

BANCA ÉTICA LATINOAMERICANA CASE STUDY

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BANCA ÉTICA CASE STUDY

Banca Ética Latinoamericana is a pioneer in the financial sector. It is known for its innovative approach to operations and decision-making, which are guided by a clear purpose, promoting human well-being, social cohesion, and environmental regeneration. This approach is ensured and protected in the long term by the organization's steward-ownership structure.

KEY FACTS

Location: Santiago de Chile

Founded: 2016

Mobilized Capital: 101 Mío. \$

In Steward-ownership since: 2016

EXECUTIVE SUMMARY

Banca Ética Latinoamericana, founded in 2016, pioneers ethical banking in Latin America. With a commitment to promoting well-being, social cohesion, and environmental regeneration, the bank operates through crowdlending in multiple countries. Its purpose-driven approach emphasizes transparency and directs investments towards the real economy.

Adopting a steward-ownership structure, it consists of the Dinero y Conciencia Foundation, a Parent Company overseeing operations, and a Public Investment Fund. Steward-ownership principles, ensuring self-determination and purpose-orientation, safeguard the bank's independence and purpose in the long-term. Despite challenges, the bank raised \$13.6 million from global investors by January 2024. Its innovative model sets a precedent for ethical banking and long-term sustainability in the financial sector.



Photo: Banca Ética

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HOW BANCA ÉTICA LATINO-AMERICANA WAS BORN

We live in a world where our values influence our daily decisions, from our consumption choices to how we educate our children or the selection of friendships. However, it's often the case that our investments, entrusted to financial entities, do not necessarily reflect the same values. This often leads to our money being used in ways we would not consciously support under any circumstances.

The crucial question, "Whom does my money serve?" has become increasingly relevant in today's society. However, we often overlook a fundamental fact: banks and financial institutions do not manage their own money but rather administer ours. There is an obligation and responsibility, both for us and these institutions, to understand what is done with our money, what world it is contributing to, and its impact on people and the environment.

The movement of so-called ethical banks had its beginnings in the 1970s when a group of environmentally conscious citizens concerned about the Vietnam War discovered that their money was funding conflicts that they vehemently opposed.

From this starting point, a set of banks, currently grouped under the Global Alliance for Banking on Values (GABV), emerged. They responded to this need with a simple premise: defining which sectors of the economy deserved financing and which did not. They understood that the direction money takes shapes the society we build and they advocated for transparency, providing detailed information on the destination of every peso managed by the bank. These two simple measures brought about a radical change in how we understand and manage our money. In other words, the crucial question is: Do we allow a bank to channel our money towards sectors or companies that harm people, our society, and the environment?

It is in this context that Banca Ética Latinoamericana emerged in 2016, with the firm intention of addressing these concerns. Joan Melé, an experienced

Spanish banker with over 40 years in the financial sector, including 30 years in traditional banking and 10 in the European ethical bank Triodos Bank, decided to bring this initiative to Latin America. This region, on its path to development, intersects with a constant increase in social disparities and a concerning decline in biodiversity. After numerous talks and various activities throughout the region, the Ethical Banking movement arose, currently promoted through the Fundación Dinero y Conciencia (Money and Conscience Foundation), presided over by Melé.

In 2017, it began its crowdlending activities through the Doble Impacto platform, currently active in Chile (Pacífico Sur), Brazil (Atlántico), Argentina, and Uruguay (Río de la Plata), with plans to open two new offices in Mexico (Mesoamérica) and Colombia (Eje Andino).

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If we think about economic life, the financial system cannot be excluded. Let's think of the bank as the heart of the economy, a healthy heart whose function is to circulate blood, which is money, to those parts of the organism where financing is needed.

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– Joan Melé, founder of Banca Ética Latinoamericana

Case Study

THE PURPOSE OF BANCA ÉTICA LATINOAMERICANA

The essence of Banca Ética Latinoamericana lies in its commitment to the real world, where investment is directed towards the real economy. For investors, the certainty of knowing exactly where their money is going is crucial. In this space, financial speculation has no place; it is about supporting initiatives that promote human well-being, social cohesion, inclusion, and environmental regeneration.

Although economic return remains a key motivation, it is not the only one. Those who choose to channel their funds towards projects evaluated by this bank seek to generate positive changes and extend the value of their money beyond purely monetary aspects.

A connection is forged between conscientious investors eager to contribute to the sustainable development of the planet and organizations whose services and products have a similar impact. Banca Ética Latinoamericana focuses its efforts on three fundamental areas: education and culture, social development and inclusion, and nature and the environment.

The institution is guided by explicit investment criteria, and transparency is absolute regarding the destination of resources. Investors receive detailed periodic reports highlighting the tangible impact their investments have on reality.

In May 2023, Banca Ética Latinoamericana presented its [Impact Report](#) for the period 2016-2022, sharing the results and cumulative impact during this period.

