobile money should also be seen as an opportunity, as the cost of money transmission is decreasing. Certainly, new players are showing us ways of fostering service-oriented thinking and to reach clients of whom many banks, even some savings banks, may have lost sight. If savings banks do not embrace this change, telcos or other new players, such as village savings associations, will dominate the market for customers looking for easier access. The real challenge is not to react defensively and simply abandon the rural market to these new players, but to see it as an opportunity to discern what they do best from what savings banks do best and find cooperative frameworks to allow us to work together.

Lesson 3: Products should be designed with the poor in mind, while thinking about customer needs is vital to successful product design.

Very often our members think that they are perfectly equipped to serve the poor, but in practice this does not always turn out to be the case. A regular savings plan where taking the deposit is geared to the receipt of a salary will clearly not work for casual day labourers. Sometimes the position of a person in a household matters hugely. Women’s savings have been highlighted as central to household welfare across much of the developing world. Often a second account, controlled by a woman, can be as important or even more important for improving household welfare than a single account controlled by the head of household. Family dynamics can also play a role; for example, an account for a daughter-in-law might do more to improve infant health than an account controlled by the senior female in an extended family.



Ian Radcliffe

Lesson 4: Finding the right entry point through which to connect to the unbanked poor is just as important as product design and distribution strategy.

Group accounts/savings can be an entry point to the level below the easily bankable customers. However, a method needs to be found to allow a group savings coordinator to handle individual customer savings at the same time. Another market entry point can be the administration of social transfers or pension accounts. Our members need to make quick progress in these fields.

Lesson 5: Sometimes we worry about things that do not matter to the poor, particularly in the way we charge for the service we supply.

Products need to be kept simple and the amounts the poor have available to save are such that fees need to be kept as low as possible. However, fees are the way the mass market expects to pay for services in the developing world; they pay with mobile money and fee-charging is intrinsic to most informal mechanisms. Free accounts are not expected and, interestingly, often not particularly appreciated, because charging is by definition hidden. The poor have good reason to be suspicious of such offers.

WSBI works with the Bill & Melinda Gates Foundation in ten countries to double the number of savings accounts. Eighteen months after the project began, a mid-term workshop was organised to learn the first lessons from the field.

Lesson 6: Skilled and dedicated staff are of course essential to the success of any project, and different strategies are needed at the different levels involved in reaching the client.

Continuity has to be assured and knowledge loss avoided, by using systems of internal knowledge gathering and sharing. Ownership was identified as a problem for project sustainability. Commitment and internal communication within the bank and at all levels are crucial to success, particularly if some of the people involved are not actually bank staff. Working with agents is a genuine human as well as an organisational challenge and if they do not understand and believe the messages being communicated, then they cannot conduct those parts of our business effectively. This may not matter if we have passed responsibility for these parts on to a partner, but at some point the bank's presence has to be communicated and it may not be the bank or its staff that do the communicating.

Lesson 7: Regulation is an important factor that sometimes constrains projects.

Banking law is often restrictive and neither agent banking nor mobile money are allowed yet in all countries. Influencing regulators to foster a more supportive stance and open up new possibilities for banks is time consuming and needs early engagement. The necessity for such lead time has to be taken into account during project planning to assure regulatory issues are addressed as much as possible up front. The potential legal barriers should be considered thoroughly at the beginning of a project in order to estimate the time required to implement it.

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Left: Anil Bhattacharya, Head, NSI, India.
Right: Ferry Sipahutar, Senior Manager PO Alliance Desk,
BTN Bank, Indonesia.



Mwinda Kiula, Director of Marketing and Business Development
at Tanzania Postal Bank, and Keabaka Ramantsi, Programme
Manager for Corporatisation at South Africa Postbank, discuss
the project.

Microfinance: balancing social and financial performance

The future of the microfinance sector was discussed at the 2010 European Microfinance Week (EMW), particularly in light of the backlash of the Indian Andhra Pradesh microcredit crisis. The EMW is the yearly event of the European Microfinance Platform (e-MFP), of which WSBI is a board member.

During the 2010 European Microfinance Week (EMW), the European Microfinance Platform (e-MFP) and its members renewed their confidence in the benefits of microfinance when it balances social and financial performance. They emphasised that the majority of microfinance institutions practise responsible lending, supporting financial inclusion and contributing to the achievement of the Millennium Development Goals. They also recommended the implementation of fair, transparent and responsible pricing policies, and the prevention of over-indebtedness, in line with the Principles for Microfinance Consumer Protection advocated by the Smart Campaign. They also welcomed the guidance for microfinance activities recently issued by the Basel Committee on Banking Supervision, which will contribute to strengthening the security of microfinance players.

