

EUROPEAN FEDERATION OF ETHICAL AND ALTERNATIVE BANKS AND FINANCIERS

International non-profit-making association

CHARTER

Approved by the Annual General Meeting of 16 June 2015

Since 1930 the banking business, which originally had a social involvement (pawn broking, Savings Banks, Cooperative or Mutual Banks, etc.) has been losing its original ethical features. This has made necessary the birth (through a bottom-up process) of a new generation of social banks, the so-called “ethical banks”. These have the objective of achieving a positive impact on the collection and use of money. They invest in new activities such as organic farming, renewable energies, the *Third sector* (or *nonprofit sector*), Fair Trade. They respond more and more to the needs of those who are excluded from the banking system, and to the needs of savers and investors who are increasingly interested in the way their savings are used.

Thanks to ethical banks, the “*banking institution*” returns to a path stopped at the beginning of the twentieth century, and it becomes again an instrument of development for the territory and for new social and environmental initiatives. This path goes in the opposite direction respect to the one chosen by commercial banks, which are increasingly oriented to use the financial leverage to accumulate increasing profits, contributing to the *financialization* of the economy and creating the conditions for a series of financial crises that continue even today to impact the lives of millions of citizens.

The ambitious aim of this CHARTER is to give a definition of « Ethical Bank » that does not consider only minimalist criteria, or negative ones (meaning the mere definition of what an ethical bank does not do, or the characteristics that it shouldn't have). On the contrary, we propose positive and concrete criteria, that can describe the specificities and define the fundamental values of a banking institution willing to define itself as « ethical ». The criteria are here defined according to the experiences and characteristics of ethical banks members of FEBEA (European Federation of Ethical and Alternative Banks and Financiers). Even if these banks have different characteristics (sizes, management, etc..), we have looked for a common definition, in order to avoid the imprecision, confusion, and inaccuracy that often arise when discussing of «ethical bank» and «ethical finance». Indeed, in the following scheme we use the term «bank», but the same criteria apply also to every type of «ethical» financial institution.

We know that purely commercial banks and ethical banks can be considered as the two extremes of the spectrum resulting from the criteria listed below, and in the between there might be several actors partially meeting the criteria. FEBEA's main objective is “to develop ethical and solidarity-based finance”, therefore we support all those entities seriously interested and committed to improving their performance in the criteria, aiming at becoming step by step an ethical bank.

Distinctive elements of an ethical banks	
A. ROLE OF AN ETHICAL BANK	<ul style="list-style-type: none"> - The role of an ethical bank is to work for the common good and ensure the right to receive credit through a banking activity consisting in raising funds and reallocating them in the form of credits for cultural, social and environmental projects. Through their activity, ethical banks promote social inclusion, sustainable development, development of social economy and social entrepreneurship. Ethical banks also have a role to raise public awareness on the role of money and the failure of the economy based on short-term and profit as the only objective.
B. ORIGIN OF MONEY	<ul style="list-style-type: none"> - The deposits and the equity of an ethical bank come from savings of its customers, which are created through activities in the real economy. An ethical bank does not accept "dirty" money, that is money that comes from illegal activities, from criminal groups or mafia, armament industry, highly polluting industries, or undeclared money.
C. DESTINATION OF MONEY	<ul style="list-style-type: none"> - The purpose of an ethical bank's credit activity is to have at the same time a positive impact at a social, environmental and economical level. For this reason an ethical bank addresses the collected money to socio-economic activities aimed at social, environmental and cultural profit. This objective is achieved through the support – in particular through <i>non-profit</i> organizations – to activities for human, social and economic promotion, also dedicated to the weaker sections of the population and to the most deprived areas, fostering social integration and employment. - In an ethical bank the relationship with customers takes often the form of partnership. - For an ethical bank the values of the social and environmental impacts are essential and inseparable from the value of the economic impact. In an ethical bank therefore the economic assessment of projects is accompanied by social and environmental assessment based on a detailed list of criteria. In an ethical bank at least 90% of the funding distributed to companies / institutions / organizations meets both economic and socio-environmental criteria. - An ethical bank systematically evaluates the social and environmental impact of its activities and of projects or institutions it finances. - The thorough assessment of multiple aspects of each funded project enables ethical banks to have a very low risk level. - An ethical bank never finances any project or activity developed in "controversial" sectors (tobacco, gambling, GMOs, weapons, nuclear energy, pornographic productions or productions that exploit violence, exploitation of animals, collaboration with oppressive governments, human rights violations, etc..). - An ethical bank pays special attention to the support of initiatives

	<p>for self-employment and / or entrepreneurship of women and youth, often through microcredit and microfinance.</p> <ul style="list-style-type: none"> - An ethical bank endorses all these values both to support its local/national territory, and to operate abroad under the principle of international solidarity.
<p>D. CRITERIA AND VALUES FOR THE USE OF MONEY</p>	<ul style="list-style-type: none"> - The investments of an ethical bank are managed transparently (some ethical banks give customers the opportunity to decide upon the assignment of part of their savings). - The bank's business model is steered predominantly by traditional banking activities (collecting savings and granting of loans) and the majority of the money levied must be used for credit activities. - The amount of a loan distributed by an ethical bank can be maximum 15% of its own funds. - In order to grant a loan an ethical bank does not consider only collaterals/real guarantees, but it also values personal or social guarantees provided by the local networks where the funding is allocated. - An ethical bank does not set up subsidiaries with financial or fiscal goals in countries with a high level of financial discretion. On the contrary the presence of an ethical bank in these countries is fundamental to the dissemination and support of transparent financial practices and processes. An ethical bank does not accept undeclared money and it does not help customers reduce their taxes resorting to tax havens. - An ethical bank does not speculate (for clients or for itself) in short term operations, but it supports the “long term” approach and the real economy. Furthermore it does not use derivatives and trading activities for credit purposes, but its profit comes mainly from interests charged on the loans. - An ethical bank can be committed to apply autonomously a financial transaction tax on financial products provided to its customers.
<p>E. CONDITIONS FOR BANK MANAGEMENT</p>	<ul style="list-style-type: none"> - An ethical bank puts credit at the service of people and the exclusive research for profit is not its main objective. - A fair profit is necessary to ensure the economic viability and sustainability of the bank. An ethical bank may set a limit to the remuneration of its equity. The profits of an ethical bank are mostly reinvested in the social objectives of the bank itself. - An ethical bank is deeply rooted in the territory in which it operates, and in its socio-economic networks. This allows the bank to have full knowledge of its clients and their funded projects. - An ethical bank is always established in a form that allows for a broad participation from its employees and shareholders or members. An ethical bank assures this core value of participation through well codified procedures and statutory instruments that enable members and employees (or their delegates) to influence directly the management strategies of the bank.

	<ul style="list-style-type: none">- Beyond the value of participation, transparency is a fundamental value for an ethical bank: transparency in the origin and in the use of money, in credit and business management. Transparency must be ensured specially towards customers.- An ethical bank works in a sustainable development perspective, and to do so it may take as reference the principles of Corporate Social Responsibility (CSR).- An ethical bank has a maximum ratio between the highest and lowest wage (salary + bonuses) in the company of 7 to 1, and it ensures transparency in the management of wages: an ethical bank annually publishes the salaries of its employees.- A bank that wants to be defined ethical must meet the criteria listed above, and it cannot have a modern banking corporation shareholder exercising the control over the ethical bank.
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