



Santiago Declaration

Financial inclusion in a globalised world:

OUR CHALLENGE

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WSBI, the World Savings Banks Institute (WSBI), brings together 110 members representing 7 000 savings and socially committed retail banking institutions, which share a strong focus on retail customers, SMEs and local authorities, operate through extensive distribution networks that enable them to develop proximity services and provide regional outreach, and a socially responsible approach to business and to society. The WSBI network extends to 92 countries throughout the world, including both developing and mature markets. At the occasion of the 22nd World Congress (April 2009), the General Assembly of the WSBI adopted the following Declaration "Financial inclusion in a globalised world: OUR CHALLENGE":

The members of the World Savings Banks Institute

- view financial inclusion as the provision of access to appropriate, convenient, usable, valuable and affordable financial services and products to the widest part of the population. In developing countries, it mainly involves delivering basic banking services to the low income people and the still unbanked, as a way out of poverty. In developed markets, it relates to preventing the exclusion of the most vulnerable parts of the population (eg. unemployed, single parent households, migrants etc) from the mainstream banking system;
- underline that the provision of savings services is of particular importance as a key safety net for depositaries, especially the poorest ones, to which they can turn to in case of extreme need;
- agree that in all parts of the world, the issues of geographical access, high quality and adapted services, as well as consumers' financial education and ability to make informed choices, are core milestones to achieve financial inclusion;
- consider that in a globalised world, the challenge for savings and socially committed retail banks is to develop sustainable and innovative solutions to maintain their longstanding commitment in favour of inclusive

banking and financial sectors for all citizens and entrepreneurs, while meeting the efficiency and profitability objectives imposed by increased competitive pressure.

In the current global financial crisis,

they call the attention on the strengths of their business model, which offers first class guarantees to resist the unprecedented turbulence on the financial markets:

- savings banks' exposure to financial markets is limited, since their main activity is to recycle domestic savings into fruitful and productive credits for the benefits of the rest of the economy, the "real" economy, ie local entrepreneurs and small and medium businesses;
- as proximity bankers, savings banks are close to their clients and have a sound knowledge of their needs and capacities, act as responsible lenders, able to support customers in good or bad economic cycles and greatly contribute to the development of inclusive financial sectors;
- savings banks' business model is balanced between financial objectives and a social and societal commitment. Profits and financial performance are important, but by no means their exclusive driving force;

■ this banking approach leads to the development of activities with a long-term perspective, not disrupted by the objective of short-term maximisation of gains, and greatly reduces the impact of the volatility of financial markets on the solvency and liquidity of the institutions. Savings banks can thus have a useful stabilising role on markets;

■ the high level of competition on the domestic markets where WSBI member banks operate leads to a virtuous circle of risk diversification and cost effectiveness.

They are convinced that these assets will enable them to play a crucial role in the recovery process, by mitigating the effects of the crisis, bring back stability to markets, and open up new opportunities to support customers.

They strongly believe that the injection of public capital in banking institutions, when required due to the current disrupted market conditions, should in no way put into question the level playing field on banking and financial markets. Therefore banks supported by national governments should not benefit from disproportionate or unfair advantages, which would harm the rest of the banking sector. Adequate information of the general public should be provided with regards to governments' participation to the capital of banks and the reasons underlying these decisions.

They renew their call for:

- the development, all over the world, of robust and trustful banking and financial systems, governed by proportionate and adapted rules, and ensuring the required level of market transparency;
- the importance of a strong supervisory regime for banks, given their central role in the economy and the necessity to protect depositors' money, and the application of adequate and efficient supervision principles, guaranteeing the respect of a level playing field between all market players and close contact with the supervised entities and markets;
- the need to reassess a number of current regulatory and accounting practices, to ensure the quality of information disclosed and the assurance that it reflects the genuine situation of financial institutions and prevent the dissemination of misleading data sets, especially in times of market disruption;
- the opportunity to review the corporate governance framework applicable to banking institutions and in particular the responsibility of the banks' management with regard to the risk policy applied;
- the recognition of the essential role of pluralistic banking structures for the stability, sustainability and competitiveness of the financial system.

