

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

NEWS & VIEWS

A pluralistic banking sector as inspiration for the financial industry

FAR BEFORE 2008, a crisis of unexpected dimensions and impact unfolded. The absolute priority of our members for the months to come will be to limit the consequences of this crisis for their clients, their employees and their institutions and to show that WSBI and ESBG members remain, as always, close to their customers, in good and in bad times.



José Antonio Olavarrieta
WSBI President

It is striking to see that one of the first headlines in the financial press in the beginning of last year was the staggering trading loss at France's Société Générale, while the last headlines were dedicated to the not less stupefying Ponzi scheme set up by Wall Street-financier Bernard Madoff. The blind pursuit of unlimited profit and the greed that were at the basis of these emblematic affairs are the extreme exponents of an excessive and exclusive focus on shareholder value that forces banks to take on unconsidered risks. It was one of the reasons of the current crisis.

From their creation, WSBI member banks all over the world have had a much broader focus, taking into account the various natural stakeholders of a company: shareholders, employees, the society at large and of course – unlike some commercial banks that seem to have forgotten their mere existence – the retail customers. At the basis of our business model, be it in my country, Spain, in Germany, the US, El Salvador, Lesotho or Sri Lanka you will find a very close and long-lasting relationship with the customer. In Germany, three out of four SMEs are client at a savings bank, often since several generations. In many African countries the savings banks' branch network is the only network available countrywide. In many Latin-American and Asian countries our WSBI members use vans, motorcycles and even boats to reach the most isolated customers. This is not the result of a temporary marketing strategy. It is the natural consequence of a customer focus that is the basis of our *raison d'être*.

WSBI members have since long understood that banks are at the service of the rest of the economy. WSBI members offer safe and profitable solutions for the excess money of citizens – in the form of savings and investments – and they recycle these deposits in the form of credits for sustainable personal or business projects. This traditional intermediation activity necessarily leads to a long-term approach, since it implies balancing

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short-term deposits with long-term credits and it is only profitable when the bank takes into account the whole financial lifecycle of the customer. In these uncertain times, our clients are aware of this long-term commitment and continue to entrust us with their savings. In many countries – not only those where savings banks are public financial institutions but also for example in Spain, where Savings Banks are private, we have even seen a sharp increase in deposits.

We have seen to which extremes the uncritical believe in the unlimited creation of shareholder value has brought the international financial sector. Now is the time to go back to the basics. The time has come to revive the banks' branch networks and to recognize the important role of the proximity of branches and staff. They are the main contact for the retail customers of any bank. Indeed, in a world where a majority of the population has no access to financial services, it is a non-sense to close bank branches for the sake of short term profits. Savings banks continue to open new branches and are often the only financial institution present in small cities or rural areas. Recent research work conducted by WSBI has clearly shown that creating and maintaining a branch network in less populated areas does not go to the detriment of profitability.

Another domain where savings banks have taken their responsibilities and will continue to do so is the responsible supply of credits to businesses and individuals with the required capacity. Savings banks know their clients often for a long time and can offer them fair and customised financing solutions. At a time where big challenges such as global warming require important investments in innovative technologies for housing and transport, businesses, local authorities and individuals can count on us to stand by their side.

The savings banks have taken the lead in offering safe, sustainable and long-term financial solutions for the society. They have created and maintained throughout the decades a strong link with the regions they are active in, becoming in many cases real growth engines for regional development. They have from the beginning shown a responsible attitude, that takes into account the interest of all stakeholders, without foregoing operational profitability. This attitude is the transposition in daily reality of the concept of "double bottom line", where the company pursues returns for its own balance sheet and – in addition – also for the society.

Our society and its citizens have everything to gain with a stable and sustainable financial sector that fulfils its role of transmission wheel of the economy. To this end, the financial sector needs to be pluralistic, with financial institutions of different size, operational scope, business model and legal status operating in a level playing field. This level playing field needs to be maintained at any time, even when the circumstances are exceptional. The state aid that has been granted in many countries often benefits institutions that used to cry wolf in the recent past about alleged state support to savings banks in certain countries and considered a maximum shareholder value as the only reason of existence of a bank. The massive state aid should have neutral effects in the field of competition.

Some professional institutions who were successfully developing sophisticated products and helping the huge market growth, most probably not only forgot the basics but were even doubting about the future of the business model of savings banks. Unfortunately, these institutions don't exist any more. The crisis that we currently experience has not shaken our conviction that banking is at the service of the economy and the society, and not vice versa. I hope that it might be a source of inspiration for the financial sector as a whole in these troubled days.

José Antonio Olavarrieta
WSBI President



WSBI and ESBG will continue in 2009 to actively contribute to the regulatory and non-regulatory responses to the current financial crisis. In doing so, they will carry on attracting the attention of all stakeholders on the advantages of the retail banking model their members embody.

Financial supervision: ESBG contributes to the work of de Larosière High Level Group



Larisa Dragomir

In October 2008, the European Commission established a High Level Expert Group under the chairmanship of Jacques de Larosière, EBRD President in the early 90s, with the task of making concrete proposals to strengthen European supervisory arrangements covering all financial sectors. The declared objective is to establish a more efficient, integrated and sustainable European system of supervision.

ESBG believes that the work of the High Level Group will be very important for the devise of a future framework for EU financial supervision. Its mission is particularly complex, as it has not only to appropriately balance a multitude of objectives and different perspectives from all EU stakeholders, but also to duly consider the global dimension of financial supervision. ESBG is convinced that the High Level Group will cope with such challenges and trusts that it will base its proposals on a comprehensive and unprejudiced analysis of the current framework.

An evolutionary approach

ESBG has consistently supported an evolutionary approach to supervision in the EU, where changes to the existing framework are made progressively, in line with market developments and the degree of integration. Banking supervision is rooted in strong national traditions and embedded in precisely defined institutional and legal frameworks. Sudden and revolutionary changes in the framework are likely to cause disruption and impinge on the efficiency of supervisory activities. Any meaningful reform of the supervisory architecture needs to guarantee continuity, to be underpinned by wide-reaching political support and to allow for smooth implementation. For these reasons, the reform of the supervisory architecture should be achieved gradually.

There are important merits to the current framework of supervision that should not be discredited altogether. Specifically, present arrangements emphasize the importance of local supervisors, including in the case of the supervision of cross-border institutions. Furthermore, they warrant the alignment of the responsibilities for prudential supervision and for crisis management and resolution, a feature of the current supervisory regime that has proved to be essential for handling distressed institutions during the current crisis. Yet, ESBG recognizes that the existing framework does not sufficiently address supervisory concerns related to cross-border banking activities.

Medium-term priorities

In this context, ESBG is convinced that medium-term improvements to the supervisory framework should build on the merits of the current arrangements. In particular, the EU supervisory

framework should continue to recognize that local supervisory authorities are the best placed to conduct supervision because of their familiarity with local markets and their proximity to the supervised entities.

For cross-border institutions and activities, mandatory colleges of supervisors – as further proposed under the current review of the Capital Requirements Directive (CRD) – should be established to underpin joint decision making by the national supervisory authorities having an interest in the supervision of a specific entity. Participants in the colleges should have equal say and there should be in place clear procedures for reaching joint decisions and handling disagreements between the supervisory authorities involved

The effectiveness and efficiency of such pragmatic medium-term solutions for the supervisory architecture will necessitate establishing a level-playing field between the different colleges. In this sense, ESBG supports the idea that CEBS be entrusted with elaborating guidelines on the functioning of colleges and with monitoring their operation. ESBG also considers that the distribution of competencies between home and host country authorities should not be reconsidered until effective convergence of supervisory practices, aligned supervisory objectives and genuine trust between competent authorities are achieved.

In addition, further efforts will be required to achieve convergence of supervisory practices and to build up a common supervisory culture. In this sense, the work of the Level 3 Committees (the Committee of European Banking Supervisors - CEBS, the Committee of European Securities Regulators - CESR and the Committee of European Insurance and Occupational Pensions Supervisors – CEIOPS) is and will continue to be crucial and therefore they should be endowed with appropriate resources.

Further improvement in the long run

ESBG believes that the debate on long-term developments for the supervision of cross-border institutions in the EU should continue on the basis of the lessons to be drawn from the current crisis. As convergence and integration is expected to grow progressively, the EU supervisory framework will need further improvements, with

a focus on the macro-prudential dimension intrinsic to financial stability in an integrated European market. A key pre-requisite for any long-term proposal on the EU financial supervisory architecture is finding a suitable solution for the issue of burden-sharing inherent to the crisis resolution and management.

The exact form and details of the most suitable future institutional set up will need to be worked out thoroughly. ESBG considers that the most feasible way forward would be a decentralised European Structure of Banking Supervisors, based on diligent national supervisory authorities and genuine mutual trust. Such a structure would develop the proper tools for monitoring systemic risks and ensure the level playing field between local, regional and pan-European banks.

ESBG is expecting that any concrete proposal for a future EU supervisory architecture will be based on input received through public hearings, consultations, thorough cost-benefit analysis and impact assessments, in accordance with the Better Regulation Principles and involving all stakeholders. The solution will need to balance a range of objectives and be supported by strong arguments explaining the choice between various alternatives.

Regulation

Last but not least, ESBG maintains that developments as regards supervision should be considered in parallel with developments of

the regulatory framework applicable to banking activities. ESBG is generally supportive of the recently entered into force regulatory framework (Basel II/CRD), which constitutes a welcome progress with respect to previous rules (Basel I) and cannot be blamed for the crisis. This framework has still large unexplored resources, such as Pillar 2 that, once consistently applied, have the potential of preventing much of the risk-taking that contributed to the current crisis.

Proper analysis and a fair assessment will be needed as to what could be further improved in the current regulatory framework. In our opinion areas that could require additional investigation are: securitisation, trading book, convergence on Pillar 2, ways to limit pro-cyclicality and to avoid unintended consequences resulting from the combination between accounting rules and prudential standards. Moreover, ESBG encourages further progress for achieving regulatory convergence through the elaboration of common guidelines and standards by CEBS.

The High Level Group is expected to publish initial recommendations in February 2009 to be discussed at the 2009 Spring European Council. ESBG stands ready to contribute substantially to the debate.

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Credit Rating Agencies: ESBG's views on the Commission's proposal for regulation

In response to the weaknesses of the financial system which became painfully evident with the current crisis, the European Commission released in November 2008 a proposal for a Regulation on Credit Rating Agencies (CRAs). The European Savings Banks Group (ESBG) welcomes the European Commission's proposal but has some reservations as regards its ability to meet all its objectives.



ULRIKE KOHL

ESBG welcomes the European Commission's decision to act on the issue of Credit Rating Agencies, which so far were not subject to direct regulation, and were applying the International Organization of Securities Commissions (IOSCO) Code of Conduct on a voluntary basis.

Taking into consideration the increased importance of credit rating agencies due to the entry into force of the Capital Requirements Directive (CRD) and their implication in the financial crisis, ESBG supports legislative action in this area. In particular as the changes introduced to the IOSCO Code in May 2008 are in ESBG's view not a sufficient response to the shortcomings which became apparent in the crisis.