HOW BANCA ÉTICA LATINOAMERICANA ENSURES ITS PURPOSE IN THE LONG TERM

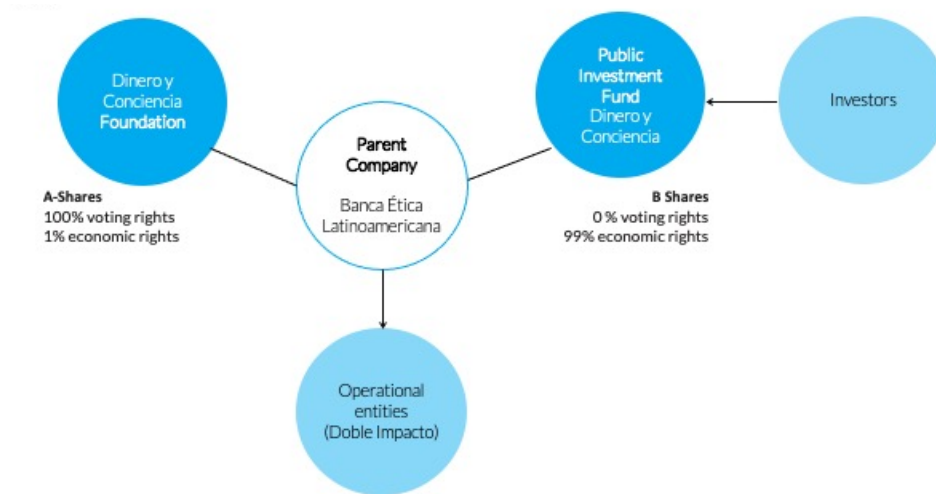
To ensure a binding commitment to its long-term purpose, Banca Ética Latinoamericana adopts an innovative ownership and governance structure inspired by the model of Triodos Bank, known as „steward-ownership."

The institution is organized into three key entities:

- **Dinero y Conciencia Foundation:** Established as a non-profit foundation in Chile, this organization provides a base to Banca Ética Latinoamericana and safeguards its fundamental purpose. Additionally, it ensures the effective management of the bank's financial objectives and the remuneration of investors.
- **Parent Company:** Responsible for achieving the goals of the financial entity, developing the strategy, and overseeing its operations. It controls the offices of Doble Impacto in Chile (Pacífico Sur), Brazil (Atlántico), Argentina, and Uruguay (Río de la Plata).
- **Dinero y Conciencia Public Investment Fund:** This fund, through a public offering instrument launched in January 2024, receives resources from investors to capitalize the initiative and provide them with economic benefits, as they seek legitimate returns on their investment.

The clear separation between decision-making and financial incentives is the foundation of the principles of steward-ownership in Banca Ética Latinoamericana. These principles manifest as shown on the page.

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Source: Own Illustration

Self-Determination: Control, expressed in the majority of voting rights, remains in the hands of individuals aligned with the company and its purpose. This control is neither sold nor inherited but transferred to those most capable of guiding it in the long term, known as custodians or stewards.

In Banca Ética Latinoamericana, the Dinero y Conciencia Foundation retains 100% of the voting rights of Matriz Belat through Series A Shares, with voting rights and 1% of economic rights (given the prohibition of issuing shares without economic rights under Chilean corporate law). The governance of the Foundation is concentrated in its Board, currently composed of seven members: President Joan Melé, three members working in Doble Impacto operations, and three members closely and actively connected with Banca Ética Latinoamericana since its inception, including Vice President Guillermo Scallan. The current Board will be renewed as follows: two directors in 2025, two in 2027, and two in 2028, each for five years. No member of the Foundation's board, the Matriz Belat board, or the organization's executives and administrators receive financial bonuses based on business goals, as these are subordinated to the institution's purpose. Investors do not have voting rights beyond the voice to express opinions at the time of the Foundation's Directors' renewal. They also have participation rights that include a continuous flow of information as well as visits to funded clients, ensuring absolute transparency.

Purpose-Oriented: The creation of economic value is not the ultimate goal of the company but a means to achieve its purpose. Profits are reinvested in the business and for the benefit of its stakeholders, remunerating the cost of capital in a non-extractive manner or donating them.

The application of steward-ownership to a bank must consider that distributing profits to investors is fundamental in the banking business model. Banca Ética Latinoamericana investors received convertible notes or SAFE-Rs (Simple Agreement of Future Economic Rights), which converted into shares of the Public Fund at the time of its launch. This fund possesses, as an underlying asset, the economic rights of the project through the B Series shares it holds in the parent company. What radically sets Banca Ética Latinoamericana apart from other banks is that investors cannot compel the bank to compromise its purpose-focused approach for profitability, nor can they force a sale of the company. In practice, this means that Banca Ética Latinoamericana belongs to itself. Decision-making is independent of economic interests, allowing it to align with its purpose. With this structure, it also prevents the purpose from being distorted or lost along the way due to the sale, entry, or exit of shareholders, or changes in power dynamics. The company is not subject to sale or transaction, thus eliminating temptations.

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One of the guiding principles of ethical banking is the separation of voting and economic rights of the share. This ensures that institutions remain true to their founding purpose and avoid ownership concentration or eventual sale by those who hold economic rights.

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—Sebastián Cantuarias, Member of the Board of the Dinero y Conciencia Foundation



Photo: Banca Ética

THE PROCESS

Since its inception, the process of structuring the bank and its ownership has been a journey full of challenges and opportunities.

In terms of the latter, it is noteworthy to mention that until the launch of the public fund in January 2024, Banca Ética Latinoamericana has managed to raise a total of USD 13,600,000, involving approximately 6,000 investors from 20 countries around the world, who already support projects related to education/culture, social development, and the environment. These investors understand and share the need for the innovative ownership structure, as well as the separation of economic and voting rights, crucial elements to safeguard the Bank's purpose in the long term.

The challenge inherent in the design and legal structuring, especially in a country without previous examples of "steward-ownership," combined with the inherent complexities of creating a bank, has required the expertise of legal teams and other professionals, including collaboration with Purpose Latam.

Joan Melé, the visionary behind the project, shares an optimistic perspective that highlights the possibility of replicating this innovative model in other business contexts: "If a bank can do it (implement steward-ownership), any other company can too."

For more information about Banca Ética Latinoamericana, you can visit their website and read on [here](#).

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