ALTRUISTIC FINANCE

IN FRANCE AND EUROPE

Governments are battered; subsidies will continue to decline. It is increasingly necessary for every fundraiser to diversify his resources. The contribution of banking and financial products can be a solution. Let's take a quick lap around the gamut of possibilities to tame and to reinvent.

Associations and Finance tend to eye each other at a distance. Associations see finance at best as a necessary evil, at worst as a capitalist demon to avoid. Behind the institutions and clichés, there lie the clients they receive who should be listened to more carefully ! During this era of dwindling budgets and shrinking subsidies, it is time to invent a new model that not only responds to the expectations of money savers, but also increases their resources.

Financial world in great upheaval

The end of "casino financing" is in the works. The financial sector will have to return to its original mission of financing true needs. It could render itself useful by associating with each of its functions an act of solidarity or sharing.

Definition

Many names are used freely : SRI (Socially Responsible Investment), ethical, sharing, solidarity ... Solidarity, the most common in France, is a generic term. It encompasses two separate realities : sharing products and investment products in social enterprises.
The french label Finansol is given to certain financial products based on criteria of transparency and solidarity (at least 25% of the revenue or performance is paid by the money saver in the form of a donation). By virtue of wide media coverage, Finansol's labelled products obtain good visibility. However due to its criteriology, half of what is offered in France is neglected.
Though its future looks bright, the market for solidarity investment is still just emerging (1.5 billion euros). Traditional management for third parties weighs 2500 billion euros.

Finance known as "sharing" can be tied to : revenue, capital gains (of the money saver) or commercial margin (of a promoting or managing financial establishment). In launching into the discovery of the diversity of products in Europe which we class as "altruistic financing", we left none of the above mechanisms out of the picture.

An already dated tendency

It is not a new concept to envision sharing finances. Certain religions codified it with the dime or the zakhat. Today, society has institutionalized this sharing in the form of taxation systems.
In Europe, the history of financing in the late 20th century has its watersheds :

- 1974, Germany introduces the first sharing savings accounts
- Early 80s : Netherlands, France, Belgium, Great Britain follow suit
- Mid 90s : Sweden, Switzerland, Italy, Spain follow suit

In 1974, a foundation in Germany was unable to obtain financing for its projects, so it decided to create its own bank and to propose its own sharing products with supporters of their cause. In France the first sharing funds emerged in 1983 with religious congregations aided by Crédit Cooperatif who proposed technical tools to work with. This was a very favourable time when the interest rates were over 13%, certainly enough to preserve a client's buying power and generously endow the beneficiary, in this case the CCFD (Catholic Committee against Famine and for Development).

An unprecedented tour of Europe

Altruistic financial products

Categories	Number	Assets	Donations
Cards	156	€ 2 Bn in transactions	€ 11 M
Savings books and accounts	146	€ 870 M	€ 5 M
Mutual funds	110	€ 8,4 Bn	€ 68 M
Life insurance contracts	18	€ 76 M	€150 000
Total	**430**	**≈ € 10 Bn**	**≈ € 85 M**

A market brought to light through our research

After six months of research to present the first panorama of altruistic financing in Europe, we have identified nearly 500 such products.

The 110 funds, 156 bank cards, 146 savings accounts, life-insurances and pension funds inventoried, already amount to 10 billion euros of raised capital, taking into account outstanding capital from savings formulas (8 billion) and bank card transactions (2 billion). Yet the total for donations generated in Europe in 2010 amounts to 85 million euros.

France is the country that proposes the most sharing solutions with 126 commercialized products. It is just ahead of the United Kingdom (96) and Spain (56). The United Kingdom tops all with – The Children's Investment Fund (TCI) – a gigantic hedge fund that weighs over 5 billion euros, and alone donates more than any other entity in Europe. Following this model comes France, Sweden, Spain and Switzerland. In terms of donations collected per capita, Sweden is by far the most generous.

While Sweden and Switzerland generate donations principally through the intermediary of sharing mutual funds (approximately 90%), France has the most diversified sources : 30% through accounts, 20% through bank cards and 50% through sharing funds. As for the United Kingdom (not counting TCI) nearly all of the donations are derived from credit cards.

Bank Sharing cards

The idea of sharing bank cards began in the United Kingdom in 1989. It is the most rapidly developed of all solidarity products because its major advantages : simple sharing mechanisms, a product already engaged in by everyone… Donations may be initiated by the bank or – in a few cases - by the client in accordance with a voluminous amount of regulation (donation with each payment/ withdrawal, percentage of purchases…). Axylia Conseil inventoried 156 shared cards in 16 countries of Europe (45 in France). Wherein donations are concerned (11 million euros total in 2010), the podium is dominated by : the United Kingdom, France, Spain. A card, being the only product based more on consumption than on savings, holds the greatest potential for sharing.