WSBI moderated the session on "Youth financial inclusion: the role of microfinance and education", with panellists from ChildFinance, the UNCDF Youth-

Start programme, the MEDA YouthInvest project and the joint initiative of the Confédération des Institutions Financières (CIF), a regional financial cooperatives movement, and Appui au développement autonome (ADA), a microfinance NGO. The discussion highlighted the core role played by savings as a gateway to the formal banking sector for young generations, and the need to combine the provision of both financial and non-financial services, such as training, internships and entrepreneurial guidance, to efficiently support their access to employment and income-generating activities. Participants emphasised the importance of socially and financially empowering the youngest, through financial education and the provision of adapted and accessible banking products for children. Given the number of youth financial inclusion initiatives in development, primarily in Africa, e-MFP could be a useful channel to create synergies and exchange experiences and lessons learned.

The Third European Microfinance Award, presented for the occasion of EMW, went to Ethiopian MFI Harbu. The objective of this year's award was to highlight outstanding financial schemes that contribute to the development of value chains in developing countries. Harbu's initiative involves the financing of a soybean value chain as a response to market demand generated by a shortage of cow milk in Ethiopia.

WSBI was also reappointed as an e-MFP board member, together with Cerise, PlanetFinance, BNP Paribas, Crédit Suisse, Trios, Rabobank Foundation, Moneytrans, KFGE/University of Cologne and the European Investment Bank. The new e-MFP Chair is Marc Bichler, Director for Development Cooperation, Ministry of Foreign Affairs, Luxembourg.

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OTP Group:

taking responsibility in Hungary and beyond

OTP Group is the largest independent banking group in Central and Eastern Europe, providing universal financial services to over 12 million customers in nine countries. As a key player in the region, the group understands how exercising social responsibility can have a positive impact in the economy and in local communities.

For OTP Bank, which is the most significant member of OTP Group, sustainability means the provision of financial services that meet customer needs – savings protection and financial security – in a way that is ethically sound with regard to society and the environment.

OTP and CSR

OTP Group has always striven for sustainability in its core business. The Social Relations Department of OTP Bank's Marketing Directorate is responsible for coordinating CSR operations, and each foreign subsidiary has a designated manager. The Corporate Governance and Subsidiaries Internet portal serves as a channel for sharing and gathering CSR-related information.

Economy

Our goal is to take responsibility for each and every forint of our customers. We achieve this through responsible and transparent financial conduct and operations at all times. Fulfilling the highest ethical standards during the economic crisis, OTP Bank required

neither government subsidies nor any other external assistance. The bank retained its leading position in the Hungarian market and remained an essential presence in the greater region. In recent years, its excellent performance has garnered top Hungarian and international awards, including "Best Crisis Management Bank" in Hungary, bestowed by the 2009 MasterCard Bank of the Year competition.

OTP Bank also passed the Committee of European Banking Supervisors' stress test, with significantly better than expected indicators, and was ranked second out of the 91 banks tested. At the end of 2009, OTP Bank had accrued the greatest weight (at over 20%) in the Vienna Stock Exchange's CEERIUS index (CEE Responsible Index Universe), which tracks the shares of the highest rated companies according to the sustainability analysis of the Austrian independent consulting firm RFU (Reinhard Friesenbichler Unternehmensberatung).

Society

Offering products that genuinely satisfy the customer is in OTP Bank's long-term interest. Thus it created the FORUM Programme, to listen to customers and professionals and incorporate their innovative ideas and recommendations in bank products and services. FORUM's first project – developing an OTP iPhone application in collaboration with IT and engineering students – achieved its objective in 2010.

Employees represent one of the cornerstones of OTP's success. The group has a responsibility to live up to employee expectations and offer a genuinely attractive workplace. As the group expands, retaining talented employees and nurturing their loyalty is crucial to successful growth and performance. To this end, in 2007, the bank launched the Career Management (CARMA) Programme, and in 2008 a regional talent management system. Today, OTP Bank is one of the most attractive workplaces for young professionals in Hungary.

Environment

OTP implemented a number of measures and investments aimed at reducing its environmental footprint and raising environmental awareness, both within the Group and among stakeholders. OTP Bank is proud to have been listed among Reader's Digest's 2009 "Most Trusted Brands" from an environmental perspective.

Sponsorship and philanthropy

The bank assumes a leadership role in its communities: it is committed to enriching human relationships, protecting the environment and creating equal opportunities for the underprivileged. For many years OTP Bank has constantly striven to help people with disabilities to live a full life, integrate socially and gain acceptance. For example:

- OTP Bank is a long-time supporter of the Hungarian Special Olympics Association, sponsoring national competitions and the Association's "Get into It" Programme, an educational initiative that connects mentally ill and healthy children through sporting activities.
- Since 1994 OTP Bank has been the main supporter of the National Children's Safety Service.
- 2011 is the sixth year in a row that OTP Bank is supporting the Hand-in-Hand Foundation and its "Accept Them, Accept Me" Campaign to raise awareness about the everyday challenges disabled persons face.
- The bank has long been involved in the Dressage Competition and Handicapped Riders' Horse Race.