The proposal of the Commission pursues **four overall objectives**, which ESBG fully supports. However, there is some uncertainty on the degree to which these objectives will in fact be reached in view of some of the concrete dispositions of the Commission's proposal.

The first objective of the Commission is to ensure that Credit Rating Agencies avoid and manage appropriately any **conflict of interest**. According to the Commission's proposal, CRAs must disclose conflicts of interest in a complete, timely, clear and concise manner; they must record all significant threats to their independence, together with the safeguards applied to mitigate those threats; they must also have adequate internal policies and procedures in place to ensure the quality, integrity and thoroughness of the rating process at all times. However, **ESBG regrets that for some of the provisions** concerning the independence of CRAs and the avoidance of conflicts of interest, **the details are less stringent than those contained in the IOSCO Code of Conduct.**

The second aim of the Commission is to improve the **quality of the methodologies** used by Credit Rating Agencies and **the quality of ratings**. ESBG welcomes that the Commission proposal foresees that Credit Rating Agencies must disclose the methodologies, models and key assumptions they use in the rating process and that they must also continuously review their ratings.

The third aim of the Commission consists in increasing the **transparency of the Credit Rating Agencies** by setting disclosure obligations. Concretely, the Commission proposes that ratings must be



disclosed on a non-selective basis and in a timely manner. For structured products the use of a different rating category or the provision of additional information on their risk characteristics is required. Credit Rating Agencies must publish annual transparency reports.

ESBG supports the provisions proposed by the Commission in this area and, in particular, believes that the **transparency** report will be a useful source of information. However, ESBG considers it necessary to add a provision as regards national **corporate governance** codes. The deletion of the requirement to publish such a report in some Member States would mean less transparency, which would be counterproductive in face of remedying current weaknesses.

Finally, according to the fourth aim of the Commission, **effective registration and surveillance framework** for Credit Rating Agencies shall be created. According to the proposal there would be a single entry point for registration. The Committee of European Securities Regulators (CESR) would also be involved in the registration/withdrawal process, but the responsibility for registration and surveillance would stay with the competent authority of the home Member State. ESBG regrets that the Commission opted for this approach for registration and surveillance, which in our view overly relies on the passport concept and on the home competent authority. Specifically, whereas the passport concept is the right approach for prudential and risk-related matters, this is less the case for conduct of business issues - the main concern in relation to the supervision of CRAs.

In our view, the adequate approach for the supervision of Credit Rating Agencies should rely on the different supervisory authorities of the Member States, in which the Credit Rating Agency is active. **The appropriate EU supervisory framework for Credit Rating Agencies should in ESBG's view be based on the External Credit Assessment Institutions' (ECAI) recognition process**, with enhanced coordination between CESR and the Committee of European Banking Supervisors (CEBS).

The Commission's proposal has been submitted to the European Parliament and the Council and will be adopted in a co-decision procedure.

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European Parliament reviews the Deposit Guarantee Schemes Directive

The review of the European Directive on Deposit Guarantee Schemes (DGS) was voted by the European Parliament's Committee on Economic and Monetary Affairs (ECON) on 8 December 2008. Main areas reviewed are: payout delay, scope of the Directive, coverage level, and areas where further harmonisation could be pursued. ESBG welcomes this review as DGS is an important element for the stability of financial markets.

As regards the **payout delay**, despite the Commission's initial proposal to shorten it from 3 months to 3 days, it was finally set to 20 working days, with a possible additional extension, under exceptional circumstances, of 10 working days. Two years after the coming into force of the Directive, the Commission will assess whether a further reduction from 20 to 10 working days could be implemented. In order to maintain depositors' confidence and greater stability on the financial markets, Member States are encouraged to make provisions for an emergency payout meaning within 3 days or less after application.

The **scope of the Directive** has ultimately been extended to include small and medium sized enterprises.

As regards the **coverage level**, the adopted text fixes it to 50,000 euro and, as a second step, to 100,000 euro subject to a Commission impact assessment. The Commission is indeed asked to evaluate by 31 December 2009 whether such an increase in value and degree of harmonisation in Deposit Guarantee Schemes in the EU is appropriate and is financially viable for all Member States. This increase of value and harmonisation is seen as a way to ensure consumer protection, financial stability and to avoid cross-border distortions.

The European Parliament adopted a new Recital (considerations preceding the articles of law) which says that the protection for depositors will be guaranteed at a level at least equivalent to that provided by a Deposit Guarantee Scheme. Voluntary systems of depositors' compensation, which are not introduced or officially recognised by a Member State, should not be affected by the Directive.

The Commission will in its December report look at a number of additional issues, with a focus on the harmonisation of **funding mechanisms**. It will address, in particular, the expected consequences of an absence of harmonisation in the event of a cross-border crisis as well as the benefits and costs of such harmonisation. It shall also do a costs/benefits analysis of the possible

introduction of a common EU Deposit Guarantee Scheme.

This report will notably also study the harmonisation of the scope of products and depositors covered and the link between Deposit Guarantee Schemes and alternative means for reimbursing depositors such as emergency payout mechanisms (see above).

The European Savings Banks Group (ESBG) welcomes the adoption of the review of the Directive on Deposit Guarantee Schemes as ESBG recognises their importance for the stability of financial markets. **ESBG finds particularly positive the decision to opt for a payout delay, which is ambitious but also realistic, and the inclusion of small and medium-sized enterprises in the scope of the Directive.** Looking ahead, the ESBG supports the decision taken to have an in-depth reflection, with involvement of all interested parties, on the best way forward as regards some sensitive issues.

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ESBG finds particularly positive the decision to opt for a payout delay which is ambitious but also realistic, and the inclusion of small and medium-sized enterprises in the scope of the Directive.

Self-regulation for current account switching successfully launched



JUDITH AY

The European Savings Banks Group (ESBG) and the other associations represented in the European Banking Industry Committee (EBIC¹) are pleased that after nearly a year of intense work and fruitful discussions, a comprehensive and pragmatic self-regulation on current account switching has been achieved, which will directly benefit European consumers.

This self-regulation sets EU-wide “Common Principles” for the conduct of banks in the case where consumers wish to switch personal current accounts to another bank in the same country. EBIC’s self-regulation was launched on 1 December 2008 and was welcomed by the European Commission, the Economic and Financial Affairs (ECOFIN) Council of the European Union and European consumer representatives (BEUC).

The result of EBIC’s efforts, the “Common Principles”, shall ensure that bank account switching is not onerous to consumers and that their mobility is not constrained by any unnecessary delay or cost, or by a lack of support from their banks. The Common Principles also increase the awareness of consumers of the switching-related services they can expect, and aim at reducing possible apprehensions with respect to bank account switching. Furthermore, the banking industry has achieved these improvements in a way which is compatible with a preference for multi-banking, as well as with different market conditions and existing self-regulatory arrangements in the 27 Member States.

What will the “Common Principles” change for the consumers?

In order to address consumers’ concerns in a well-balanced and pragmatic way EBIC opted for an ‘outcome-oriented’ approach which rests on the following key-elements:

- Banks will provide consumers who want to switch current account with clear and complete information.
- ‘New’ and ‘former’ banks commit to facilitating smooth and timely switching, notably as regards recurrent incoming and

outgoing payments related to a current account. Conditional on the involvement of third parties, ‘new’ and ‘former’ banks commit to completing their assigned tasks within 7 working days each.

- The consumer can use the ‘new’ bank as the Primary Contact Point during the switching and in order to arrange the transfer of relevant information from the ‘former’ bank.
- The ‘new’ bank offers to inform creditors on behalf of the consumer on the changed account details.
- Consumers will have free of charge access to relevant general and personal information readily available at banks. Fees linked to other switching-related services (if any) will be transparent and in line with costs.

ESBG is confident that these rules will prove successful in facilitating switching for European consumers. Furthermore, the **Common Principles clearly underline that a customer’s decision to switch bank accounts, far from being constrained by banking practices, is determined to a large part by consumers’ satisfaction with and trust in their banks.** ESBG, together with the other EBIC Members, will now fulfill its responsibilities as regards the implementation of the Common Principles, which is foreseen for November 2009.

The “Common Principles” can be found on www.eubic.org

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¹ www.eubic.org/Members.htm

The background

EBIC’s unprecedented effort originates in the developments at EU level these past few years. In particular, during the course of 2007, **customer mobility** in general and in particular the facilitation of current account switching became important topics on the political agenda in Brussels. This trend culminated in Commissioner McCreevy (DG Internal Market and Services) requesting the European banking industry to propose a **self-regulation** by mid 2008. EBIC responded by launching an industry-wide effort to establish common rules for the facilitation of domestic personal current account switching. The involvement of a large number of dedicated national experts from a wide range of Member States was vital in achieving a comprehensive set of rules within the time requested by the Commission.



Fair Value – Looking forward

Over the past few months, the issue of Fair Value has been given a lot of attention. Both in the US and in the EU, various initiatives have been tabled with a view to allowing a more flexible application of the Fair Value concept. The ESBG supports these initiatives but also thinks that a thorough reconsideration of the existing accounting practices is necessary in the long term.



ASTRID HAGENAH

The first move towards a more flexible application of the Fair Value approach was made in the United States at the end of September 2008 as part of the **Paulson Plan**. Specifically, the US Securities and Exchange Commission (US SEC) and the Financial Accounting Standards Board (FASB) issued clarifications regarding the implementation of fair value accounting, allowing a more flexible application in particular regarding illiquid markets. In the EU, notably at the occasion of the meeting of the Council of EU Finance Ministers (ECOFIN) in October 2008, the Commission and the **International Accounting Standards Board (IASB)** were mandated to make proposals to guarantee a level playing field between the EU and the US.

In mid-October, the IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7 Financial Instruments: Disclosures, that would permit the **reclassification** of some financial instruments. The amendments to IAS 39 introduce the possibility of reclassifications for companies applying International Financial Reporting Standards (IFRS), which were already permitted under US generally accepted accounting principles (GAAP) in rare circumstances. The Commission adopted these amendments and expressed at the same time the need to continue monitoring all accounting issues that could impact on the stability of financial institutions and financial markets, with a view to identifying further changes, where appropriate.

Being actively involved in the discussions, **the ESBG strongly supports the initiatives taken by all parties concerned in order to achieve a more flexible application of the fair value approach. The ESBG is convinced that it is of high importance for the European Union to adopt measures on fair value that**

take the exceptional circumstances in the markets into account and go in line with the measures taken in the US. Nevertheless, the ESBG sees the need to also take other accounting topics into account and to address challenges posed by the financial turmoil on an ongoing basis.

In its October letter to the IASB, the Commission expressed the need for further action on some issues of importance, namely Fair Value Option, Embedded derivatives and Impairment of Available for Sale items. The Commission stated that global solutions are preferable and that further actions should be subject to appropriate due process strictly tailored to reflect the urgency of the situation.

The ESBG welcomes this approach and believes that accounting standards should not be designed in an abstract way which insulates valuation from underlying conditions and companies' business practices and environment. **More important than short term actions which aim at mitigating the effects of the financial crisis, the ESBG is convinced that a thorough reconsideration of the existing accounting practices in the long term is necessary.** The recent events have confirmed that over-reliance on market value not only significantly increases pro-cyclicality, but in fact also results in providing an inaccurate image of a company's financial situation.

