

European alternative banks suggests measures to re-establish financial sector

Copenhagen 4 December 2008 – A group of directors of European alternative banks met in Frankfurt at the invitation of the International Association of Investors in the Social Economy (**INAISE**). The topic of the meeting was the financial turmoil, and none of the participating banks have been hit by the crisis, on the contrary they all experience a substantial growth in new clients. “Across Europe there is a growing awareness of the importance of a sustainable handling of money”, Merkur Bank manager Lars Pehrson says, “and the crisis indeed has underlined this importance. Many citizens therefore ask themselves, what their money is doing while in the bank”

Based on the experience of the alternative banks business model the following points will be important to consider when a new framework for the financial sector has to be shaped:

- 1.) Financial service providers must in future clearly focus on the needs of the real economy and thus concentrate on those services. The yardstick must be a clear reduction of financial instruments and speculation which do not serve the real economy.
- 2.) Alongside the fight against inflation for consumer goods, international monetary stability should also take account of inflation risks with regard to assets. (Example: property bubble in the USA and also Denmark). This inflation on assets has a clear tendency to blow up lending and make the economy addict to infusion of money from loans.
- 3.) It must be clearly incumbent on the community of states to undertake real efforts to close so-called “offshore financial centres” or “tax havens”. It is not acceptable that it is still possible to a wide extend to avoid tax paying and to exploit differences in regulation.
- 4.) The size criteria laid down in national supervisory regulations with regard to the system relevance of institutions should also be transferred to global finance. It must not be possible for financial institutions to be created whose size alone is sufficient in a crisis to cause the system to collapse. The appropriate lessons should be learnt from the example of Iceland and its banks.
- 5.) The rules by which the rating agencies work should aim to remove conflicts of interest. Just like the rated institutions, the rating agencies themselves should be subject to financial supervision.
- 6.) The transparency rules in financial services transactions must satisfy precisely these regulatory framework conditions. The focus must be on the long term interests of consumers and citizens, more than of shareholders. Regulation should not in itself cause excessive administrative burdens for all market participants, which has been the case for many rules implemented in recent years, not least the so called Basel II, without creating a real benefit from a citizen point of view.
- 7.) The design of products must be simple with regard both to the way they work and their contract terms. Transparency is the key both to mastering this crisis and, above all, avoiding future crises.
- 8.) Alongside these proposals, mostly with the regulatory framework in mind, there is a need for a wide-ranging information and education campaign on financial topics. The way in which money is invested, bears interest, is used and shapes our society must be brought to public awareness to a much greater extent.

The meeting in Frankfurt was attended by the following environmentally and socially oriented banks: Banca Etica (Italy), Cultura Bank (Norway), Ecological Building Society (United Kingdom), Ekobanken (Sweden), Freie Gemeinschaftsbank (Switzerland), GLS Bank

(Germany), Triodos Bank (The Netherlands, Spain, Belgium, United Kingdom, Germany) and Merkur Bank (Denmark).

What links these banks is a policy to finance environmentally and socially sustainable enterprises and initiatives and to give sustainable investment possibilities available to the public. In other words: With a focus on real societal needs and not just financial transactions on their own. Furthermore, it is precisely the alternative banks in Europe which have been developing positively for years with significant growth rates. In the meantime these banks between them have a balance sheet volume of far over six billion euros with their more than 1000 staff.

As Lars Pehrson, director of Merkur Bank explained after the meeting, it became clear at the meeting that although developments differed in the European states, it was precisely the European alternative banks which could make a contribution towards a value-oriented development of the financial system. Thus on the basis of their core business of value-oriented, ethical and ecological investment they can now – in a number of aspects – serve as an inspiration source in order to shape the necessary fundamental restructuring of the financial system.

“The European alternative banks see this task as a challenge and we will strengthen our contribution to advancing the new developments. Despite our relative small size we see ourselves as best practice examples of progressive banking,” Lars Pehrson said.

In the months and years to come Lars Pehrson expects an intensified cooperation between the banks in INAISE on these policy issues and in the public debate.

About INAISE:

INAISE is a global network on financial institution with a value based approach to financing and with an aim to give an added value to society through financing. The network regroups full scale social banks as well as local development institutions, micro finance and responsible investment. The members are individual financial institutions as well as regional and continental networks. See more on www.inaise.org