In 1992, the bank established the OTP Fay Andras Foundation to promote financial education among children. Since its establishment the Foundation's Alapok (Basics) Programme has provided thousands of secondary school students with training in special economic, financial and career-related skills.

The Group as a whole also places special emphasis on activities that support the cultivation and promotion of community values, national heritage and traditions, and sport associations and events.

OTP Bank attracted the participation of an increasingly broad cross-section of its employees in charitable programmes. In 2009, bank employees donated more hours to volunteer work than the employees of any other company in Hungary.

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In the face of disaster: immediate support

In the spring of 2010 intense floods damaged Hungarian villages and left many individuals without shelter. In October, toxic red sludge burst out of a metals plant reservoir and inundated three settlements, creating wasteland and disturbing the lives of hundreds of Hungarian families.

OTP Bank was among the first to help. In addition to unprecedented financial donations, the bank offered special financial services to its customers in the affected area, including term extension, instalment reduction, face-to-face consultancy and hotline services. OTP employees also volunteered to help those in need.

Savings and retail banks around the world celebrate World Savings Day

On 31 October, savings and retail bank members of WSBI and ESBG celebrated World Savings Day. A tradition since 1924, when the World Savings Banks Institute was founded, World Savings Day calls attention to the importance of savings for modern economies and individuals alike.

WSBI and ESBG members are retail banks specialised in mobilising savings to grant credit to private customers, SMEs and local authorities. Over the years, they have acquired expertise and combined it with modern technology, allowing them to collect even small amounts of money and maintain it in an affordable savings account.

What is seemingly a simple idea – setting aside sums in a savings account – actually has profound consequences for economic development and personal financial well-being. Savings guard against risks such as illness, unemployment, and other economic hardships and are crucial to the economy, as they enable banks to provide credit. While access to microcredit is important, recent research indicates access to general financial services, such as savings accounts, is also instrumental in alleviating poverty and stimulating economic growth.

WSBI established World Savings Day to inform people all over the world about the advantages of saving their money in a bank rather than keeping it under their mattress. Beginning in 1925, it became an annual tradition in several countries, as did celebrations and campaigns to encourage savings. For the 2010 World Savings Day, our members celebrated by launching several initiatives.

In 2010, World Savings Day focused on savings for housing. Own-

ing a house is an effective safety net against uncertainties and also a sound pension plan. Several members of WSBI are fully dedicated to this particular form of saving, such as Mali's Banque de l'Habitat, Ghana's HFC and Bolivia's UNIVIV.

In developing countries, such as Zambia or Sri Lanka, banks have promoted financial inclusion in rural areas. In Zambia statistics show that in 2009 the level of financial inclusion reached only 34.4% in rural areas compared to 42% in urban areas. In other developing countries the situation is similar. Many groups living in rural areas are financially disadvantaged. Furthermore, in some countries low literacy levels and the lack of street names to confirm residence – banks require specific data such as an address to open an account – still present challenges.

From street names to TV programmes

On the 2010 World Savings Day, the National Savings and Credit Bank of Zambia collaborated with the Church and incorporated traditional customs to create a platform for meeting client identification requirements. The bank became the main sponsor of all major traditional ceremonies in Zambia as part of its Corporate Social Responsibility Programme. In 2011, in addition to sponsoring traditional ceremonies, the bank intends to help local authorities name and label streets in villages.

SMILE with the branded savings account

In Sri Lanka, all National Savings Bank (NSB) offices were open for business despite 31 October being a national public holiday. Through the SMILE Programme, Sri Lanka witnessed the introduction of a branded savings account for low-income earners living in

World Savings Day activities of members in various countries.



rural areas. SMILE has been launched with Sri Lanka Post as a joint product offering. The postal network contributes significantly to savings mobilisation and, with its unparalleled reach, has the potential to contribute even more. NSB will strengthen its links with the post office and its outlets. Plans are underway to invest in postal IT infrastructure to enhance the efficiency of postal outlets, making them more accessible and convenient, especially to rural residents. An empowered postal network will contribute to mobilising savings more effectively and efficiently and pave the way for a much needed increase in the country's domestic savings. This is a long-term project whose benefits will accrue in the long run.

India's National Savings Institute celebrated World Savings Day by involving stakeholders, including banks and post offices, throughout the country. They released a special advertisement featuring messages from the president, prime minister and the government's two finance ministers. The joint message aimed to raise awareness about the virtues of savings.