The ESBG is concerned that despite the strong signals from politicians and policy-makers on the pressing need for changes since the start of the turbulences on the financial markets, the necessary reforms in this field will be difficult to pass. Looking ahead, an in-depth and unprejudiced reflection on the application of fair value accounting is necessary which pays particular attention to the pro-cyclical effects

of excessive reliance on market prices, and the ESBG looks forward to continuing playing an active role in the current discussion.

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More important than short term actions which aim at mitigating the effects of the financial crisis, the ESBG is convinced that a thorough reconsideration of the existing accounting practices in the long term is necessary.

ESBG Board Prague Resolution on SEPA

SEPA is at a crossroads. The current financial market turmoil and related economic decline constitute less than an ideal context for the project. Against this background, ESBG Board adopted a Resolution on SEPA in Prague in December 2008.



Norbert Bielefeld

Payments are a growth business in Europe, but

Between 2001 and 2006 the number of non-cash payment transactions in Europe grew at an annual rate of 7%, which exceeds the economic growth. The CapGemini 2007 World Payments Report expects this to accelerate to **9% on average per annum through to 2013** (countries with currently less than 150 transactions per capita per annum will see double digit growth rates). A certain convergence of payment instrument usage across Europe will occur, with card usage rising dramatically, and cheque continuing to decline in France and the United Kingdom. However without convenient alternatives and cost transparency in particular for face-to-face transactions, cash in circulation still expands sharply – averaging 7% of GDP compared to 5% in the US.

Almost all (over 98%) of these payments are retail and commercial payments and are “national” payments, i.e. transactions where both the originator and the beneficiary are located within the same EU Member State. Combined with account holding they represent some **30% of bank revenues**. The upcoming transformation of the European payments landscape will affect both supply and demand of payment services, the organization of the supply chain for payment services (including where payment service providers are located compared to the location of originators and beneficiaries), and could redistribute revenues and costs, between customers and providers of payment services, and between creditor and debtor banks.

Arriving soon: the Internal Market for Payments

There will be an Internal Market for Payments – where differences in relevant legislation will have been leveled out. The landscape will be reshaped first by legislation. Already end 2001 a European regulation mandated the equivalence of pricing for cross-border credit transfers and cash withdrawals in euro compared to national transfers and withdrawals. The 2007 Payment Services Directive (PSD) to be transposed into national law by November 2009 will remove most differences between national and cross border payments. This Directive covers both national and (intra-EU) cross-border payments and all non-cash payment instruments. Timely transposition in every EU country is not guaranteed, and the intended full harmonization will be challenged by Member State interpretation and extensions. But this Directive is bound to have a profound impact on payments in Europe also at national level. Most effects are likely to be felt in the 2 years following transposition – with clarification of potential conflict of law issues left to jurisprudence.

The spirit of this Directive is in line with the prevailing thread of European Commission’s policy: to maximize consumer protection (as e.g. account holder, cardholder) – protection being understood as the removal of uncertainty, inconvenience, and to a large extent costs. **With stringent consumer protection established by legislation, why then is the European Commission so keen to curtail the payment service providers’ capability to charge either end-customers and/or intermediaries for services provided?** This suggests that the legislator is unsure that its consumer protection dispositions produce the desired effect. This also evidences – in a departure from the free market principles supposed to underpin the European Union - that the legislator does not wish to let market forces shape price setting in the Internal Market for Payments – at the very least that the customer should not pay for the value he will receive from PSD implementation. Preventing costs to be passed on will trigger more cross-subsidization, i.e. forcing banks to load prices for non-payment related services, thus decreasing transparency and comparability.

This is certainly at odds with the goal of European policy makers to stimulate innovation in payments. Non-recoverable investments and operational expenses sunk by banks into the PSD implementation will certainly not be invested in new payment products.

SEPA: a project at the cross roads

The payments landscape could also be reshaped by co-regulation. SEPA (the Single Euro Payments Area) is a project created by policy makers (the European Central Bank and the European Commission), to be established by the European banking payment industry (under the auspices of the **European Payments Council - EPC**). The vision is that every citizen should be able to make and receive payments in euro anywhere in Europe with the same convenience, low cost and security than where he/she lives.

Work on the SEPA project began in 2002 in response to Regulation 2560/2001. The banking industry focused on creating a credit transfer scheme and a direct debit scheme, as well as formulating a set of principles and rules for card schemes. The premises then were that with self-regulation instrumental in removing the technical, contractual and commercial barriers to SEPA, regulators would address legal obstacles – in essence absence of harmonization and certainty – and ensure that public administrations and related entities (who as originators and receivers of payments account for close to 30% of European payment volumes) adopt the “SEPA-wide payment instruments” early - an assumption publicly supported by both the ECB and the European Commission’s DG Internal Market.

That self-regulation would work has proven misguided. Indeed:

- The SEPA Credit Transfer Scheme launched in January 2008 accounts for 1,4% of all credit transfers in Europe but very few public administrations have announced any plan to adopt it.
- The SEPA Direct Debit Scheme was due to be launched end 2009 after transposition of the PSD. But recently European competition authorities challenged the interbank remuneration model announced in October 2006. European competition authorities seek to ban interchange for direct debits after a short migration period from legacy national schemes to the new pan-European scheme. This led banks in several key countries to stop developments.
- Only in December 2007 did European competition authorities rule on the 15 years old MasterCard case. MasterCard must discontinue its interchange arrangements although the ruling does not prohibit interchange per se - a review of the Visa waiver that expired end 2007 is still ongoing. The same authorities challenged several dispositions of the industry's cards framework – almost 2 years after its publication.
- Both the ECB and the Commission press the banking industry to

set end dates for the use of national legacy payments – although uncertainty persists as to whether a forced discontinuation of such systems is compatible with competition legislation.

- Finally, although competition authorities co-ordinate their positions through the European Competition Network (ECN), there is no guarantee that the European Commission's Competition policy is opposable to national competition authorities for payment transactions executed within a Member State.

So SEPA is at a crossroads. A combination of lack of dynamics with the 2009 European institutional agenda could reduce the project to insignificance. In addition the current financial market turmoil and related economic decline constitute a less than ideal background for a project that has a far stronger policy than business case dimension. But a demonstration now by policy makers and regulators that "better regulation" is more than a motto could still allow European society to reap the benefits of this project in the medium term.

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Against this background the ESBG Board of Directors on 12 December resolved that:

1. ESBG Members – with a 30% market share of retail and commercial payment transactions Europe-wide – reaffirm their **support** to the political vision of European policy makers and regulators for an **integrated payments market in Europe**, to be built in the context of the European social model upon the principles of level playing field and fair competition. ESBG Members do welcome the opportunities that this new environment will provide to serve customers even better, but need again to highlight that long term legal certainty and stability of economic and business models are critical pre-requirements.
2. ESBG Members stress again that the migration from today's mostly efficient national payment systems to an integrated payments market should to the greatest extent possible be based on these same principles. ESBG Members will continue to engage with all stakeholders in order to maintain the **level playing field** and the balance of rights and responsibilities that deliver quality payment products and services and motivate continued innovation.
3. ESBG Members strongly believe that it is essential that all stakeholders including consumers feel at ease with the scope and the pace of a migration, for each payment instrument concerned. **To a large extent**

it is in the hands of public authorities (and, as a ripple effect, of public administrations) **to remove residual obstacles** to supply and demand and generate the sense of comfort that will ensure that the length of the migration period neither generates undue costs nor affects the level playing field.

4. ESBG Members call on European policy-makers and regulators including competition authorities to recognise that the creation of an integrated payments market is a transformation process affecting multiple, already **efficient, national markets** – rather than a mere evolution of any individual market. This transformation cannot be built on any (almost) mandated supply of cross-subsidised commodity products and services.
5. ESBG Members accordingly request European regulators and competition authorities (including national authorities) to ensure that the remuneration of payment products and services (from end-customers and/or counterparties or intermediaries) may reflect investments, depreciation and operational costs and a **fair rate of return**. In particular authorities are invited to respond to the demand of the European Parliament (5 June 2008) to clarify the conditions under which interchange mechanisms may be operated in the 2-sided internal payments market.

6. ESBG Members call on **public administrations** and related entities both at European and national level in order for them to acknowledge their effective support of the political vision of an internal payments market and publicly announce the date by which they will **be able to originate and receive "SEPA-compliant" payments**. Because of their significant share of payment volumes originated and received, and the pull effect that public administrations and related entities could have as early adopters of SEPA-compliant payments, that date should be regarded as the effective start date for the migration.
7. ESBG Members furthermore call on European policymakers and regulators **to create certainty and stability** for the legal and economic conditions applicable in the internal market for payments. This also requires all stakeholders to focus on implementation of the core building blocks, rather than constantly assuming that imperfectly conceived projects can be rescued by yet another leap into seemingly attractive new, even broader goals.
8. This requirement for certainty and stability becomes all the more pressing in the current economic environment, where all stakeholders will be for due reasons prone to take a more cautious approach to investments and business cases.



WSBI's Remittances workshop

In order to take stock of the progress of the International Remittances Capability Agreement (IRCA), the World Savings Banks Institute (WSBI) organised a workshop for its members in Brussels at the end of 2008.

The workshop was well attended and identified the issues which need to be addressed in order to further develop the IRCA initiative.

The IRCA was developed in 2007 at the behest of the WSBI Presidents' Committee and launched at the end of last year after approval by the WSBI Board in Washington. The key objective of IRCA is to intensify the establishment of bilateral relations between WSBI Members for the execution of international remittances (i.e. funds sent home by migrant workers). In parallel WSBI would continue to support Members by contributing to shaping policy, removing legal and other obstacles, and facilitating when needed technology deployment.

Attended by 23 representatives from twelve countries of four different continents the workshop on remittances organised by WSBI in Brussels in November 2008 reviewed and discussed:

- **The latest developments on the remittance scene:** The continuous market development (in spite of the economic downturn), the continued drive for greater transparency (with the emergence of a large number of "service comparator" websites) and transaction certainty, as well as the likely impact of mobile telephony (with 1,5 billion banking and payment services-enabled mobiles expected by 2015) were highlighted.
- **Technical solutions:** Members present found the presentation of two technical platforms very interesting. They reacted very positively to WSBI's "idea" to facilitate a switch between various technical solutions, in order to accelerate time-to-market and decrease costs to Members (who often connect to 3 or more technical solutions).

- **Additional support:** In a roundtable discussion Members expressed requirements for further support. In addition to the "single connection" already mentioned, a marketing guide to assist in addressing first and last mile issues, and guidelines for the handling of foreign exchange transactions and selecting settlement banks were spotted.

- **The "follow your customer" approach:** All participants concurred that remittances are a means to an end, i.e. the drive towards greater bancarization, also in the context of more competition from global banks, and money transfer operators now seeking banking licences. WSBI's suggestion to adopt a "follow your customer" approach, i.e. for Members to establish closer relations with communities and migrants from the pre-migration phase onward received support – as this approach decreases marketing costs and assists in overcoming anti-money laundering hurdles.

