Co-operative Banks promote ethical and social initiatives and foster local development

As it is highlighted in my report "Ethical and Social Dimension of European Financial Institutions", although banking companies operate in a market context, and basically all offer the same services, ranging from the thoroughly standardised to the highly specialist, they are of very different origins that continue to shape them to this day. It is the case for the co-operative and popular banks movement that originate from the ideas of F. Raiffeisen and Schulze-Delitzsch at end of 19th century to respond to the problem of usury and lack of credit in remote areas. We should stress that in many countries, local banks mostly take the form of co-operative banks, which reinvest a significant part of their profits in their local area which is an interesting feature since local economy's growth rate rises significantly in those areas where the local banking system is most developed.

The documented and important role of the cooperative banks and various cooperative movements in promoting ethical/social initiatives and fostering the development of local systems merits particular attention. In spite of the recognition granted by the European treaty, some Member States still do not specifically acknowledge or uphold it. Efforts should be made to secure more systematic and widespread recognition of this type of social governance.

Because the wealth of diversity in the supply of financial services can be compared to diversity in the natural world, protection of biodiversity is now a permanent feature of public awareness. Protecting the biodiversity of suppliers of financial services is also an element in Europe's cultural and social heritage that must not be frittered away; on the contrary it should be sustained, given the enormous social value that it represents.

Mr. Edgardo Iozia is a Member of the European Economic and Social Committee and has been the rapporteur of the report "Ethical and Social Dimension of European Financial Institutions"

For more information, please visit www.eesc.europa.eu and http://mail.uniglobalunion.org

United Nations Secretary-General's Report highlights the contribution of financial cooperatives.

"Cooperatives play an important role in socio-economic development," stated the United Nations' Secretary-General in his report on "Cooperatives in social development" (A/64/132)[1] to the 64th Session of the General Assembly of the United Nations in September 2009. The Secretary-General's report cited, in particular, the important role of financial cooperatives in the development process.

It added that financial cooperatives play a central role in the achievement of an inclusive financial sector that encompasses the poor. The report highlighted the global reach of financial cooperatives in developed and developing countries.

- Financial cooperatives serve an estimated 857 million people, or 13 percent of the world population.
- 4,200 European cooperative banks, under the aegis of the European Association of Cooperative Banks, serve 149 million clients, including small and medium enterprises.
- 49,000 credit unions serve 177 million members in 96 countries, under the umbrella of the World Council of Credit Unions.
- Financial cooperatives are the largest providers of microfinance services to the poor. It is estimated that globally, financial cooperatives reach 78 million clients living below the poverty line of $2 per day.

The Secretary-General's report pointed out the resilience of financial cooperatives during the financial crisis: "The current financial crisis has led to a greater appreciation of the role of alternative financial institutions and the vulnerabilities in relying on a single form of economic/financial enterprise. During the crisis, the cooperative and credit union sector experienced an influx of deposit funds from member-owners seeking a safer place to put their savings. In addition, this sector has been able to continue to lend prudently when other investor-owned banks, with weakened capital, have cut back on lending. Financial cooperatives displayed resilience and actually exhibited growth in savings and in loan volumes."

The report noted that "primary and local financial cooperatives proved to be the most stable part of the cooperative network, while losses have been limited to the apex level in some countries that invested in complex structured products." It mentioned that the failed banks in UK, Northern Rock and Bradford and Bingley, were former building societies that demutualized in 1997 and 2000, respectively, providing further evidence on the inherent strengths and safeguards in mutual societies or cooperatives. The report further highlighted the importance of strong alternative business models and institutional diversity for the resilience of the financial system.

The Secretary-General's report also discussed the importance of financial cooperatives in poverty reduction, an important United Nations concern. It cited the importance of low-cost savings facilities for small or poor depositors as a means to reduce vulnerabilities to income shocks. It also mentioned flexible depositor programmes adapted to local needs, for example, one for urban informal workers which collected small amounts as daily deposits. The report also noted how financial cooperatives are able to provide credit facilities at attractive rates because of their low-cost structure and reasonable profit goals, and flexible credit programs, including loans for weddings and funerals. The report recognized the role of financial cooperatives in providing credit to small and medium enterprises, and in helping to generate employment in local economies. In addition, financial cooperatives facilitated foreign remittances by migrant workers to their home countries.