In Europe, Austrian savings banks celebrated by increasing the interest rate on certain savings products by 0.25%, and raffling off nine holidays for families in Carinthia. For every savings deposit toward a housing contract, the home loan savings bank donated one euro to SOS Children's Villages and granted a bonus of 50% on interest for the first 12 months.

The Association of Italian Foundations and Savings Banks (ACRI) hosted public events in Rome with the Italian minister of economy and finance, and the governor of the Bank of Italy. The theme for 2010 was "austerity and development in a global market era".

Citizens' financial situation

For World Savings Day, Italy and Germany published surveys of their citizens' financial situation.

In Italy, the survey was carried out by ACRI, the Association of Italian Foundations and Savings Banks. It showed that the percentage of Italians who save has remained steady in recent years, at 36%, while 37% spend all of what they earn. One family out of four

relies on loans, credit or previous savings. The difference between northern and southern Italy is considerable: 45% of citizens living in the north are able to save compared to only 30% in the south. Italians who are pessimistic about their country's future economic performance outnumber those who are optimistic (41% to 30%). Such pessimism is widespread in Europe, as similar surveys in France, the United Kingdom and Spain have shown, and in the US. Only in Germany do surveys reveal positive sentiment.

For the 2010 World Savings Day, the German Savings Banks Finance Group published a survey that found 53% of German citizens declare themselves to be happy – or even very happy – with their financial situation. The savings rate for 2009 dropped slightly, to 11.1%, but it was expected to increase to 11.5% in 2010. Germans possessed almost EUR 177 billion in savings. Furthermore, 81% of interviewees said they are taking steps to ensure their future by building up savings accounts or private pensions.

In Greece, thousands of children celebrated World Savings Day with TT Hellenic Postbank at the Children's Museum in Plaka, where they and their parents enjoyed the "Three days of savings" event held from 29 to 31 October. TT Hellenic Postbank offered children the chance to familiarise themselves with savings, combining creativity with imagination and learning. During the celebration, children participated in a number of thematic educational programmes: in the "Kitchen", they made baked their own "euro" cookies; at the "Market", they learned how to distinguish between needs and wants; at the "Factory", they became familiar with the concepts of work, salary and savings; at the "Loft", they created their own poster with a message on savings; and in the exhibit called "In the water", they learned about the value of saving water and the usefulness of water in life.

To emphasise the importance of savings to society, WSBI/ESBG has launched a website dedicated solely to World Savings Day (<http://www.wsbi.org/template/event.aspx?id=4488>), which will provide relevant information throughout the year. If you would like to contribute fresh ideas, exchange best practices, or share information concerning World Savings Day or related initiatives, please do not hesitate to send us your input. It will be considered for publication on the website.

World Savings Day activities of members in various countries.





100th Anniversary

Kenya Post Office Savings Bank

On 22 November 2010, WSBI member Kenya Post Office Savings Bank (KPOSB) celebrated its 100th anniversary, to the theme “A Century of Wealth Creation Through Savings”. The ceremony gathered high level officials, including President Mwai Kibaki and government members, and WSBI members from East Africa. The celebration was combined with the ASBEA (East African subgroup of WSBI members) annual meeting and a workshop on the WSBI Remittance Switch.

Nyambura Koigi, Managing Director of KPOSB, took this opportunity to present the Postbank’s history since its 1909 creation, its work providing savings services, and the latest innovations in products, services and distribution channels (agents, ATMs, Point of Sale [POS] terminals, debit cards, and mobile phone banking through services such as PataCash).

KPOSB leaders stressed their willingness to continue providing secure and accessible savings services to low-income populations, and to become their “bank of choice”. They praised authorities for allowing them to diversify their product portfolio (including loan provision) to meet the growing needs of customers and remain competitive.

South Africa Postbank

On 20 October 2010, WSBI member South Africa Postbank (SAPB) celebrated its 100th anniversary, while attending the WSBI Postal Savings Banks Forum and the WSBI/Bill and Melinda Gates Foundation programme “Doubling the number of savings accounts opened with the poor”. Invitees included government representatives, National Treasury officials, members of Parliament, and WSBI members from Africa, Asia and Latin America. The celebration was also an occasion to highlight Parliament’s approval of the SAPB corporatisation bill, which will enable SAPB to operate as a legal entity separate from the Post Office.

SAPB leaders stressed their commitment to provide financial services to low-income populations, especially those excluded from formal financial systems. They also emphasised that SAPB is on the verge of securing a full banking license with the explicit mandate to serve the low end of the market. Chris De Noose, WSBI Managing Director, took this opportunity to congratulate SAPB for its achievements in advancing South Africa’s economic and social development. He invited SAPB to continue its success by filling the access to finance gap and providing accessible, affordable and adapted financial products and services to low-income and remote populations.