In addition to following up on the marketing guide and foreign exchange guidelines suggestion, there is a need to respond to the interest expressed in the "technical solution switch concept". WSBI will :formulate a concept paper, and undertake a feasibility study – in dialogue with members and potential service providers.

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Banking at your doorstep – The Brazilian experience

Research shows that the total amount of money transferred by migrant workers to their home countries accounted for 300 billion USD in 2006, about twice the total amount of the world's development aid (www.ifad.org).

WSBI's **International Remittances Capability Agreement** is thus aimed at enhancing in the best conditions possible a very important flow of money from the developed to the developing countries. Furthermore by working towards bringing the formal banking sector as close as possible to the senders and the receivers of remittances, WSBI members are contributing to increase the level of bancarisation amongst this population.

The IRCA insists on the importance of the "first" and "last mile"; meaning the distance between the sender of remittances and the bank, and between the bank and the receiver. This distance in WSBI's view needs to be kept as minimal as possible. And, as shown in recent studies (see article p. 22), the savings banks business model is ideally suited to reach broad outreach. WSBI are indeed not short of ideas and innovations when it comes to going where their customers are. An example of how the distance between a bank and its customers can be reduced using modern technology are the Banking Correspondents set up by banks in Brazil including WSBI's member in the country, **Caixa Economica Federal do Brasil**.

What are banking correspondents?

In 2000 Brazilian banks, including **Caixa Economica Federal do Brasil**, have created an innovative, flexible and full-service distribution channel: the Banking correspondents (BCs). Through this system which is technology-intensive (POS devices and satellite communications networks are needed) customers can do a large series of banking operations in their local grocery store, drugstore, gas station, post office, lottery shop etc. The bank makes business arrangements with the retailers. The necessary technology which uses bar codes, PIN cards, is installed at the retail outlet and the latter provides staff to man the facility. The BCs offer many services, including deposits, withdrawals, bill payments, new account openings, money transfers, insurance among others.

In a country where around 40% of the population does not have a bank account this BCs system has allowed since its creation for the opening of 8 million new current accounts.

Caixa Economica Federal do Brasil, the biggest public bank in Latin America, with 37,5 million customers and total assets reaching R\$ 188,7 billion (81 billion USD), has an extraordinary network, reaching all of the 5,562 Brazilian municipalities, using branches and banking correspondents. In a near future **Caixa Economica Federal do Brasil** intends to register another 2,000 commercial establishments throughout the country as banking correspondents, making life easier for Brazilians from every corner of the national territory. (More details on www.caixa.gov.br).

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Postal Savings Banks: Exploiting current opportunities, Overcoming future challenges



Mina Zhang

The 2008 WSBI Postal Savings Banks Forum was particularly relevant in view of the financial crisis as it explored potential avenues for developing efficient and sustainable postal financial services. The public is more than ever seeking financial institutions that intrinsically carry with them stability and safety. The Forum evidenced that postal savings banks can benefit from this context and gain further recognition from customers and policy makers.

Postal savings banks are indeed in a good market position because of the nature of their business, significantly based on low-risk retail banking activities, strong recurring revenues and less subject to financial market pressure. In a number of countries even, **deposits in postal savings institutions and account openings have increased massively over the last weeks**, as customers highly value the stability and safety they offer in these chaotic times.

Under the Chairmanship of Mr Mortera from the Philippines Postal Savings Bank, the following emerged from the discussions as core opportunities and challenges ahead for postal savings banks:

- **Technology innovations** brought in by the cell phone industry will open new business streams for banks and postal savings institutions, working in partnership with mobile operators in the field of money transfers. This carries an inherent potential for lowering the costs of international remittances and extending outreach to the mass market. However, removing the regulatory burdens will remain the major challenge, as underlined by the GSM Association (GSMA).
- **The Single Euro Payments Area**, the so-called SEPA project, whose impact will expand beyond the borders of Europe will offer the chance to work through a single eurozone along standardised rules, but could lead some providers to attempt recouping their margins outside Europe.

- **Modern management and marketing tools** will be crucial to optimise the assets of the retail network of postal savings institutions in a fiercely competitive environment. Market segmentation and the Balanced Scorecard Model currently implemented in the Czech Republic by CSOB and in Croatia by HPB might be instrumental in introducing a sales culture.

- **Strategic Partnerships involving the private sector** seems a necessary step for offering an upgraded, diversified and adapted range of products and services. In this respect, examples from HayPost in Armenia and the Korean Post were inspiring.

- **There is a huge but underexploited potential for postal savings banks to assume the leadership in availing basic financial services to the mass market**, as evidenced by the case studies from Lesotho, Iran and Sri Lanka. The recommendations of the Financial Action Task Force (FATF) may help in removing some of the existing regulatory barriers. Aflatoun also pointed at social and financial education of children as a major enabler to promote social and financial inclusion. WSBI committed to cooperate further with this organisation in order to encourage member banks to develop partnerships, as it is already the case in the Philippines and Uganda.

This Forum gathered on 3-4 November 2008 in Brussels more than 35 delegates from postal savings banks in Armenia, Croatia, Czech Republic, Gabon, Iran,

Korea, Lesotho, Madagascar, Mali, Philippines, Russia, Sri Lanka, Tanzania and Uganda, as well as relevant organisations such as: Aflatoun, Eurogiro, FATF and GSMA.

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West Africa takes major step in the restructuring process of Postal Savings Banks

In September 2008, the Central Bank for West African States and the West Africa Monetary Union (WAMU) adopted common guidelines to speed-up the reform process for postal financial services. This is a major breakthrough which the World Savings Banks Institute (WSBI) concretely helped to foster.



Hugues Kamewe

Indeed in April 2008 WSBI organised a high-level seminar on the restructuring of the postal savings banks and postal checking institutions in the West Africa Monetary Union (WAMU), in Abidjan, Côte d'Ivoire. The WSBI then called upon the Central Bank for West African States to raise the awareness of WAMU Council of Finance Ministers about the weak supervision of postal savings systems and potential risks associated with this situation.

On 25 and 26 September 2008, the Board of Directors of the Central Bank of Western African States (BCEAO) and the Council of Finance Ministers of the WAMU met in Bamako, Mali and discussed the restructuring of postal financial services. Final statements pointed out that the two bodies have adopted common guidelines for speeding up the reform process for postal financial services in countries where this remains an issue, notably in relation to the protection of customer deposits. National authorities

have been urged to take required measures in order to complete within twelve months the transformation of some of these institutions into licensed banks.

This decision is a major development in the reform of postal financial services in West Africa, since it is the first time that BCEAO and the Council of WAMU Finance Ministers take a common position on this issue; expressing an explicit political support in favour of the acceleration of the reform.

This topic will be high on the agenda of the next WSBI West Africa Subgroup meeting, due to take place in Togo at the invitation of Banque Populaire pour l'Épargne et le Crédit (BPEC) early 2009.

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Announcement of the 2009 WSBI Regional Group Meetings

- **Africa:** 6-8 April in Marrakech, Morocco at the kind invitation of Caisse de Dépôt et de Gestion
- **Asia/Pacific:** 28-30 June in Bangkok, Thailand, at the kind invitation of Government Savings Bank on "Sustainable retail banking offer in a challenging environment"
- **Latin America/Caribbean:** 2nd half 2009 in El Salvador, at the kind invitation of FEDECREDITO

French Minister attends signature of unprecedented agreement with West African savings banks

The Caisse Nationale des Caisses d'Épargne (CNCE, France) and the WSBI Subgroup of Savings Banks and Postal Checking Institutions of the West Africa Monetary Union (GCECP-UMOA) signed an unprecedented framework cooperation agreement on 30 September 2008 in Paris, in the presence of Mr Brice Hortefeux, French Minister for Immigration, Integration, National Identity and Mutually-Supportive Development. Other signatories were the National Federation of French Savings Banks (FNCE) and the World Savings Banks Institute (WSBI).

The CNCE in close collaboration with the FNCE and WSBI will train staff in partner banks. It also commits to facilitate access to its branch network for citizens of West African countries living in France with a view to promoting financial transactions. Another major aspect of this agreement is the commitment by CNCE to become the "reference technical partner" for these partner institutions in their endeavour to become full-service banks. The adoption of higher professional standards is crucial for the development of partner savings banks in WAEMU countries.

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The GCECP-UMOA is a permanent WSBI structure dedicated to facilitating dialogue and reflection about issues related to the mobilization of savings. Its members play an active role in providing local populations with access to banking services and in modernizing means of payment in WAEMU countries. The GCECP-UMOA members also work to facilitate and promote the savings of the African diaspora.

The West African Economic and Monetary Union (WAEMU) is an organization of eight states of West Africa established to promote economic integration among countries that share a common currency, the CFA franc. WAEMU was formed on 10 January 1994 in Dakar (Senegal) and initially brought together 7 countries: Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, and Togo. On 2 May 1997, Guinea-Bissau became its eighth member state. The WAEMU is also a customs union and monetary union between member countries. Its objectives are:

- Greater economic competitiveness, through open and competitive markets, along with the rationalization and harmonization of the legal environment;
- The convergence of macroeconomic policies and indicators;
- The creation of a common market ;
- The coordination of sectoral policies;
- The harmonization of fiscal policies.



Invitation and registration to the 22nd WSBI World Congress Financial inclusion in a globalised world: OUR CHALLENGE

Santiago, Chile on 30 April/1 May 2009



The next WSBI World Congress will take place on 30 April/1 May 2009 in Santiago, Chile and will be co-organised with WSBI Chilean Member BancoEstado. The theme of the event will be "Financial inclusion in a globalised world: OUR CHALLENGE", with a focus on the challenges and opportunities brought by globalisation to the engagement of savings and socially committed retail banks in favour of financial inclusion and the provision of access to finance for all citizens and entrepreneurs.

This event will be a unique occasion to demonstrate to the world the solidarity, cohesion, strength and commitment of the savings banks sector, particularly required in these difficult times for banking and financial markets. It will also create major opportunities to network with peers from around the world and develop business cooperation.

A comprehensive guide to the congress with an overview of the business programme and detailed practical information, including for registration and hotel reservation, can be downloaded (in English, French, German and Spanish) from the Congress website www.wsbi2009cl.cl. Please note that the hotel booking deadline has been extended to 15 February 2009.

We are looking forward to meeting you in Santiago!

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GRULAC - Next Generation Banking in Latin America

The annual meeting of the WSBI members in Latin America & the Caribbean Region took place on 20 - 21 November 2008 in Brasilia, Brazil, at the kind invitation of Caixa Economica Federal. The impact of the current financial crisis for the sector in Latin America was extensively debated and members expressed their confidence that the savings and retail banking business model will help rebuild people's confidence in the formal banking sector and enable them to play a key part to bring back stability to financial markets in the region.



PABLO BOZO

The meeting brought together about 150 participants including representatives from 7 member institutions, international guests, as well as high level officials from the Brazilian government and institutions, especially the Central Bank of Brazil.

