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12th WSBI Postal Savings Banks Forum, 3-4 Nov, 2009, Brussels
Global Financial Crisis, Market Development and Evolution of Postal Savings
Banks
Summary of Discussions

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

The theme “*Global financial crisis, market developments and evolution of postal savings banks*” evidenced that although the recent financial crisis has culminated with a general lack of confidence in banking institutions, postal savings banks have emerged in a much better position and played a major role in preserving the public trust.

Under the Chairmanship of Mr. Amine Benjelloun Touimi, Director General of Poste Maroc, discussions confirmed the increasing role of postal savings banks on domestic retail banking markets and highlighted the challenges they have to face in the light of their evolving institutional status and growing exposure to markets’ risks and competition.

1. The impact of the financial crisis and market developments

- Postal financial institutions benefit from a new impetus in the current context and are well-placed to develop further their market positions. The upcoming launch of Al Barid Bank in Morocco and the UK Coalition for a Post Bank, a campaign calling for reviving the UK post office network for financial services, illustrated the relevance of the postal banking model in today’s environment, to fill the financial inclusion gap and deepen the retail banking offer.
- Despite the crisis, the retail banking market is moving on and elements such as banking technology, customer needs, .etc become key fields to differentiate from competition. Therefore, banks should not only focus on dealing with the current crisis, but also look at their future.

2. Regulation and supervision of postal savings banks

- The regulatory and supervisory framework applicable to WSBI postal savings institutions is much diversified as members’ institutional status and relationships with national Posts vary. The trend is to operate autonomously from postal organizations though, and Central banks in most cases already play an important role in the oversight of the activities.





- Separation of post networks and financial services is complex and involves political discussion. It often requires a broader set of changes within the post or postal sector. There is often resistance from central banks and the established banks, as competition from post networks is not always welcome.
- Strong and genuine partnerships with national postal organizations should be defined for the development of efficient and competitive financial services, in a mutually supportive way. Synergies could be found with a view to offer a complete package of quality, diversified and affordable services to customers, while still fulfilling the mandate of providing financial access for all.
- The future of the postal banking network could be seen in the broader context of the development of the agent banking model, with the objective of reaching full financial inclusion. Question remains as to whether a new partnership structure should be formed between agents, post and banks. The post operators retain large networks as their main and last asset and seek diversification and partnership.

3. Challenges and opportunities inherent to the extension of the postal savings banks' activities

- Knowing customer needs is a critical element when introducing a sales culture in postal banking operations. Both risk weighted approach and pricing by competitors should be taken into account and be considered as key factors in developing a competitive sales culture.
- The challenges for postal savings banks' lending business include meeting the capital adequacy requirements, high and ever-increasing competition in the market, capacity building of loan officers, loan applicants' lack of adequate information, understanding the bank's risk profile and skilled staff's movement to competitors.
- Remittances are part of inclusive financial system and can bring investment and support economic development in migrants' countries. Postal banks are instrumental for the remittance's distribution chain and their potential should be further used to develop transparent, secure, simple, cheap and quick solutions to transfer money. To achieve an effective and cheap remittances system, it is recommended that:
 - Increase competition
 - Empower market actors
 - Achieve effective and efficient regulation
 - Adopt new technologies
 - Expand access points to remittances
 - Make more financial services available in rural areas
- In countries with flexible foreign exchange rates, financial institutions which deal with a small number of customer transactions and do not have the capacity or license for trading on foreign exchange markets (where they exist) could use forwards for hedging against the foreign exchange risk.

4. Using technology and innovation to enhance competitiveness of postal savings banks



- Mobile phone banking, SMS banking, internet banking, turning ATMs into multi-functional and self-service machines, developing the use of biometric facilities were identified as the most promising banking technologies. Security is amongst the major hurdles and commonly accepted standards should be developed to prevent the loss of confidence in these advanced technologies.
- In terms of multi-channel approach, some of the main challenges are to synchronise the information collected through the various channels, and to guarantee the quality of services provided by agents. One of the potential risks of using agent banking is reputation risk. However, through training for the agents and staff and having a close monitoring system will reduce the relevant risk.
- Using branches, post offices, agents, self-service points, hand held devices and mobile banking, .etc could enable institutions to substantially reduce the costs of servicing clients in remote areas.

3. Conclusion

In the current context, the postal savings bank's model has been reaffirmed as a key vehicle to grab the public confidence. This is recognition of the importance of pluralistic retail banking markets.

In the process of turning postal financial services as separate legal entities, developing clear relationships between posts and postal financial sectors, utilizing agents as distribution channels and defining policy guidelines to clarify the role and responsibilities of the different actors involved are necessary and important.

With some postal institutions transforming into fully-fledged retail banks, the importance and role of the postal sector in retail banking is rising. Developing a sales culture, incorporating banking technology innovations and utilizing multi-channel distribution will strengthen the market positions of postal savings banks.