From left to right: KPOSB Managing Director Ms Koigi, Minister for Information and Communication Poghiso, His Excellency Hon. Mwai Kibaki.



From left to right: Ms. Lefoka, CEO, South Africa Post Office (SAPO), Mr Doidge, former Minister of Public Works, and Ms Mahlati, Chair of the Board of SAPO.

MFI development for financial & social inclusion: no one left behind

WSBI Member FEPCMAC (Peruvian Federation of Municipal Savings and Credit Banks) organises a biennial conference on microfinance, which in recent years has been sweeping through Peru and other Latin American countries. The Caja Municipal Cusco and the World Savings Banks Institute (WSBI) provided organisational support for the congress, which was attended by nearly 300 persons.



Laurie Dufays

How have Peruvian savings banks succeeded to provide low-income earners access to microfinance services, and how can microfinance institutions (MFIs) innovate further in order to expand financial and social inclusion? The Third International Congress Dedicated to Microfinance, held October 20-22 in Cusco, Peru, attempted to answer these questions, showcase the industry's achievements, and identify areas for improvement.

Opportunities for the development of microfinance in the context of the global financial crisis were explained by WSBI expert José Linares Fontela. He observed that while MFIs have proven to be remarkably robust, they can also draw lessons from the crisis. MFI managers, investors and policymakers should pay more attention to the growth model of microfinance and focus on sustainable growth. Some ways to achieve this are: improved customer service, relevant financial access mapping to identify underserved and saturated markets, and supporting credit information bureaus. The crisis has reminded us that microfinance remains a risk management business, which needs to be appropriately regulated in order to mitigate the risks.

To provide efficient service to low-income persons, financial players must innovate on several fronts in order to improve information quality, information channels, talent management, and consumer protection regulations. Several Peruvian savings banks highlighted new products and channels for accessing finance, including the use of agents in villages, mobile banking and mobile phone banking, and biometric ATMs, to name just a few.

Indeed, harnessing technology to create innovative channels was at the forefront of discussion. The presentation "Recent developments in multi-channel strategies", by Laurie Dufays of WSBI, identified trends of innovation in mobile phone banking and emphasised the critical role of branches as platforms for "social" meetings and for educating people on financial issues. Developing countries account for more than two-thirds of the world's mobile phones. For some time they were used only for payment purposes, but among current trends, they are also being used to process savings and loans services.

In his keynote address "Financial inclusion: How far can we go?", Peru's former Finance Minister Mercedes Araoz focused on the strategic importance of diversifying financial offerings in order to reach all levels of the population and to facilitate the growth of the microfinance industry.

In "Strategies for sustainability and development of microfinance institutions", Gerd Weissbach, Director of Sparkassentiftung Latin America, analysed the development options that have been used in Latin American microfinance. WSBI members who are active in microfinance, such as BANRURAL in Guatemala, BANSEFI in Mexico and FEDECREDITO in El Salvador, have diversified their products and services: they offer microinsurance for a very affordable yearly premium of USD 100, provide remittance services, and offer community social services such as health care.

A final panel on the future of microfinance, comprised of the directors of Caja Arequipa, WSBI, Ventana Económica radio Programas del Peru, and Caja Cusco y Caja Huancayo, examined the contribution of savings banks to combating poverty and achieving large-scale financial inclusion, and the increased interest and confidence in microfinance of global organisations such as the United Nations and the G20.

WSBI President José Antonio Olavarrieta insisted on the urgent need to improve financial market access to low-income people through social microfinance programmes, and cited the G20 mandate to work with poor people in emerging nations. Referring to the local microfinance industry's support of SMEs and MSEs across the country, he said, "This is to serve the real economy, fund the local entrepreneur, and thus create more jobs."

In a similar vein, FEPCMAC President R.P. Aparcana Edmundo Hernández challenged participants to achieve new goals that favour micro, small and medium enterprises, by diversifying financial products and offering attractive social services and greater profitability.