The Secretary- General's report also laid the groundwork for the subsequent adoption of General Assembly resolution 64/136 in which the United Nations declares the year 2012 as **International Year of Cooperatives** (IYC) and invites stakeholders throughout the world to participate in the IYC observance and make it a success.

1 The complete text of the SG Report is avalable on www.un.org

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Co-operative banks contribute significantly to the diversity of the banking industry in Europe

The diversity is a fundamental asset for the European banking sector. The importance of the diversity is even more critical today in the context of the financial crisis that we face since 2008. The European Parliament supports this necessary dimension to foster stability within the financial system. Different financial actors will follow different objectives according to their respective business model and this will contribute to balance the banking sector in particular. We need a pluralistic structure of the European banking market and this need is more than ever obvious today. In the interest of both European firms and European consumers, only the co-existence of different structures and sizes guarantees efficient and competitive financial actors.

For instance, the co-operative banks are strongly committed to the funding of SMEs and provide financial services across all the regions of Europe. By doing so, they contribute to the economical development of the very diverse European regions and they are necessary actors to provide a fair access to credit for many local actors. Co-operative banks are structured with strong local networks which cover most of the European territory. They are more present in areas where access to funding and to financial services is more difficult. Since most of their activity is run at the local level, their widespread local agencies allow retails activities for local communities which couldn't be served otherwise.

Europe needs an accountable and solid set of banks, well capitalized and well connected to the regions, to the economic tissue and to the real economy. This is the way to ensure a balanced and diverse banking sector and macroeconomic stability. In this respect co-operative banks have a fundamental role to play.

It is our responsibility as legislators to make sure that diversity of financial actors is protected and the European Parliament intends to ensure this diversity by implementing with scrutiny next measures regarding legislation on financial supervision and regulation.

Mr. Giovanni Pittella is an Italian politician, Member of the European Parliament since 1999 and Vice President of the European Parliament since 2009. He seats in the Committee on the Internal Market and Consumer Protection and in the Committee on Economic and Monetary Affairs. He is a member of the Socialists and Democrats (S&D) Parliamentary Group.

For more information, please visit www.europarl.europa.eu/members

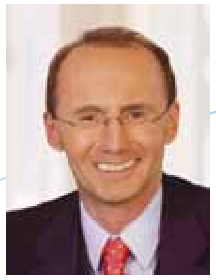
Co-operative banks: Drivers for Growth

One of the main differences between the American and the European banking sector is the totally different business structure. The American banking structure with 2/3 investment banks within the banking sector compared to 2/3 of retail banks in Europe, make it essential to find European ways within the global framework. Due to this fundamental difference, the European sector was much better able to cope with the crisis than the Americans. Co-operative banks with about 20% of market share are an important player in the European financial system and delivered their performance as well in crisis times. In particular, during the current financial and economic crisis, cooperative banks and their decentralized systems have significantly contributed to the stabilization of the markets.

Within this different banking structure, the co-operative banks play a crucial role and pointed out in the current crisis that their model is crisis-resistant. Especially in times of crisis, co-operative banks can play with their competitive advantages compared to centralised investment banks and they are able to contribute to the competitiveness and stability of the European banking industry. Their sound capitalization together with the low-risk profile and the internal solidarity mechanisms are competition advantages. Co-operative banks are much closer to the customer and are able to meet their special needs. They provide financial services adapted to certain categories of customers, such as SMEs and farmers.

As a coordinator of the EPP in the special committee on the financial-, economic- and social crisis in the European Parliament I have to find solutions against the crisis every day. One of the main reasons for the current crisis was the overwhelming risk taking of certain bankers without approving the real circumstances behind borrowers, as the mortgage crisis in the US has shown us. With the model of the co-operative banks, with members as owners, this moral hazard is much less reasonable. Furthermore the internal solidarity mechanisms are the guarantee that not tax payers have to pay in case of bankruptcy.

As Rapporteur of the CRD IV, the Basel III implementation in European Law, I will try to point out the importance of this sector in the European banking system. Co-operative banks are the guarantee for access to finance as well for SMEs and rural consumers and in this function a driver for growth. The new Basel requirements have to take into account the decentralised system in Europe and its characteristics and they have to assure an adequate consideration. I acknowledge and appreciate the contributions of cooperative banks to the population and the economy of Europe's regions - as the decentralised banking sector is important for Europe´s banking stability.