The success of the Crédit Agricole member's card should allow French cards to increase the European total by a large margin within two years. Between its need to raise equity and will to re-evaluate the status of the member, a model is in the making for others to follow. This highly democratic card forms a sort of "airlock" for savings accounts and funds…. Inscribed in the growing popularity of both micro-donations and personalisation, the bank card seems to be our winning ticket for altruistic finance by 2020.

Savings accounts and shared accounts

Conceived in Germany in 1974, the sharing savings account remains the pioneer of altruistic finances. Savings accounts are popular and they are also simple which make them more amenable to sharing (up to 100% of the interests are turned into donations) and to a solidarity economy through the re-employment of deposits. Axylia Conseil inventoried 146 savings accounts (for 5 million euros of donations in 2010) in 11 countries of Europe (26 accounts in France). With regard to the number of products, the market has been dominated by the United Kingdom and France, and as far as amounts are concerned, the Netherlands as well.

The recent push for alternative banks points to opportunities, since many have announced a growth in activity in double figures while large banks are receding: the rate of savings or shared accounts vacillates between 5 and 25 %. But the democratisation process should be done through large commercial banks that are having a more difficult time setting the pace. The Société Générale devised a system of solidarity that opens the door to overall change.

The advantages of these options are that they do not weigh on the range of products, are easily accepted by the clients, and facilitate the work of financial advisors. A proactive policy devised around these simple tools so appreciated by money savers pays off. Starting from scratch in 2009, the MAIF -a mutual insurance company- collected 11 million euros and opened 3200 "Épargne Autrement" ("Save Differently") accounts within 18 months.

Sharing mutual funds

Also conceived in Germany but in 1976, the sharing mutual fund benefited from a favourable economic context from the start. Reserved for established clients, it was based on donating a portion of a subscriber's revenue to an association. However, when interest rates were lowered this model became inoperable.

Since then sharing was increasingly done by the financial operator by means of his management fees. Axylia Conseil identified 110 sharing funds in 12 countries (43 in France, that largely dominate the market in terms of numbers). The most generous countries are the United Kingdom (thanks to the giant TCI), Sweden and France **…**

… for a total in Europe of 68 million euros of donations in 2010 (17 million not counting TCI).
To avoid extinction, sharing funds should aim to reach a certain level security and all the while seek out new classes of assets (corporate bonds, emerging countries, equity securities of companies that are not listed on a public exchange…) in order to extract themselves from the alliance of “money market fund/ bond fund” that offer nothing to share. Managers will have to invent either a marketing campaign capable of enticing subscribers as well as benefiting associations into a new risk/reward profile, or their own philanthropic structures that have every chance of flourishing.

Sharing life insurance contracts

Although life insurance has been a leading financial product in Europe, its version of “sharing” only came to light in France in 1996 and remains the neglected infant of financial altruism : barely 18 products identified in 4 countries, for a total of 76 million euros of outstanding capital of the 6200 billion invested as a whole in life insurances in Europe ! France takes the lead with 10 products for 116,000 euros of donations in 2010 (150,000 euros total given in Europe).
More initiatives with regard to sharing need to be undertaken. In view of the amounts involved, the potential is gigantic. Small actors are creative, for example Jiminy Conseil (France), an independent financial adviser, requested from each of the participants in its contract (subscriber, insurer, firm) that 0.1 % of all deposits go to associations for the benefit of the disabled.

[profit for Non Profit]
AWARDS 2012

Another still unexplored area is sharing the yield, though often superior to savings accounts – or the integration of sharing funds in life insurance contracts. There is also the option of bequests. This means that a sum saved up is turned into a pension or capital bequeathed at death to an association designated as beneficiary. This is the most promising of products because it does not oblige insurers to change the balance of their financial margins.
This last formula for sharing, more and more promoted by associations and foundations, is only in its early stages of development. It’s up to them to spur the subscribers’ trust.

Winners of the [profit for Non Profit] Awards

The process is gaining ground all over Europe. Financial institutions are construing partnerships with associations and foundations, and are getting positive results.

Since 2009, the [profit for Non Profit] Awards imagined by Axylia Conseil discerned the following European laureats : Swedbank and WWF (Sweden), Crédit Coopératif (France), Crédit Agricole Mutuel Pyrénées Gascogne (France), Fondation Guilé (Switzerland), Financière de l’Echiquier (France), Triodos Bank Group (Netherlands, Belgium, Spain, Germany), Société Générale (France).

Globally speaking, we are convinced that 80% of sharing financial products imagined in the next five years do not yet exist.

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