CONTACT

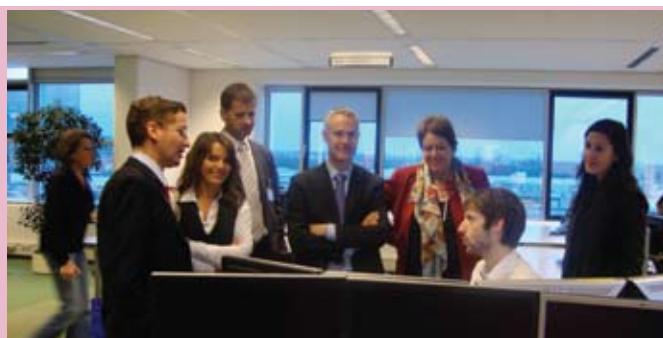
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The new SNS Bank strategy

Interview with Henk Kroeze, CEO of SNS Bank

SNS Bank hosts ESG Marketing Network

The new SNS Bank strategy has captured the attention of the ESG Marketing Network, which held its last meeting in Utrecht on 17 November 2010. This was an occasion for members to gain profound insight into the new SNS Bank strategy and its transition programme. They also had the opportunity to visit an SNS Bank Shop in Utrecht and the SNS Client Service Centre.



SNS Bank has almost finished the roll-out of what can be considered a very ambitious, if not revolutionary, new strategy. Can you tell the readers of *News and Views* what is the vision behind this new strategy and when did you start?

The vision behind the strategy is that the customer can make his or her own choice about the distribution channels they wish to use. Secondly, we are not a primary bank. Our focus is no longer on products but on the customer. We provide customers with all of the services they may need. If they come to us for a savings account or a mortgage we are happy to supply the requested product and will try to optimise that relationship. We also sell third-party products, such as mortgages, in order to improve customer choice.

This vision has prompted us to review and restructure our distribution channels. We have invested a lot of money in improving our Internet Bank to provide optimal service and make it into a user-friendly experience for customers. We have closed down the traditional bank branches and have transformed them into "Bank Shops". Customer service is provided via telephone from a customer service centre, which has replaced the traditional call centre, and in the Bank Shops. It is also possible to make an appointment to meet a financial consultant for advice. In this way the customer has a choice of distribution channels which fits his or her needs at any one time. Furthermore, even if the main emphasis is on the Internet Bank, it is still possible for us to meet face to face with customers in the shops or through appointments at home.

We started to work on this new strategy in 2006 and the roll-out took three years starting from 2008. This change should, however, be viewed in the context of the market. SNS Bank is the fourth largest bank in the Netherlands with a market share of about 10%. If we had been the market leader, it would have been impossible to be the first mover with such a change in direction.

Which market trends and developments inspired this change?

In 2006, SNS Bank was largely dependent on mortgage margins and wanted to diversify sources of income. SNS Bank was established as a

savings bank in 1817. One of the obvious choices was to go back to our roots to a certain extent and to concentrate on savings deposits, which generate high liquidity and good margins. With hindsight, it was a good choice.

Can you tell us some more about the SNS "Bank Shops"?

The main difference between the Bank Shops and the traditional bank branches is that they do not have bank tellers and they do not handle cash. The shop is service-centred and designed to help customers choose the products and services that they require. Cash is available from ATMs and any queries about account or other services are handled by telephone via the customer service centre or via the Internet Bank. Customers requiring advice can make an appointment with an advisor via either the shops, Internet or call centre. The advisors work a little bit like independent financial advisors and it is possible to meet them in the Bank Shop or at the homes of customers, as suits best. They are also available in the evenings and on Saturdays.

SNS will eventually have more than 250 shops throughout the Netherlands, instead of our original 150 branches that were located in the eastern and less prosperous part of the country for the most part. One-third of these shops will be owned by SNS and the remainder are franchisers who are only entitled to offer the SNS product portfolio, including our third-party offer. We pay the franchisers a retainer fee and the franchisers are responsible for renting their shops and employing staff. As a result of this switch from traditional bank branches to shops, we have been able to reduce our cost base of some EUR 500 million by EUR 35 million a year. The cost of each new shop is about half the cost of traditional bank branches.

We understand that SNS is a very client-focused bank. How have your customers reacted to the fact that the Internet is the epicentre of SNS operations rather than the traditional bank branch?

SNS has a client base of about 1.5 million customers. There were two groups of customers in this client base which had very different reactions. The first group were traditional customers who have done



One of the new bank shops developed by ESBG member SNS Reaal in the Netherlands

business with SNS Bank for 30 years and were very much cash-focused. This group was not happy with the change and the fact that cash was being moved out of the branch. The second group, and particularly those customers who were relatively new to SNS Bank, loved our new strategy. They were also pleased with the higher interest rates that we are paying on savings deposits. Naturally, this also pleased the older customer base. This was possible because of the reduction in the cost base.

All in all we did lose some customers because of the change in strategy. This was, however, less than we anticipated and we have also gained some new customers. Thus our client base remains relatively stable, with perhaps a slight increase. Ninety-five percent of new customers come through the Internet Bank and the main focus is on savings deposits and mortgages.

We measure customer satisfaction through daily customer surveys. At the beginning of the roll-out of the strategy, the level of customer satisfaction dropped slightly. This has, however, improved in the meantime and this trend is expected to continue.

