

Accuity assists Banco Postal in strengthening trust and security and promoting financial inclusion

Banco Postal, a new bank in Angola, is dedicated to ethical conduct and working on the front line in the fight against social exclusion and poverty. Founded by public and private Angolan shareholders (Correios Angola, ENSA, EGM Capital and C8 Capital) in September 2016, the bank has pursued its mission to promote sustainable job creation and boost the national economy, through financial inclusion and the formalising of commercial activities. Banco Postal's ultimate goal is to strengthen trust and security in Angola's financial sector.

Through its innovative approach to banking in the region, Banco Postal is addressing several critical challenges:



Making banking services available and affordable to the unbanked population, often deprived of the required documentation or without the means to access banking services



Building trust by providing services that are both secure and straightforward



Meeting international compliance standards to build a global reputation and secure correspondent banking relationships

In March 2017 Banco Postal initiated a project to make banking accessible to lower income and unbanked individuals in Angola. The bank launched 'XIKILA Money' – a new service allowing Angolans to use their phone number as a bank account, reducing bureaucracy and giving them confidence that their money is safe. It is accessible via a vast network of branches, kiosks and third-party merchants, and harnesses mobile technology to facilitate transactions.

Whilst launching this project, Banco Postal worked with Accuity to implement a comprehensive and internationally recognised financial crime compliance screening solution – Fircosoft Compliance Link – to screen its customer accounts. In doing so, Banco Postal sought to achieve a compliance system and set of processes which would not only protect the bank and its customers from financial crime risk, but also gain it global credibility with potential correspondent banking partners.

Challenges

The Unbanked Population

Angola has made substantial progress in economic and political terms since the end of the civil war in 2002. However, the country continues to face developmental challenges, including the need to diversify the economy (reducing its dependency on oil), rebuild infrastructure, and improve human development indicators and the living conditions of the population. Large pockets of the population still remain in poverty and without adequate access to basic services.¹

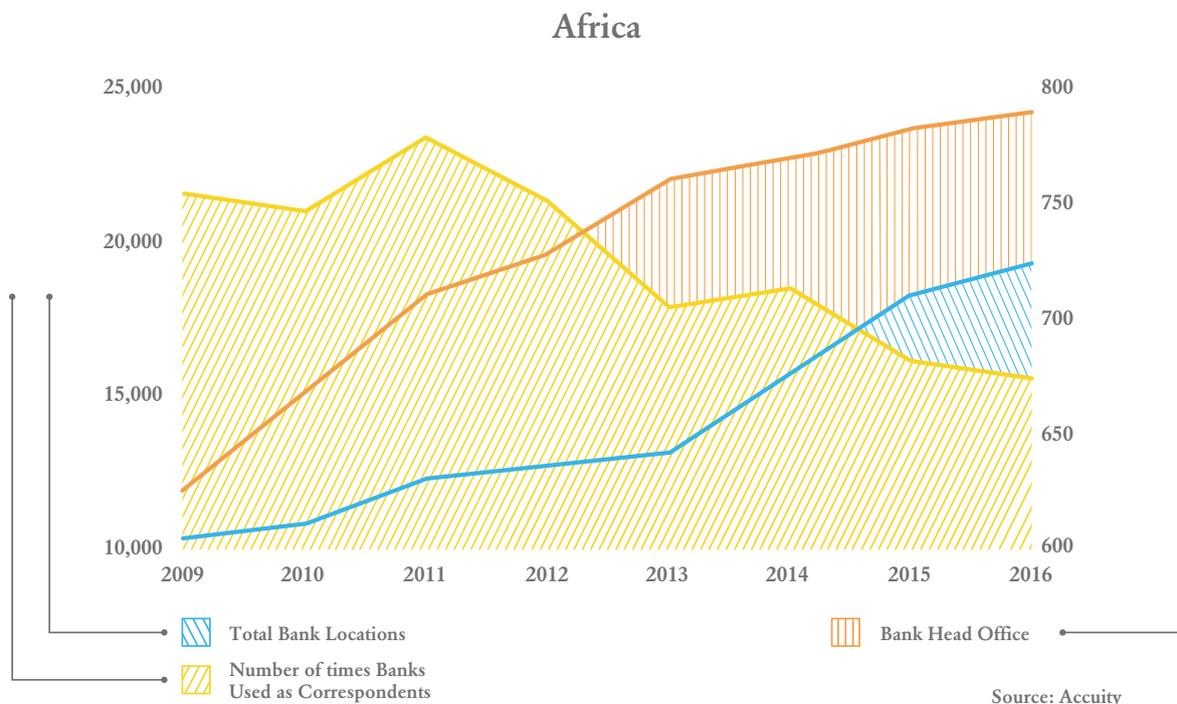
Financial inclusion data provided by the World Bank recorded that in 2014 only 29% of adults (age 15+) in Angola held a bank account, 15% had formal savings and 3% had formal borrowing arrangements. The World Economic Forum has reported that account ownership is three or four times higher among the rich in several Sub Saharan countries, including Angola – suggesting that a significant proportion of the unbanked are from the poorest sections of society.²

Bank accounts are a first point of entry into the formal financial system and without them, people are left to transact in ways that are often unsafe, inefficient, and inconvenient; for example, they turn to lenders who charge extortionate rates or stash their cash savings under mattresses.

Banco Postal wanted to address these challenges and improve the daily lives of the unbanked population by ensuring members of every community have the opportunity to open a bank account that is secure, accessible and which makes their lives easier.