Participants actively discussed and shared experiences about "Next Generation banking, challenges and opportunities for WSBI members" and specifically highlighted that:

- **technology innovations** are key instruments to improve the outreach and the banking services offered to the unbanked and low income population. In order to efficiently introduce these technology tools, the first step for banking institutions is to upgrade their current IT systems, so that they can use innovative distribution channels and offer new services and products in the best conditions;
- **strategic alliances** with retailers and non banking correspondents are important to enlarge the current banking networks and extend the outreach of clients (Caixa Aqui, Brazil), but also to develop multi-channel banking by promoting E-banking and M-banking (Caja Vecina, Chile) and to build networks with providers operating in all parts of the country, including in remote and unbanked areas (L@ Red de la Gente, Mexico);
- **innovative financial services approaches** can successfully benefit vulnerable parts of the population, including through credit solutions for social housing (UN Habitat), financial literacy strategy (Brazil), financial inclusion programme for the rural and marginal populations through the development of a savings culture (SBFIC in Mexico), adapted savings products and financial literacy programs for women (Women's World Banking);
- an **adapted regulatory framework** to support banking innovations is needed, with a specific focus on the importance of proportionate measures and a clear legal status for the use of agents and a flexible application of Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) provisions (CGAP). The Mexican example of an adapted framework for AML/CTF requirements to promote financial inclusion was a useful illustration, as was the creative Brazilian regulatory framework applicable to correspondent banking agents.

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

Public financial products of Korean savings banks

Corporate Social Responsibility (CSR) refers to the process of integrating social values and missions within business decision-making, to achieve positive and sustainable outcomes towards business and the community. CSR is part of Korean savings banks' key practices and has been highly advocated and led by them at national level, specifically for the support to disadvantaged persons and communities.

The 106 Korean savings banks, members of Korea Federation of Savings Banks, have taken several initiatives and developed voluntary services for the benefit of the local communities. They have strived to develop appropriate financial products to contribute to the alleviation of poverty in the country.

They have completed more than 400 social activities from year 2000 to 2007 and their main contributions in favour of the underprivileged people include:

- Grants & scholarships to the students of low-income households, support to build schools located in islands;
- Assistance to the children's breadwinners and disabled children, medical services and donations to the orphanages and organisations which provide support to orphans;
- Contributions to numerous international aid calls such as the Tsunami disaster in South Asia, the Katrina hurricane in the US etc;
- Support the recovery activities, following domestic natural disasters, such as the worst oil spill at Tae-an or the deluge during the monsoon season.

In the current context of economic recession, now deepening, people are cutting their savings and consumption. For those who are unemployed or already in a vulnerable situation (low income, disabled people etc), the situation is getting much worse. In order to avoid that it further

deteriorates, the Korean savings banks continue to offer favourable and supportive financial products, including:

- "Alps loan" (Angel Service): When some disasters or catastrophes such as great flood, earthquake, etc happen in some areas of Korea, Korean savings banks relieve or exempt interest rate or the principal of the financial loans, as well as support the cost of medical treatment for customers in those areas.
- "1004" term deposit: The "1004" (a figure which refers to "angel" in Korea) term depositors contribute 1004 won (about 1 USD) every month during the term and the Korean savings banks also contribute the same amount per month. The contributions from both parties will go to support disabled persons, orphans or other vulnerable categories of the population.
- "Faithful sons" term deposit: Korean savings banks provide 0.3%-1% more interest rate to those customers who have to support a big family and need to take care of their parents over 65 years old.
- "HK119money" service: Korean savings banks can exempt the loan or support the borrowers' medical treatment cost if they get severe diseases such as cancer or become disabled (more than 50% level disability), and loose the ability to earn their living.

When looking to the future of their CSR activities, the Korea Federation of Savings Banks is committed to further increase its involvement by developing microfinance in Korea, and thus improving the quality of life of the disadvantaged people who suffer from an unresolved cycle of poverty.

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Responsible banking?

Wishful thinking for some.

A reality for us!

WSBI and ESBG member banks and financial institutions are long-standing benchmarks in Corporate Social Responsibility (CSR). In fact, one could even say that as regards the financial sector, savings banks have invented the concept. Indeed, the idea behind their creation was that a financial institution should not only look for the maximisation of profit but should also bring value and return to the whole community of stakeholders which surrounds it.

This “stakeholder” business model is what makes WSBI and ESBG members so distinctive and so valuable, especially in light of the current financial crisis. This responsible attitude towards business has in the current context proven in many cases to be a competitive advantage, attracting customers looking for stability. The initial vocation of savings banks for corporate social responsibility is not limited to single acts of sponsoring but continues to be core of their identity. It is part of their daily business.

The WSBI and ESBG members' involvement in CSR covers a broad range of areas such as microcredit, financial inclusion and financial education, the environment, the preservation of cultural heritage and many other areas.

Education

Savings banks play a key role all over the world in educating people on specific money matters, far beyond the scope of their clientele. WSBI and ESBG strongly believe that these initiatives contribute to preventing social and economic exclusion and that citizens with a better knowledge of financial issues are able to make informed choices. Being actively involved in the discussions regarding the recent European Parliament report on financial education, the ESBG stressed its view that

the Member States have an important role to play and that training is an important way to enable citizens to make their own independent judgement as well as conscious choices on the products offered to them. WSBI knowledge and expertise is also called upon in international forums dedicated to financial education as detailed in the following articles.

Inclusion

Savings banks are by tradition important promoters of financial inclusion of all citizens. Their commitment is part of their mission and shows in the way they conduct their daily business. In addition, many WSBI and ESBG members have introduced specific, targeted schemes to ensure that also the most vulnerable parts of the population have access to necessary basic financial services. In the ongoing discussion at European level, ESBG continues to advocate that financial exclusion should be seen in a larger context and closely related to social exclusion and that measures must be adapted accordingly. In ESBG's view Member States are in the best position to take action in this field and any discussion must clearly separate credit from other types of services as a credit can never be regarded as a basic banking service. WSBI is working on a grand programme to double the number of savings accounts for the poor in the developing world as a tool to alleviate poverty. This programme will notably be funded by the Bill & Melinda Gates Foundation. WSBI has also published studies on the important role played by savings banks in Asia, Latin America and Africa as regards microfinance.

Environment

The responsible engagement of WSBI-ESBG members in favour of the future of the planet becomes an expected part of the return to society they embody. Many WSBI and ESBG members are already actively engaged in the fields of environ-

ment and climate change, through the introduction of pro-environment criteria in project financing, support to alternative energy schemes and eco-innovation or related activities. The recently adopted ESBG Charter for Responsible Business and the ESBG Resolution Towards a greener savings and retail banking sector reflect the wish of ESBG and its members to capitalise on their individual actions and to provide a distinct benchmark for sustainable banking throughout Europe

WSBI and ESBG work hard towards promoting their members' responsible approach to business. It is done notably through the carrying out of ground breaking research. The latest study commissioned by WSBI gives yet a fuller picture of the return savings and socially committed retail banks give to society, what one could call their “social dividend”. Indeed a large part of this return to society is not visible and can be ascribed to the provision of financial services to underserved customer groups and geographical areas. The study summarised on p.22 shows that the savings banks business model is ideally fit to achieve broad outreach while maintaining financial sustainability.

The responsible approach to business taken by WSBI and ESBG members has never been more important than in times of a crisis. Trust in the financial services sector is of crucial importance as well as creating a sustainable business model, both from a financial as well as a social and environmental perspective. Their engagement differentiates WSBI and ESBG members from their competitors and contributes to sustainable development, the enhancement of innovation and the generation of a higher level of trust in business.

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The responsible approach to business taken by WSBI and ESBG members has never been more important than in times of a crisis.

Launch of CSR Europe's Toolbox: "ESBG, a leading organisation to move CSR forward"

On 4 December 2008, the ESBG participated in an event organised by CSR Europe where the results of the various multistakeholder initiatives taken by companies to define CSR solutions (so called "Labs") were presented as part of their contribution to the EU Alliance on CSR. The results - a "Toolbox" for a competitive and responsible Europe - is based on a cross-sectoral collaboration in 20 CSR Labs which involved more than 200 business and stakeholder representatives throughout Europe. The Toolbox contains different tools such as research reports, network models, online resources and practical guides which have been developed throughout the last 18 months .

The ESBG took the opportunity to promote its activities in the field of social and financial inclusion and presented its own Lab. Through case studies from Austria (**Die Erste Bank** Foundation's Die Zweite Sparkasse), France (**Groupe Caisse d'Epargne's** Parcours Confiance), Germany (**Sparkasse** Offenbach's Ostpol-Kredit) and Spain (BBK Foundation support to young people, Caja Castilla La Mancha and Caixanova's support to migrants), the ESBG Lab on "Business involvement to enhance social inclusion at the local level" has identified key success factors for business involvement in local social projects seeking to empower socially and financially excluded people. The list includes the need for an integrated approach of the individual's situation (housing, employment, psychological, financial dimensions etc), a focus on prevention of exclusion and the development of projects based on proximity networks of local partners.

ESBG members were also actively involved, with **CECA** (The Confederation of Spanish Savings Banks) presenting its work on "Sectoral CSR reporting", "Environment and the Financial sector" and "Sustainability and CSR in financial institutions" and **Lloyds TSB** on "Market Valuation of Financial and Non-Financial Performance".

The event brought together about 350 stakeholders from all Member States and representatives from the European Institutions and gave the opportunity to actively exchange experiences during an interactive exhibition. The ESBG, jointly with CECA, promoted its Lab work at a stand. They were also parts of the projects chosen for a question/answer session with **MEP Howitt** during the event. From the European Commission's side, **Vice-President Verheugen** renewed his support for the EU business-driven approach on CSR and acknowledged **the role of the ESBG as a leading organisation to move the CSR issue forward**. **Commissioner Spidla** stressed that financial inclusion is a key priority to make progress towards a fully inclusive EU society.

As next step, CSR Europe intends to organise several "road-shows" in the Member States to present the Toolbox. The ESBG will consider taking part in some of the country visits, especially where ESBG members have developed their own social inclusion programmes.

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The European Alliance for CSR – What is it?

The **European Alliance for CSR** is an open partnership for enterprises and their stakeholders to promote CSR and support its integration into mainstream business practice. The Alliance was launched in March 2006 by the European business community with the strong backing of the European Commission. So far, more than 260 companies and organisations have expressed their support to the Alliance. **CSR Europe** (www.csreurope.org) is a key partner of the Alliance with around 80 multinational corporations and 25 national partner organisations as members. CSR Europe's mission is to support member companies in integrating CSR into the way they do business, every day. **ESBG** is facilitator for one the Laboratories, cross-sectoral business-stakeholder cooperation projects, which CSR launched under the umbrella of the European Alliance for CSR.

The theme of the ESBG "Lab" is "Business involvement to enhance social inclusion at the local level".

Measuring the Social Dividend in WSBI members' activities – The hidden elements

As a follow-up to previous studies on Access to finance, WSBI, in partnership with Oxford Policy Management, has developed a study on Measuring the Social Dividend in WSBI Members' Activities – Revealing the hidden elements. It aims at measuring and valuing the members' social engagement and demonstrate further the specificities of their stakeholder model, and the benefits and added-value it brings to the society in general.

The study specifically focuses on the identification of the "implicit" social dividend that can be ascribed to the provision of financial services to underserved customer groups and geographical areas. This comes in addition to the community investment activities developed by WSBI member banks ("explicit" aspect), such as contributions made to cultural, educational or other socially relevant initiatives for the communities where they operate.