How has the staff of SNS Bank reacted to the new strategy's repercussions for their jobs and working environment?

In 2006 and 2007, when the process first started, our staff were not happy and there was a lot of resistance. We had 1,500 people in our branch network and we had to lay off 700 employees and hire 300 new employees. The second challenge was that the staff were used to working for customers in a service-oriented manner and they were now required to become more proactive and sales-oriented. Everybody likes the new strategy today because it has been successful. People enjoy working at SNS and being part of a winning team. With the strategy, we have increased profitability and have grown our level of savings deposits from EUR 17 billion in 2007 to EUR 31 billion today.

Can people with physical handicaps use SNS Internet Bank?

Yes, when redesigning our Internet Bank we were very careful to ensure that it would be accessible and easy to use by the blind and disabled. This has also had the additional benefit that the website is very structured and logical, and is considered to be particularly user-friendly by all customers. Furthermore, SNS is in fact only one of two companies – and the only bank – in the Netherlands that has received an award for the highest level of accessibility for the visually impaired.

Can we conclude with a word of advice from you for any other WSBI/ESBG member which might wish to embark upon such an ambitious new strategy?

Efficiency is only important if it is efficient for the customer, and at the end of the day efficiency for the customer will also translate into efficiency for your company. Thus my word of advice is to start your strategy from outside in rather than inside out. This will reap benefits if this approach is applied consistently.

Henk Kroeze
CEO of SNS Retail Bank



WSBI Korean and Indonesian members strengthen ties



Participants at the signing ceremony for the Memorandum of Understanding.

WSBI Korea member Dongbu Savings Bank has strengthened its ties to the WSBI network through a partnership agreement with Indonesia's PT. Bank Tabungan Negara (BTN).

The Memorandum of Understanding was signed 1 November 2010 between Ha-joong Kim, Chief Executive Officer of Dongbu Savings Bank, and Iqbal Latanro, President Director of BTN. The planned cooperation includes business development, sharing information and organising study visits.

The partnership will help Dongbu Savings Bank gain a strategic foothold in the Asian market, and follows previous agreements with other WSBI members in the region: the Philippine Postal Savings Bank, the National Savings Bank of Sri Lanka and the Government Savings Bank of Thailand.

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NEW PUBLICATION

Best Corporate Social Responsibility (CSR) practices of WSBI members

WSBI's recently published report "WSBI member banks' socially responsible activities – Insight from WSBI members in Africa, Asia and Latin America" presents the best practices in Corporate Social Responsibility (CSR) of 24 WSBI members in Africa, Latin America and Asia. It also highlights the diversity and wide range of CSR policies and projects launched by savings banks across the world.

WSBI members have a long history of commitment to the communities in which they operate. Enhancing social cohesion is an integral part of their identity and one of their distinctive features amongst financial players. In an increasing number

of markets, commitments to social activities now stand as one of the pillars of a broader CSR approach. Savings banks have progressively introduced CSR concerns in their banking activities and professional practices, involving all stakeholders in the development of inclusive and innovative CSR policies and programmes. Thus savings banks' CSR involvement ranges from financial inclusion and financial education projects to environmental action, preservation of cultural heritage, fair relations with customers, engagement with stakeholders, and beyond.

The activities described in the report are structured under the six responsible busi-

ness principles of the 2009 WSBI Responsible Business Charter, namely fair and clear relations with customers, promotion of accessibility and financial inclusion, environment-friendly business practices, contributions to the community, and responsible employer conduct and communication. The report complements the WSBI CSR database, which contains CSR case studies of Charter endorsers and illustrates how they implement Charter principles.

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Savings as the gateway to stronger retail banking services

At their 28-29 October 2010 meeting hosted by Colombia's Banco BCSC, WSBI members from Latin America and the Caribbean reaffirmed their commitment to strengthening and diversifying savings vehicles in order to upgrade services to their clients, including low-income individuals.

Their analysis of the opportunities and challenges of offering more innovative services and products emphasised three areas.

- The development of appropriate delivery channels for people to conveniently deposit money into their savings account is important, but has to be combined with a sound knowledge of the unbanked persons' savings needs, which formal institutions can meet. It is necessary to take into account how people use their money, what are their earnings and payments, how much and how they wish to save, in order to develop sustainable and competitive products and services that build trust.
- Customer information and product transparency dimensions have to be reinforced. In addition, using simple, friendly and easy to understand language is key to winning confidence. To achieve this, adopting proper regulations and efficient complaint resolution procedures, and encouraging the use of multiple information and education channels has to be considered.
- Technology is paramount to gaining customers and earning their loyalty, through branchless banking, online savings accounts, mobile phone banking, social networks, etc. The potential is great, but factors still delaying technological development are mainly insufficient investment resources and lack of clientele familiarity with new tools and certain regulations.