WSBI members maintain their commitment in favour of the promotion of financial inclusion in society, worldwide through:

- proposing accessible, small-scale and basic services as part of their "regular" banking offer, to accommodate the needs of the lowest segments of the clientele and ensure that they are able to develop relationships with formal banking institutions;

- facilitating specifically the development of savings collection and working towards increasing the number of usable savings accounts operated by poor people, as a fundamental building block in expanding access to finance;

- developing comprehensive support schemes, seeking to empower socially and financially vulnerable people, and enable them to (re)integrate the conventional banking sector. Microcredit should be a core part of the packages of services proposed to successfully support small businesses and self-employed, as well as low income people seeking to attain financial self-reliance;

- maintaining, and extending further, large distribution networks including in low populated and economically disadvantaged areas, supporting proximity banking as the best approach for a thorough understanding of the clients' specific context and needs, and contributing to local economic and social cohesion;

- taking the opportunities offered by technological innovations to upgrade savings and retail banking activities, enlarge further the outreach, broaden the scope of the services provided and improve their quality, especially for the benefit of the still unbanked people and the most vulnerable parts of the population;

- considering other means of facilitating actual access, specifically the development of alternative delivery channels to optimise the distribution of services, including through branchless banking solutions and alliances with retailers and non bank institutions;

- strengthening their social and community investment activities, as part of their CSR and philanthropy activities, or through their foundations' initiatives to support and complement the financial inclusion efforts developed by the savings banks;

- supporting the financial integration of migrants through the provision of high quality and fair value remittance services, implementing the WSBI International Remittances Capability Agreement (IRCA);

- recognising the importance of financial education, both as a tool to address the access to finance gap and enlarge the level of bancarisation of people, and as a key pillar to enable citizens to make adequate decisions for banking products and services best tailored to their needs and prevent financial, and social, exclusion;

- taking part to collaborative initiatives between private sector market players, public authorities and civil society to define an appropriate level of response to the global demand for more inclusive financial sectors;

- building up further the business case for savings banks, able to enlarge their customer base by offering small scale products and services in a sustainable commercial way.

They call upon stakeholders, policy-makers and regulators to support their global financial inclusion challenge by:

- Removing constraints, especially of a financial nature, impairing access to and usage of basic financial services. This is particularly essential for the mobilisation of savings from the poor, in order to incentivise further the development of small scale accounts;

- approaching regulation as an enabler to building inclusive financial sectors. Regulators should give specific consideration to access to finance aspects when drafting regulation, particularly to the potential unplanned but negative side-effects that regulation could have on financial inclusion, as is for instance the case with anti-money laundering/combat financing terrorism international standards;

- in the particular case of microfinance services, regulation should be:
 - ❖ proportionate to the expected benefits, with the right balance between the risk to mitigate and the implementation costs;
 - ❖ based on the activities, and not the institutions, to guarantee a level playing field between all players involved according to the principle "same business, same risks, same rules";
 - ❖ tailored to the national or regional context.
 - contributing to the development of market responsive banking institutions, and thus enabling them to diversify their activities by removing institutional restrictions to their operations while defining relevant measures to ensure
- the protection of consumers' interests and the soundness of the providers. In particular:
- ❖ any deposit taking institution should be submitted to prudential provisions protecting the savings collected;
 - ❖ legal obstacles preventing lending activities should be eliminated;
 - ❖ access to national payment systems should be given to savings banks, postal savings banks and similar financial institutions, for offering small amount payments;
- through a collaborative process;
- encouraging partnerships between banks and microfinance institutions, and between banks and other retail commercial outlets in order to expand products, services and access points for clients;
 - considering supportive regulatory frameworks to encourage the opportunities that technology solutions, such as branchless banking, bring to expand access to finance;
 - facilitating the involvement of public authorities as partners of local networks supporting financial and social inclusion schemes, including by (co)-funding the programmes directly or through the provision of financial guarantees for the banking/microcredit component.
- developing long term national financial education strategies, as an integrated part of broader policy initiatives on consumer protection and fair market practices. They should involve private and public stakeholders, working



WSBI – The Global Voice of Savings and Retail Banking

WSBI (World Savings Banks Institute) is one of the largest international banking associations and the only global representative of savings and retail banking. Founded in 1924, it represents savings and retail banks and associations thereof in 92 countries of the world (Asia-Pacific, the Americas, Africa and Europe – via ESBG, the European Savings Banks Group). WSBI works closely with international financial institutions and donor agencies and facilitates the provision of access to financial sectors 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 191,000 branches and outlets.

WSBI 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 member banks have reinvested responsibly in their region for many decades and are one distinct benchmark for corporate social responsibility activities throughout the world.



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