The study has been undertaken with the cooperation of a sample of six member institutions: **Caixanova** (CECA, Spain), **BCSC** (Colombia), **CENFE** (Groupe Caisse d'Epargne, France), **Hatton National Bank** (Sri Lanka), **Red River Bank** (ICBA, U.S.A) and **Post Bank Uganda**, reflecting the diversity of WSBI membership in terms of ownership structures, market sophistication and geographic spread. It also offers a good mix of institutions operating in both developed and developing country environments.

The overall analysis suggests that:

- there is no evidence of massive financial transfers from stronger branches operating under more favourable market conditions to weaker ones in more marginal market catchments areas – i.e. all of the branches in the less favoured locations all covered (or very nearly covered) the marginal costs of keeping a presence in those areas;

- to the limited extent that branches in more favourable market catchments areas do shelter those in less favourable ones, it generally seems to involve the creation of extra operating profit to cover central overheads and required earnings on capital that they would have to cover in any case were the more marginal branches to be closed.

The study demonstrates clearly that a substantial part of the social dividend of savings banks is invisible and translates specifically into the provision of extensive access to financial services, including to customer groups and geographical areas, which otherwise would be deprived of proximity banking services. It also highlights that the business model of savings banks is particularly well-suited to achieving greater outreach, even in remote or less populated regions.

Overall, the study reflects that **savings banks are sustainable financial actors** in the communities and growth engine in the regions, able to support the local economic activities and responsibly supply credit, especially to small enterprises and micro entrepreneurs, in good as well as in bad economic cycles. This important conclusion would be used to call the attention of the international community on the benefits and **strengths of the savings banks' model and the role they could play in the reform/rethinking of the global financial system.**

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The Study reflects that savings banks are sustainable financial actors in the communities and growth engine in the regions, able to support the local economic activities and responsibly supply credit, especially to small enterprises and micro entrepreneurs, in good as well as in bad economic cycles

WSBI panelist at an OECD Conference on financial education



Anne-Françoise Lefèvre

On 21 and 22 October 2008, the Organisation for Economic Cooperation and Development (OECD) organised a financial education conference hosted by the Bank of Indonesia as part of the country's Year of Financial Education. WSBI was invited to contribute as a panelist in the session on **"Financial inclusion: reaching a wide and targeted audience"**, together with representatives from Bank Indonesia,

Harvard University and the Ministry of Finance of India (Capital Markets Division).

The meeting brought together about 130 delegates from 35 OECD and non-OECD countries representing mainly government agencies (Ministries of Finance and of Education; banking, pensions and securities supervisory authorities; central banks etc), but also academics, financial institutions, consumer organisations, NGOs and international organisations.

The interactive discussions specifically highlighted that:

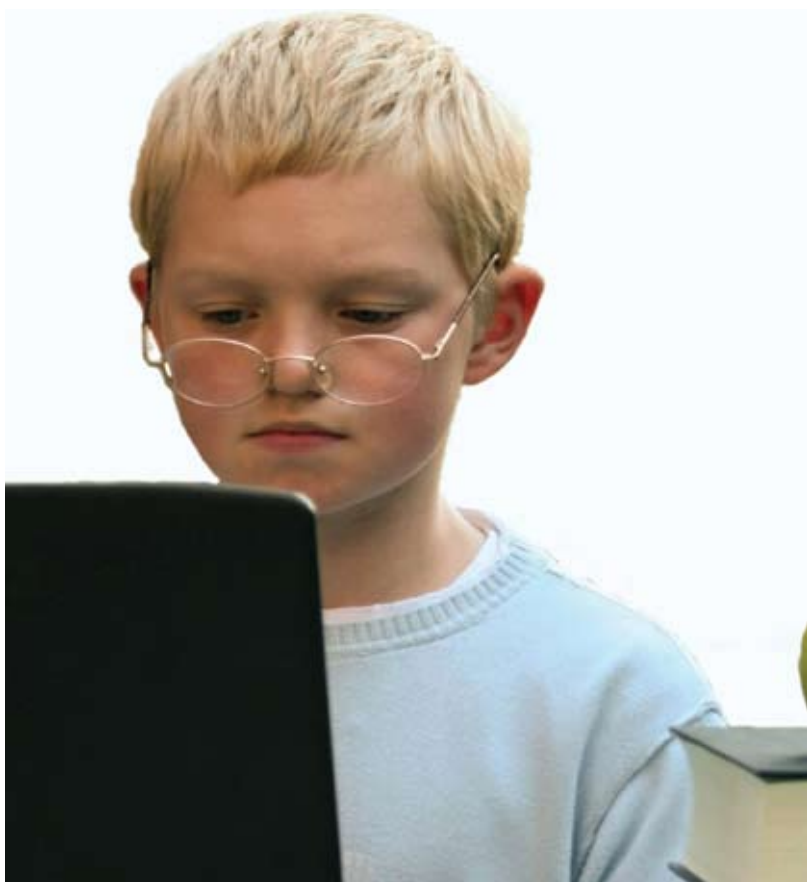
- the current financial markets context is an opportunity to further raise awareness of the public on financial education and will create a new momentum to emphasise the need for skilled consumers and responsible financial services providers. In this specific context, it was underlined that the provision of neutral and independent information, usually provided through government-sponsored initiatives, was essential to restore consumers' confidence;
- financial education should be an integrated part of broader policy initiatives on consumer protection and fair market practices. It must be a complement, and not a substitute, to proper financial regulation. Besides, enhancing people's financial literacy and capability is a key factor to increase access to finance. This was made particularly clear following the panel to which WSBI contributed;
- comprehensive and long term national financial education strategies need to be developed for efficient results. Driven and coordinated by government bodies, they should involve private and public stakeholders working through a collaborative process and include financial industry at large, not only banks and insurance companies but also pension funds, securities and finance companies, financial advisers, credit cards issuers etc;
- in a number of fast growing developing economies, the level of households' indebtedness is dramatically increasing follow-

ing the deregulation of markets and an aggressive commercial policy from new credit actors not subject to supervisory oversight. The OECD will develop a set of good practices on financial education and awareness related to credit products, with a special focus on mortgage aspects (beginning 2009);

- particular attention needs to be given to young people, school children and students, as key actors of change for families' attitude to money. Preliminary conclusions of an OECD Report on financial education at school recommend the integration of financial education in schools curriculum as a compulsory element;
- delivery channels and timeliness of messages are key to achieve effectiveness. The dissemination of information needs to make the best use of interactive technology supports (eg. online video games for youngsters, TV reality shows, commercials). For adults, life stage focus (starting working, marriage, retirement etc) proves an efficient approach;
- joint efforts should be developed to define appropriate methodologies to assess and evaluate the impact of financial education initiatives. OECD intends to define a set of comparable questions and objectives to reach, in order to get comparative data through national surveys (beginning 2009).

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Exchanging experiences on financial education in Africa

Lack of access to finance is a major obstacle to economic development in many countries but particularly in Africa, where around 80% of the population is unbanked. The Conference "Sustainable Financial Education: Public Service, Corporate Social Investment or Business?" in November 2008 in Nairobi, Kenya looked at how financial education as a way to develop inclusive finance in Africa.

The Conference was a joint initiative of the German Savings Banks Foundation for International Cooperation (SBFIC) and the Kenya Post Office Savings Bank (KPOSB) with the support of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the participation of WSBI.

Many initiatives have been undertaken to enhance access to financial services in Africa both from the supply and the demand sides. Indeed, providing physical access to financial services is not enough. One also needs to make people aware those services are available, how much they cost and how to use them.

This conference provided a platform to discuss elements of successful financial education schemes, supported by case studies from Germany, Ghana, Kenya, Tanzania and Uganda. The following key messages emerged from the debates:

- Financial education is far more important than marketing. It is a tool for increasing financial capability and access to finance;
- Financial education and consumer protection are two sides of the same coin;
- Target groups are the clients and the staff of financial institutions;

- Different channels could be used as vehicles for financial education programmes (i.e. Road Shows, Radio, TV, print media, drama, World Thrift Day);
- Public and private sector actors have a stake in improving financial literacy of consumers.

The participants recognized the following to be the most pressing challenges:

- Develop instruments to measure success and set standards based on the OECD defined Principles and Good Practices;
- Customise financial education programmes to take into consideration cultural and social aspects;
- Ensure the sustainability of financial education programmes and the coordination of activities at national and international levels.

Financial education was recognized to be one of the most important pan-African challenges, and consequently deserve high interest by existing networks such as the Partnership for Making Finance Work for Africa (www.mfw4a.org) or funding mechanisms such as the Financial Education Fund (www.financialeducationfund.org).

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Our members in the News

New CEO appointed to Slovenska sporitelna, WSBI-ESBG member in Slovakia

Regina Ovesny-Straka, who has been the CEO of Slovenska sporitelna since 2001 is to become the new CEO of Salzburger Sparkasse, one of the largest savings banks in Austria. On 1 March 2009, she will hand over her position to **Jan Rollo**. Slovenska sporitelna is with 2.6 million clients the largest commercial bank in Slovakia. Its only shareholder is the Austrian Erste Bank Group. Slovenska sporitelna has a long-term leading position in total assets, loans, client deposits, number of points of sale and ATMs. Slovenska sporitelna offers complex banking services in 271 points of sale and ten commercial centers in all regions of Slovakia.

Microfinance “in the South” – Opportunities and challenges for European actors

The European Microfinance Platform (e-MFP) organised the 3rd European Microfinance Week in November 2008 in Luxembourg. The main theme of the event was “Frontier issues in Microfinance – Opportunities and challenges for European actors”. WSBI, an e-MFP Board member, participated to a workshop on linking banks and Microfinance Institutions (MFIs).

The European Microfinance Week brought together more than 250 participants, from different backgrounds - universities, EU and international institutions, banks and financial institutions, microfinance institutions (MFIs), consultants, donors, investors etc, in line with the e-MFP's objective to act as a multi-stakeholder forum of European microfinance actors, active in developing countries.

The discussions highlighted the **current core microfinance topics**, likely to influence the policy debates and market developments over the next months:

- the **impact of the financial crisis** and the potential reduction of the involvement of purely commercial, profit-driven microfinance actors, the commitment of public institutions to maintain their support and the subsequent need for MFIs to diversify their sources of funding. A consensus emerged on the fact that the potential to further develop the microfinance market is there, in the long-run;
- the **“financiarisation” of microfinance** and the growing role played by international capital markets to finance the industry. Attention was called on the over-reliance on commercial investors and practitioners and the risk of mission drift;
- the need to remain focused on the main purpose of microfinance which is to empower the most vulnerable population groups and to alleviate poverty. **Reaching a balance between financial sustainability and social performance** has to be the guiding principle for microfinance activities.

part of the **“Linking banks and MFIs” workshop**, which gathered some of the banks and investment vehicles that are channelling private capital into microfinance, in order to exchange views on regulatory challenges for microfinance investors. **WSBI also contributed to the session on synergies between Peer groups** (researchers, banks and financial institutions, NGOs, consultants and government agencies), where client protection, social responsibility and reaching and serving the most vulnerable clients were identified as issues of growing importance, on which joint work should be initiated or further developed.