The technical capabilities to support the execution and settlement of remittance instructions in an integrated context were also discussed, as well as the WSBI Remittance Switch initiative, which creates a unique opportunity to connect participating financial institutions and technical service providers, and offer migrants services with more added value.

Members stressed that the implementation of the Basel II framework strengthened the regional banking system, in the context of the international crisis. However, they expressed concerns about the Basel III Accord, especially about its level of capital requirements and the definition of leverage. They called for regional impact studies to determine appropriate adjustments.

In addition to a large Colombian delegation, the 2010 WSBI Latin America and Caribbean meeting gathered institutional representatives from Brazil, the Dominican Republic, Bolivia, Costa Rica, Cuba, El Salvador, Guatemala, Peru and Mexico, as well as delegates from regional and international organisations such as the World Bank, UNDP, the Association of Supervisors of Banks of the Americas (ASBA) and UNEP-FI.

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ICBC launches five new European branches

On 17 January, WSBI member ICBC (Industrial and Commercial Bank of China) opened five new European branches (Paris, Brussels, Amsterdam, Milan and Madrid), thereby expanding its European presence to a total of nine countries (Germany, Luxembourg, UK, Russia, France, Netherlands, Belgium, Italy and Spain). Under the purview of the officially renamed Luxembourg subsidiary (ICBC Europe), the new branches will offer a broad array of financial services including loan and deposits, settlement, trade finance and investment banking. The EU is now China's largest trading partner, and the branch expansion will enhance links between Chinese and European companies. ICBC is the largest bank in China, and the most profitable bank in the world in terms of market capitalisation and customer deposits.

See "ICBC News" at <http://www.icbc.com.cn/ICBC/sy/> and click on "more" to read the 2011-01-25 press release.

ESBG's Annual Retail Banking Conference

EU Retail Banking: Getting Reform Right

The ESBG Conference on Retail Banking is an annual event in Brussels that invites regulators, policymakers and representatives from the international retail banking sector to address pressing issues of the day. The 2010 conference was held on 2 December at the National Bank of Belgium and focused on "EU-Retail Banking: Getting Reform Right". Keynote speakers, panellists and moderators included key players from European savings and retail banks, European commissioners and members of parliament, academics and business community representatives.

The financial crisis has catapulted retail banking high on the agenda. Its stabilising role as the traditional intermediary between savers and borrowers and its support of the real economy are highly appreciated when turbulence on the international financial markets and the opacity of certain financial instruments pushed many financial institutions and indeed whole swaths of the market to the brink of catastrophe.

Which brings us to one of the urgent topics of the conference: the international policymaker response to the financial crisis. Is it sufficient to prevent another crisis or are we merely preparing for the war that has just been fought? Can the banking industry digest and implement this major package of regulations (which

the industry often describes as a "tsunami" of rules) in a reasonable period of time? These were just two of the several questions raised during the first two conference panels. Unsurprisingly, the Basel III Accords and their eventual transposition into EU law via a revision of the Capital Requirements Directive ("CRD4") dominated discussion. In particular, the dreaded decrease of bank credit owing to higher capital requirements fuelled intense debate between Commission and banking industry representatives. While participants reached no final conclusion, it's clear that scant leeway exists between the need to prevent new crises and the necessity to keep the economy going.

And what about consumers? Have we forgotten financial inclusion and financial education? Will the upcoming legislation in the field of responsible lending and borrowing place an unnecessary burden on financial institutions? The day's third panel debated these questions, revealing how important it is to reconcile the legitimate desire for optimal consumer protection with the need to respect the conditions for an optimal business climate.

Conference proceedings and publications can be downloaded from the ESBG website. Debate will of course continue throughout 2011, when the next conference is scheduled for early October.



From left to right: Chris De Noose, WSBI-ESBG Managing Director, Carl Eric Stålberg, ESBG President, Michel Barnier, European Commissioner Internal Market and Services, José Antonio Olavarrieta, General Manager and CEO, CECA (Spanish Confederation of Savings Banks) and President of WSBI (World Savings Banks Institute).



John Dalli, European Commissioner Health and Consumer Affairs.



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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 90 countries (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 – whether in developing or developed regions. At the start of 2009, assets of member banks amounted to almost €9,000 billion, non-bank loans to €4,300 billion and non-bank deposits to €4,600 billion. Together, member banks conducted operations through more than 160,000 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 more than €6,000 billion, non-bank deposits of €3100 billion and non-bank loans of €3300 billion (1 January 2009). It represents the interests of its members vis-à-vis the EU Institutions and generates, creates 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.



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