Mr. Othmar Karas is an Austrian politician and Member of the European Parliament since 1999. He is a member of the Austrian People's Party, vice-chair of the EPP-ED group, and sits on the European Parliament's Committee on Economic and Monetary Affairs and Special Committee on the Financial, Economic and Social Crisis. He was the rapporteur of the ECON Committee for the CRD IV.

For more information, please visit www.europarl.europa.eu/members

Cooperative banks: an important partner for SMEs in Europe

Ever since their creation, cooperative banks have been a reliable and trustworthy partner and the main credit provider for crafts, small and medium-sized enterprises in Europe. Designed precisely to serve private households, local farmers and local entrepreneurs, cooperative banks filled the funding gap left by larger commercial banks, which had a tendency to cater to bigger projects and wealthier borrowers. In a way, meeting the economic and social needs of local communities was the raison d'être for the foundation of cooperative banks. The same is true, to a very large extent, for crafts and SMEs.

Past history and especially the last decades have proven that cooperative banks are deeply committed to the local economy and better placed to serve small business owners, due to their ownership structure and decentralised organisation. This has been particularly true during the implementation of the "Basel II" rules, when cooperative banks reconfirmed their role of dependable business partner for SMEs.

In the recent financial crisis, cooperative banks have played a crucial role in helping SMEs to weather the storm. Small businesses in countries with a strong, decentralised banking sector reported fewer difficulties in accessing finance compared to countries where the banking sector is dominated by larger entities. In the second case, public authorities and consequently taxpayers had to step in heavily to avoid financial chaos and keep the financing taps open.

The crisis has shown that cooperative banks are better equipped to tackle liquidity shortages, since their reserves are mainly based on savings accounts. Moreover, they tend to have a superior knowledge of the SME world: their closer and more personal relationship with their clients makes them willing to take risks that larger structures usually tend to pass up.

Without cooperative banks, many small businesses would simply not exist. This is why UEAPME, the employers' organisation representing and defending the interests of more than 12 million crafts and SMEs in Europe, is committed to working with cooperative banks to ensure that their fundamental role in the EU economy is fully recognised and preserved. We look forward to continuing our fruitful collaboration with the EACB to this end. You can always count on our political support in defending the spirit of cooperative banking at European level.

Mr. Andrea Benassi is Secretary General of UEAPME, the European craft and SME employers' organisation. UEAPME incorporates 82 member organisations from 34 countries and represents more than 12 million enterprises, which employ around 55 million people across Europe.

For more information, please visit www.ueapme.com.

Cooperative Banks and the Benefits of Diversity

In their long history dating back to the nineteenth century, cooperative banks have long been an integral, successful, and well-established part of the financial system in many European countries. Cooperative banks have evolved from their origins in the second half of the 19th century, and many have evolved into full-service Universal banks.

Although its rationale is different from when cooperative banks were first established as a response to various forms of market failure, the cooperative bank model remains a strong, successful, and viable business and governance model. There are economic, systemic and welfare benefits to be derived from a successful cooperative sector in the banking systems in Europe.

Leaving aside the merits of any particular business model, there are powerful systemic benefits to be derived from diversity of business models and ownership structures in the banking sector:

- A strong cooperative bank sector is likely to enhance competition.
- Because cooperative banks are not owned by large investment institutions, they are not subject to the short-termist pressure of the capital market.
- There is a benefit to be derived from a mixed ownership structure in the financial system.
- Many cooperative banks are locally based and have a particular focus and expertise on the local community. This reduces powerful centrifugal tendencies in the financial system. Cooperative banks play a special role in fostering local and regional development.
- By virtue of their ownership and capital structure, cooperative banks are designed to perpetually accumulate capital which contributes to mitigating inter-temporal risk by creating reserves in good times and releasing them in bad.
- There is a potential systemic advantage in having a mix of institutions with different portfolio structures with the potential to reduce overall systemic risk. A pluralistic approach to ownership is likely to be conducive to greater financial stability and regional growth.

Having a financial system populated by a diversity of organisational forms is as significant as the merits and drawbacks of each particular form of organisation. The case for sustaining a powerful cooperative sector in the financial system is wider than any alleged intrinsic merits of the cooperative model.

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