The European Microfinance Week was the occasion to present the 2nd Microfinance Award, whose jury was presided by Her Royal Highness **The Grand Duchess of Luxembourg** and included European Commissioner for Development and Humanitarian Aid **Louis Michel**, Luxembourg Minister for Cooperation and Humanitarian Action **Jean-Louis Schiltz** and the President of the European Investment Bank, **Philippe Maystadt**. The 100,000 Euro prize was awarded to MFI Buusaa Gonofaa, from Ethiopia, for the development of an innovative system for determining customer needs and evaluating changes in their social well-being.

WSBI served as an e-MFP¹ Board member over the last two years and saw this mandate renewed at the occasion of the General meeting of members.

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WSBI brought an active contribution to the discussion, as

¹ www.microfinance-platform.eu

WSBI-ESBG members awarded by The Banker

In December 2008, The Banker magazine published its awaited Top 100 of banks in the world. Several WSBI-ESBG members receive high rankings and awards from one of the major financial publications worldwide.

ICBC, WSBI member in China, received the Global Winner Award 2008 as well as the title of Best Bank in China 2008. In Europe, Ceska Sporitelna (Czech Republic), Bank of Valetta (Malta), Swedbank (Sweden and Latvia through JSC Hansabanka) and La Banque et Caisse de l'Epargne de l'Etat (Luxembourg) were awarded Best Bank 2008 in their respective countries.

WSBI members - active players in Microfinance in Asia/Pacific

The report "Overview of Microfinance in Asia/Pacific and selected experiences from WSBI members" gives a snapshot of microfinance in the region and presents best practices developed by a selected number of member institutions, including **Hatton National Bank (HNB)** from Sri Lanka, **Vietnam Bank for Agriculture and Rural Development (VBARD)**, **National Bank for Agriculture and Rural Development (NABARD)** and **National Savings Institute (NSI)** from India, **China Postal Savings Bank (CPSB)**, **Government Savings Bank of Thailand (GSB)** and **Bank Simpanan Nasional (BSN)** from Malaysia.

Despite the diversity of microfinance models developed by WSBI Asian members, their activities share common features:

- a **large outreach** in rural areas, through innovative means to serve remote customers;



- **microfinance schemes** developed on the basis of villages and community solidarity;
- programmes seeking to alleviate poverty and empower people, through the support to **small businesses** and self-employed people;
- definition of dedicated and **integrated programme**, providing comprehensive (micro) financial support;
- the **promotion of thrift**, to inculcate the habit of savings to beneficiaries.

The objective of the report is to promote **WSBI members' advanced expertise** in the provision of microfinance services, as well as to present the unique characteristics of WSBI members' activities in this field, to policy-makers and interested stakeholders, at regional and international level.

The report is available from www.wsbi.org under Publications and Research.

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WSBI shares views on savings mobilisation with Asian microfinance players

WSBI attended the World Microfinance Forum "Building Fair Financial Markets for All: Profitable Investment Opportunities in Micro and Small Businesses", hosted by the International Labour Organisation (ILO) on 1/2 October 2008. Keynote speakers included **Nobel Peace Prize Mohamad Yunus**.

Together with representatives from the Insurance Supervisors (IAIS), the Graamen Foundation and a microfinance investor Unitus Capital, **WSBI was engaged in a Panel on "Assessing the regulatory environment for microfinance investment"** and presented the WSBI recommendations on the regulation of microfinance services, as well as some of the regulatory challenges for investors. The Panel discussion highlighted the need for:

- transparency of the microfinance environment;
- proportionality of the regulatory solution;
- level playing-field for all microfinance actors involved;

- supervisory capacities and resources.

All along the debates, **microsavings** was identified as an integral part of microfinance, with a number of stakeholders representing microfinance institutions and banks highlighting the importance and the growing demand for microsavings by micro-lenders. The absolute need for efficient prudential rules for deposit taking activities was pointed at, with in particular, the representative of the **Basel Committee** insisting on the need to define appropriate regulatory and supervisory provisions, proportionate to the size of the institutions involved and the complexity of the products.

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UN calls for diversified and inclusive financial systems to support financing for development

The financial crisis was at the centre of a UN Conference on financing for development organised at the end of 2008 in Qatar. Calls were made on the need to maintain aid commitments despite global economic uncertainty. The 40 Heads of State and Government present adopted the "Doha Declaration" which reflects similar concerns and priorities to those of WSBI, in particular the need for diversified, well regulated and inclusive financial systems to promote savings.

The Conference also highlighted the importance of a financial infrastructure that provides access to a variety of sustainable products and services for micro, small and medium businesses, specifically through microcredit. The necessity to strengthen existing measures to lower the transaction costs of remittances, through increased cooperation between originating and receiving countries and the creation of opportunities for development-oriented investments, were also amongst the commitments made.

The Conference was reviewing the progress made in financing for development, against the commitments taken in 2002 in the Monterrey Consensus¹. It was preceded by a Business Sector Forum Designing Roadmaps for Mobilizing Private Sector Resources for Development. WSBI was invited as a Panelist in the session on New Paradigms for Development Finance, with a contribution on Mobilizing Remittances & Scaling Up Micro-Enterprises.

The convening of a high level summit to examine the impact of the crisis on development and review the international financial and monetary architecture was announced at the end of the Conference.

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¹ <http://www.un.org/esa/ffd/monterrey/MonterreyConsensus.pdf>



EUROMED CONFERENCE

Savings Banks as Promoters of the Union for the Mediterranean

Barcelona, 16-17 april 2009

Come and learn more about how savings and retail banks make the Euro-Mediterranean Partnership **progress**. Exchange **best practice**, **innovations** and **opportunities**.

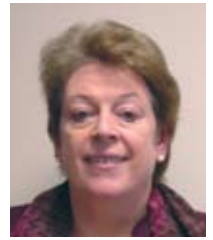
Contribute to defining the key role of the financial sector for the Euromed region!

With the distinguished participation of **José Antonio Olaverrieta**, WSBI President and Director General CECA, **Joaquín Almunia**, European Commissioner, **Miguel Angel Moratinos**, Spanish Minister of Foreign Affairs, **Salaheddine Mezzouar**, Moroccan Minister of Economy and Finance, **Isidro Fainé Casas**, President of La Caixa*...

**Some speakers are still to be confirmed*

ESBG issues Guidance Framework on Climate Change for its Members

At its last meeting on 12 December, the ESBG Board of Directors endorsed a Guidance Framework on Climate Change for ESBG members. This Guidance is the first of a series of tools that ESBG plans to prepare to assist its members to implement the principles outlined in the ESBG Charter for Responsible Business and the Environment Resolution that were approved by the ESBG General Assembly in May 2008.



Fiona Joyce

The objective of the Guidance is to outline the risks and opportunities caused by climate change and to encourage ESBG members to incorporate environmental and climate change considerations systematically into their business strategies. It is submitted that such a strategy fits well within the traditional sustainable development and the corporate social responsibility (CSR) activities of ESBG member banks and can provide an attractive "return" for financial institutions in terms of the triple bottom line concept of Profit, People, Planet, even in times of financial crisis.

The Guidance outlines a roadmap for the implementation of a climate change strategy and action plan for a financial institu-

tion. It presents a series of proposals that ESBG member banks can select to address the risks and opportunities that climate change represent for their business. It maps out action items to embed a climate change response in corporate functions such as strategy, property and facilities management, people and communication as well as new product and service opportunities across the main business lines of ESBG members.

The Guidance Framework on Climate Change is an internal document for ESBG members. It is available on the ESBG Extranet site and has been distributed to ESBG members with the request to disseminate it widely and encourage active

implementation within their organisational network.

ESBG will provide further impetus and assistance to its members by organising a series of workshops to exchange information, experience and best practice on climate change related topics in 2009. The first workshops in the series will cover such topics as the carbon footprint of financial institutions, environmental risk assessment, socially responsible investment and new business opportunities created by climate change.

Rationale for ESBG Action on Climate Change

ESBG member banks enjoy a long history of socially responsible banking all over Europe and address their CSR as an integral part of their business. The adoption of the ESBG Charter for Responsible Business and the Resolution on the Environment on 6 May 2008 reflects the recognition by the General Assembly that the environmental challenge is becoming one of the main collective hazards ever experienced worldwide. It also reflects the aspiration of ESBG members to leverage their individual actions and make a contribution in favour of the planet and society.

What impact can financial institutions have on climate change?

As a building block of the global economy, financial institutions, such as ESBG members, can provide a role model by establishing their carbon footprint, i.e. their level of carbon dioxide (CO₂) emissions, and setting targets to reduce these emissions. They can also contribute momentum by incorporating the environmental dimension in banking offers, operations

and processes, in relations with customers and suppliers as well as in their role as institutional investors.

Customers are increasingly expecting more environmental awareness and an offer of products and services that respect social, environmental and sustainable development criteria on the part of their financial institution. Investors are seeking more disclosure of risks and opportunities, including the impact of climate change, on competitiveness and investment returns.

Risks and Opportunities

Climate change presents a number of risks but also opportunities for financial institutions. The risks cover a broad spectrum, including regulatory risk, reputational risk as well as physical risk to property and operational risk through the interruption of business operations due to extreme weather events.

The opportunities, on the other hand, arise from new markets such as clean technologies and additional income streams from climate-change related products and services. Tangible benefits can accrue in the form of cost savings from energy consumption reduction measures. Intangible benefits accrue from good sustainability ratings for investors and improved pub-

lic image and enhanced customer trust achieved by anticipating and meeting the environmental performance expectations of stakeholders.

Contribution to addressing some of today's main societal challenges

ESBG members share important values in their business policy, which are embedded in the three "R"s: retail, regional, responsible. Accordingly they are committed to addressing some of today's main societal challenges and wish to leverage and coordinate their individual efforts where possible through ESBG. The ESBG Charter for Responsible Business, the Resolution on the Environment and the Guidance Framework on climate change are a concrete demonstration of this responsible and social approach to business and to addressing societal challenges such as climate change and social inclusion.

Thus, in addition to reducing their own direct and indirect CO₂ emissions, ESBG members are encouraged to incorporate environmental and climate change considerations systematically into their business strategies and pursue environmentally-friendly and sustainable credit and investment policies. In this way they will make a contribution to the European Union's (EU) recently adopted climate change

and energy package. This seeks to reduce greenhouse gas emissions by 20%, to have 20% of the EU's total consumption made up of renewable energy and to achieve a 20% reduction in energy needs through energy efficiency measures by 2020. These activities will also make a contribution to the EU's recently adopted European Economic Recovery Plan, in particular the second pillar concerning the direct short-term action required to reinforce Europe's competitiveness in the long term. This is very much focussed on the financing of and investment in energy efficiency, clean technologies, infrastructure and inter-connection projects.

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Web conferences on banking technology related issues

At its last meeting at the end of November 2008, the WSBI-ESBG Banking Technology Committee decided that all efforts should be made to raise awareness on the existence of the **WSBI-ESBG IT/Software Forum** and to promote membership by a large circle of IT experts from WSBI-ESBG member banks and data centres. The objective is to establish a real community of experts who are interested in bilateral and multilateral exchanges of information and best practice on IT related issues and who are present, responsive and interactive in the Forum.