Meeting International Compliance Standards

The risks of doing business in many developing nations have begun to be seen as outweighing the financial benefits brought by correspondent banking activity.



¹ World Bank, <http://www.worldbank.org/en/country/angola/overview>

² World Economic Forum, <https://www.weforum.org/agenda/2016/05/2-billion-people-worldwide-are-unbanked-heres-how-to-change-this>

As a result, US and European banks have reduced their correspondent banking activity in the riskiest regions and Africa has been hit hard by the withdrawal of correspondent banking relationships.³

SWIFT Research points to a 37% drop in foreign counterparties for Angolan banks between 2013 and 2015. Standard Chartered and Bank of America both terminated dollar services linked to Angola in late 2015, while reports from Bloomberg indicate that Deutsche Bank ended its dollar clearing with the country in late 2016.⁴

Therefore, a third major challenge Banco Postal needed to address was that of securing correspondent banking partners to enable it to facilitate international transactions and finance its operations.

To do so, the bank needed to demonstrate its ability to meet international compliance standards and reduce risk by having the right compliance systems, processes and culture in place. Through this approach, Banco Postal could earn the credibility it needs to be trusted as a local correspondent banking partner for large international banks.

Solution

XIKILA Money

In March 2017 Banco Postal initiated an innovative project to make banking accessible to lower income and unbanked individuals in Angola. The bank launched 'XIKILA Money' – an easy-to-use and affordable banking service that offers a balanced mix of physical and digital channels, where mobile plays a critical role in delivering solutions that solve its customers' day-to-day needs.

Banco Postal has set up a wide network of branches and kiosks, located in neighbourhoods and markets within and outside of cities, to ensure proximity to its customers. The bank has also launched 'Paga Aqui' (Pay Here) – a network of merchants where XIKILA Money clients can use their accounts to pay for goods and services, authorising financial transactions using their mobile phone.



³ Accuity, <https://accuity.com/resources/derisking-demise-correspondent-banking-relationships-research-report-accuity/>

⁴ The Banker, <http://www.thebanker.com/World/Africa/Angola/Angola-s-banks-look-to-rise-to-the-challenges>

Mobile Technology

XIKILA Money harnesses mobile technology to enable its customers to easily access their bank accounts. The service offers both a smartphone app and a SMS service, allowing customers to access their account, check their balance, look up their IBAN code, transfer money or pay merchants. This enables Angolan people to send money to friends and relatives, settle utility bills, and pay school fees in a safe and secure way. The service is compatible with any mobile phone and available 24 hours a day, and transactions are processed using a secure pin code.

Biometrics

Banco Postal guarantees that customers' money is always safe, even in situations where a mobile phone or device is lost or stolen, using biometric identification. Each transaction is protected by the use of a pin code or biometric ID and a robust technology platform supplied by TAGPAY, a leading software provider of core banking systems tailored to this type of financial operation.

Although customers are still legally obliged to sign account contracts during on-boarding, biometric identification can be used for updates to existing accounts, for example, when a change of mobile telephone is requested.

Financial Crime Compliance

Whilst planning the launch of XIKILA Money, Banco Postal worked with Accuity to implement a comprehensive financial crime compliance screening solution – Fircosoft Compliance Link – to screen its customer accounts.

Fircosoft Compliance Link connects to Banco Postal's internal client database and screens every account against Accuity's Global WatchList® – including regulatory and sanctions data from more than 45 global regulatory bodies, Politically Exposed Persons (PEP) data containing more than 1.5 million entities and Enhanced Due Diligence data, consisting of adverse media and enforcement information. Any matches found within the bank's system are automatically flagged and passed to the compliance team for investigation – ensuring that Banco Postal is able to take action if it detects any 'high risk' activity.

By implementing this internationally recognised software and data for compliance screening, Banco Postal has ensured it can protect itself and its customers from exposure to unnecessary risk. It also demonstrates that the bank is able to meet global standards of compliance, in line with those of Western banks. This is crucial to the bank's ambition to strike up new business relationships with financial institutions around the world, which will enhance its access to the global financial system and improve the services it is able to offer.



Achievements

- Since launching in March 2017, Banco Postal has opened over 140,000 bank accounts
- All accounts are operated by mobile apps and SMS
- There are presently **160 locations** (branches and kiosks) where people can access XIKILA Money banking services
- There is full coverage across two major regions in Angola: Luanda and Huambo
- Over **2,000 members** have registered on the Paga Aqui merchants' network
- So far, more than **60,000 transactions** have taken place using Paga Aqui
- **All 140,000** customer accounts are screened for financial crime risk, using sophisticated tools and following robust processes



Future Plans

- Banco Postal is continuing to expand the existing network of XIKILA Money branches and kiosks in order to cover all of Angola
- The bank will complement its network of kiosks with a network of third party agents, offering the same products and services
- The bank also has plans to expand the product offering so as to include consumer and personal loans
- Banco Postal now has plans to launch two further business units, 'Comércio & Empresários' (entrepreneurs, micro and small companies) and 'Corporate & Personal'

client success

- ‘ We believe that Banco Postal has the capacity to change the lives of Angolans by empowering them financially, enhancing financial inclusion and enabling sustainable growth. To date, we have made huge strides in providing an innovative service across two major regions, and the results are extremely promising. We look forward to continuing in our mission to expand XIKILA Money nationwide, so that every Angolan has the opportunity to access our banking services. ’

N'Gunu Tiny

Chairman of the Board of Directors of Banco Postal



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