



*European Association of Co-operative Banks
Groupement Européen des Banques Coopératives
Europäische Vereinigung der Genossenschaftsbanken*



EACB comments on Commission's Communication on Social Business Initiative-25th October 2011

The **European Association of Co-operative Banks** (EACB) is the voice of the cooperative banks in Europe. It represents, promotes and defends the common interests of its 28 member institutions and of co-operative banks in general. Co-operative banks form decentralised networks which are subject to banking as well as co-operative legislation. Democracy, transparency and proximity are the three key characteristics of the cooperative banks' business model. With 4.000 locally operating banks and 65.000 outlets co-operative banks are widely represented throughout the enlarged European Union, playing a major role in the financial and economic system. They have a long tradition in serving 176 million customers, mainly consumers, retailers and communities. The cooperative banks in Europe represent 50 million members and 750.000 employees and have a total average market share of about 20%. For further details, please visit www.eurocoopbanks.coop



General Comments

The members of the European Association of Co-operative Banks (EACB) are pleased to briefly comment on the Commission's Communication on Social Business Initiative published on the 25th of October 2011 and finalised on the 18th of November during the High-level Conference on Social Business held in Brussels by the European Commission.

First and foremost, the co-operative banks would like to express their appreciation of this new initiative of the European Commission for such an important sector that does not always receive the necessary attention. The EACB and its members welcome positively the fact that co-operatives and by extension co-operative banks have been mentioned all along in the debate of social business.

Nevertheless the EACB members would like to point out that the definition of social enterprises¹ set out by the Commission seems insufficiently developed and risks to be confusing. The EACB warns that this might lead to unintended consequences in this field. Moreover, it is important to underline that the co-operative (banking) formula has its own distinctive characteristics and objectives, and it should not be assimilated "*tel quel*" with the concept of social enterprise. As a reminder, co-operative banks offer the opportunity to become member/owner of their banks, and thus allow their clients/members to be fully involved in the governance, strategy, and risk management processes of their local banks. They co-operate together to the decision making and in this way the value creation for the members and clients is at the core of the business as opposed to the profit maximisation. This economic and social democracy is the pillar of the co-operative banking sector in Europe. In other words, co-operative banks main aim is to promote and defend their members' interest. This main aim has, as a consequence, a social impact on the society at large.

In sum, co-operatives and co-operative banks have sustainable and long term approach to profitability, however this is rather a consequence of their primary goal that is promoting members value and welfare, also in accordance with the European Co-operative Statute. From this perspective, the EACB members invite the Commission to refer to the existing European Co-operatives Statute² to avoid any misinterpretation on their very own definition. Against this backdrop, the EACB and its members invite the Commission to take inspiration from what emerged during the 18th November conference that "It is not necessary to

¹ "A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involve employees, consumers and stakeholders affected by its commercial activities", COM(2011) 682 Final, 25th October 2011, p2

² http://europa.eu/legislation_summaries/employment_and_social_policy/social_dialogue/126018_en.htm



reinvent the wheel³". The EACB members encourage the Commission to clarify the definitions of social business, social economy, and statutes of entrepreneurship.

To conclude, co-operative banks have a strong ethical, social and environmental impact and tradition in development of sustainable and responsible services, products, as well as relations with clients and local communities. As "financing partners" of NGO's, local non-profit association and social enterprises, they appreciate the new initiative of the Commission in improving access to finance for this sector.

Contact

The EACB trusts that its comments will be taken into consideration. Should there be any need for further information any questions on this paper, please contact:

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³ MEP Mr. Tarabella