In order to launch this campaign it was decided to organise a series of web conferences during the course of 2009 on topics that had already been discussed in the Banking Technology Committee that should be of interest to a wide range of WSBI-ESBG IT experts and managers. The first conference in the series will be on the impact of Web 2.0 based on a presentation from CECA, the Confederation of Spanish Savings Banks, entitled **"Beyond Banking 2.0 - a brief review"**. The web conference will provide the opportunity to discover the results of a study carried out by CECA on the development of Web 2.0 applications and trends over recent years and the impact of and usage of Web 2.0 by financial institutions. This is scheduled for **6 March 2009**. Topics envisaged for subsequent web conferences include Control IT, Multi-channel Trends and the Future of Internet Banking.

For further information and to be put on the web conference invitation mailing list, please send an e-mail to: fiona.joyce@savings-banks.com

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Conrad Rupert

Recent Training & Consultancy projects

Upgrading the IT and Management Information Systems (MIS) at Banque de la République du Burundi

Donor agency: FIRST Initiative

Location: Banque de la République du Burundi (BRB), Bujumbura

Objective: Upgrading and increase the reliability of BRB's IT & MIS to allow BRB to evolve into a modern central bank.

Starting date: May 2009

Technical Assistance to Abanka Vipava in Slovenia

Donor agency: EU-EBRD (European Bank for Reconstruction and Development) Municipal Finance Framework Facility

Location: Abanka Vipava, Slovenia

Objective: To strengthen the Bank's Municipal Finance Unit in order to fully take advantage of the EBRD Facility. By using prudently the funds made available under this Facility, Abanka Vipava hopes to expand business with the Small & Medium-sized

Municipalities market. The fact that these funds are long term is especially attractive, given the current international developments in financial markets.

Starting Date: January 2009

Training to National Bank of Azerbaijan

Customer: National Bank of Azerbaijan (NBA)

Location: Baku, Azerbaijan

WSBI-ESBG consultant: Member of Bank of Valetta, Malta

Training: "Leadership and Team Building" for middle management.

Dates: 17-19 November 2008

Feedback: The seminar was attended by some 20 managers and their feedback was very positive. By the end of the seminar, they were made familiar with several important concepts and techniques in management, leadership and team building.

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WSBI-ESBG Training & Consultancy (T&C) services cover all areas of expertise which are of interest to retail bankers internationally. What makes WSBI-ESBG T&C team different from competitors is summarised by its tag line : “Bankers helping Bankers”. Indeed WSBI-ESBG T&C’s specificity is that it draws on its member banks to provide consultants and trainers that are top professionals in their fields, covering all bank disciplines. Another important specificity of WSBI-ESBG T&C team is that it is one of the few to really provide its services worldwide.

2009 WSBI-ESBG Calendar of Training Activities

WSBI-ESBG Training activities are aimed at transferring knowledge and experience amongst its members worldwide.

The 2009 WSBI-ESBG Calendar of Training Activities gives you an overview of the different seminars/workshops/conferences organised by WSBI-ESBG Training & Consultancy team for this year.

WSBI-ESBG members are welcome to attend training activities organised in their regions at one of the institutions cited below. They are also encouraged to get in touch should they want to organise one of these training activities at their own institution. Other ideas/suggestions about training needs are also highly appreciated.

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Date	Type	Location	Title	Audience	Language	Organisers
February	Workshop	Peru - Lima	Basilea 2	Members of Fepcmac	SP	WSBI
March 16-17	Workshop	Thailand - Bangkok	The Financial crisis and its consequences on the model of savings banks	Government Savings Bank of Thailand (GSB)	GB	WSBI
April 9-10	Regional Group Meeting – seminar	Morocco - Marakkech	Building a customer centric organization (*)	Africa Regional members	GB-FR	WSBI
April Week of 6	Scholarship	Peru - Lima	Branch Management (The marketing of low income segment)	Members of FEPCMAC	SP	WSBI-Belgian Technical Cooperation (BTC)
April 16-17	Conference	Spain,Barcelona	Savings banks: Promoters of the Union for Mediterranean (*)	WSBI-ESBG Members	GB-FR-SP-D	WSBI –La Caixa
May Week of 4 or of 11	Workshop	Peru - Lima	Human resources – Talent management	Members of FEPCMAC	SP	WSBI
May	Workshop	Cuba - La Havana	Developing the remittances business (*)	WSBI members	SP	WSBI - DSGV
June 29-30	Regional group seminar	Thailand - Bangkok	Remittances (*)	Asia-Pacific Members	GB	WSBI
July First week	Workshop	Madagascar	Banking the Poor (*)	Savings Bank of Madagascar	FR	WSBI
September 13-15	Yearly Summer Forum	Italy	“The Return of Retail Banking” (*)	ESBG Members	GB	ESBG
21 September – 18 October	Scholarship	Belgium Brussels	Branch Management	French Speaking African Members	FR	ESBG
November	Scholarship	Lesotho - Maseru	Branch Management (part II)	Lesotho Postbank	GB	WSBI
December	Conference	Africa	BIZCLIM	African Members		WSBI - Europaid

* Title to be confirmed



Our Members

AFRICA: [Algeria] Caisse Nationale d'Épargne et de Prévoyance (CNEP) [Angola] Banco de Poupança e Crédito (BPC) [Benin] Caisse Nationale d'Épargne (CNE) [Botswana] Botswana Savings Bank [Burkina Faso] Société Nationale des Postes (SONAPOST) [Cameroon] CAMPOST [Cape Verde] Caixa Económica de Cabo Verde (CECV) ■ Correios de Cabo Verde, S.a.r.l. (CCV) [Comoros] (Islamic F.R.) Société Nationale des Postes et des Services Financiers (SNPSF) [Côte d'Ivoire] Caisse Nationale des Caisses d'Épargne (CNCE) [Egypt] National Bank for Development (NBD) [Ethiopia] Construction & Business Bank [Gabon] Gabon Poste [Ghana] HFC Bank (Ghana) Limited [Guinea (Republic of)] Office de la Poste Guinéenne [Kenya] Kenya Post Office Savings Bank [Lesotho] Lesotho PostBank (LPB) [Madagascar] Caisse d'Épargne de Madagascar [Mali] Banque de l'Habitat du Mali [Mauritania] Société Mauritanienne des Postes – MAURIPOST [Morocco] Caisse d'Épargne Nationale ■ Caisse de Dépôt et de Gestion [Mozambique] Cooperativa de Crédito para o Desenvolvimento Rural - CCDR [Namibia] Nampost Savings Bank [Senegal] POSTEFINANCES [South Africa] Postbank [Sudan] Savings and Social Development Bank [Tanzania] Tanzania Postal Bank [Togo] Banque Populaire pour l'Épargne et le Crédit [Tunisia] Office National des Postes, La Poste Tunisienne [Uganda] PostBank Uganda (PBU) [Zambia] National Savings & Credit Bank of Zambia [Zimbabwe] People's Own Savings Bank of Zimbabwe

ASIA PACIFIC: [China] China Postal Savings Bank ■ The Industrial and Commercial Bank of China (ICBC) [India] National Bank for Agriculture and Rural Development (NABARD) ■ National Savings Institute, Ministry of Finance [Indonesia] P.T. Bank Tabungan Negara (Persero) [Iran] Postbank Company of Iran [Japan] Postal Savings Business Department, Financial Business Headquarters, Japan Post [Kazakhstan] Halyk Savings Bank of Kazakhstan [Korea (Republic of)] Dongbu Savings Bank ■ Korea Federation of Savings Banks (KFSB) ■ Korea Post, Postal Savings Division ■ Korean Savings Banks Group [Macau] Caixa Económica Postal de Macau [Malaysia] Bank Simpanan Nasional [Mongolia] The Savings Bank, Mongolia [Pakistan] Central Directorate of National Savings [Philippines] Philippine Postal Savings Bank [Sri Lanka] National Savings Bank ■ Hattton National Bank Limited (HNB) [Tajikistan] The State Savings Bank of the Republic of Tajikistan 'Amonatbank' [Thailand] Government Savings Bank of Thailand [Uzbekistan] The State Commercial People Bank of the Republic of Uzbekistan [Vietnam] Vietnam Postal Savings Service Company ■ Vietnam Bank for Agriculture and Rural Development (VBARD)

EUROPE: [Austria] Österreichischer Sparkassenverband* [Azerbaijan] Kapital Bank [Bulgaria] Bulgarian Post Bank [Croatia] Hrvatska poštanska banka d.d. (HPB) (Croatia Postal Bank)* [Czech Republic] Ceska Sporitelna AS* Ceskoslovenska Obchodni Banka, a.s. (CSOB) [Denmark] 3S Group* [Finland] Säästöpankkiliitto* [France] Groupe Caisse d'Épargne*: Fédération Nationale des Caisses d'Épargne ■ Caisse Nationale des Caisses d'Épargne [Germany] Deutscher Sparkassen- und Giroverband e.V. (DSGV)* [Greece] Greek Post Office Savings Bank* [Hungary] Országos Takarékpénztár és Kereskedelmi Bank Rt. (OTP)* ■ Erste Bank Hungary Rt. [Iceland] Samband Íslenskra Sparisjóða* [Ireland] An Post / Post Office Savings Bank [Italy] Associazione di Fondazioni e di Casse di Risparmio Italiane (ACRI)* [Latvia] Latvijas Krajbanka* [Luxembourg] Banque et Caisse d'Épargne de l'État (BCEE)* [Malta] Bank of Valletta Plc* [Netherlands] SNS Reaal* [Norway] Sparebankforeningen i Norge* [Poland] Powszechna Kasa Oszczędności Bank Polski SA* [Portugal] Montepio* ■ Caixa Económica da Misericórdia de Angra do Heroísmo (CEMAH)* [Romania] Banc Post SA ■ Casa de Economii și Consemnatiuni* [Russian Federation] Sberbank* [San Marino (Rep. di)] Cassa di Risparmio della Repubblica di San Marino [Slovak Republic] Slovenska Sporitelna AS* [Spain] Confederación Española de Cajas de Ahorros (CECA)* [Sweden] Swedbank* [Turkey] VakıfBank, Türkiye Vakıflar Bankası TAO* [Ukraine] Oschadny Bank Ukrainy [United Kingdom] Lloyds TSB Bank plc*

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WSBI (World Savings Banks Institute) is one of the largest international banking associations and the only global representative of savings and retail banking. Founded in 1924, it represents savings and retail banks and associations thereof in 92 countries of the world (Asia-Pacific, the Americas, Africa and Europe – via ESBG, the European Savings Banks Group). It works closely with international financial institutions and donor agencies and promotes access to financial services worldwide – be it in developing or developed regions. At the start of 2006, assets of member banks amounted to more than €8,081 billion, with operations through more than 209,000 branches and outlets.

ESBG (European Savings Banks Group) is an international banking association that represents one of the largest European

retail banking networks, comprising about one third of the retail banking market in Europe, with total assets of € 5,215 billion (1 January 2006). It represents the interests of its members vis-à-vis the EU Institutions and generates, facilitates and manages high quality cross-border banking projects.

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



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