

The French cooperative:

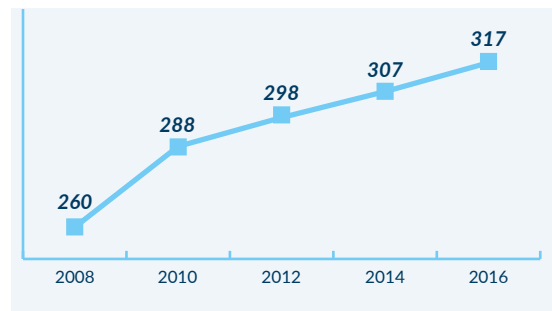
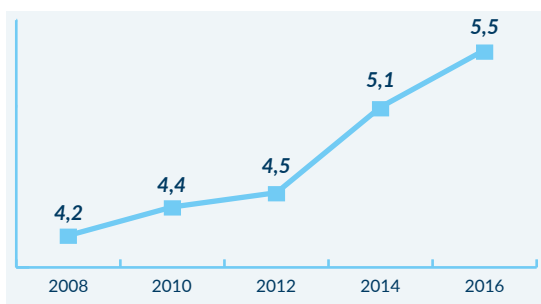
a powerful model,
a model for the future

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The size and diversity of its cooperative sector make France an important country for cooperatives. The recent 2018 edition of the Panorama of cooperative enterprises⁴ confirms their economic performance and even their position as leaders in many markets. The economic model is very strong, and cooperatives have grown for 10 years. With a combined revenue of EUR 320 billion (+3% compared to 2014), cooperatives are almost three times the size of the automotive sector, twice as large as Airbus and Boeing combined, and generate an amount equivalent to the GDP of a country such as Denmark or Ireland! Cooperatives are present in all sectors, and some are leaders within their respective markets. They account for 30% of retail trade, 40% of the agro-food sector and almost 70% of retail banking activity.

One in three French citizens is a member of at least one cooperative. With 1.3 million employees, the cooperative sector is a major employer in France, in rural and urban areas alike, whether located in the city centre or on the outskirts of town. The share of employees working in cooperatives totals 5.5%, representing steady growth since 2008 (4.2% in 2008 and 5.1% in 2014). 81% of the top 100 cooperatives have their head office in the countryside, including brands and companies known to all the French people!

The share (%) of employes working in cooperatives



Cumulative revenue of cooperatives

The entrepreneurial model meets the needs of citizens and of the 27.5 million members. These may be entrepreneurs (farmers, craftsmen, merchants...), users, customers, employees or associates of their cooperative. This business model with different philosophical and political origins is based on democratic governance and a fair redistribution of the value created.

In nearly all lines of business, cooperative enterprises have managed to create services and products tailored to the needs of the citizenry while meeting the challenges of today's society. As a development tool the cooperative is also well-suited to meeting the challenges of the future. Citizen involvement in the field of energy, innovation in the digital and collaborative economy, the sale of special niche products, the development of sustainable food, group living, cooperative and group-run supermarkets in rural areas, cooperative education, financing of the local economy through cooperative banks, etc., all confirm the relevance of a collective entrepreneurial model that knows how to grow and reinvent itself.

Through cooperative incubators, support for business creation by sector federations or preferred financing by cooperative banks, the cooperative movement stimulates the development of its model among entrepreneurs. There is one cooperative enterprise set up on average every day in France.

The cooperative world also supports innovations in response to new societal challenges. With cooperative enterprises serving the general inter-

⁴ Cf. publication, January 2018, by Coop FR, the representative organisation of the French co-operative movement.

est (called Scic⁵), it is possible to involve all of the stakeholders in a business project: employees or producers, beneficiaries and local authorities. To prevent risk to isolated entrepreneurs while allowing them to benefit from economies of scale and maintaining their independence, business and employment cooperatives (CAE⁶), workers' cooperatives and all business cooperatives (artisans, fishermen, transporters, traders) make an effort to help them grow their own business while pooling resources. This is how they help reconcile individual initiative and solidarity in all sectors of the economy.

Cooperative banks

In France, as elsewhere, there are multiple philosophical origins, and cooperative banks today break down into three main groups: Crédit Agricole, the BPCE Group (consisting in particular of the two cooperative networks Banques Populaires and Caisses d'Epargne) and Crédit Mutuel. Their weight and their presence in the national banking landscape give them a position of prominence. At European level, they exhibit great originality by virtue of their major regional coverage.

As dynamic and essential players in the French banking market, together with their subsidiaries they represent nearly 3/4 of financing of the national local economy and bring together 26 million associate members in decision-making. Proud of their success, they view the membership as a priority and organise their cooperative life to encourage all customers to become members and promote their involvement in the governance of their cooperative bank, beginning with general meetings at the local level.

Crédit Agricole, BPCE and Crédit Mutuel are the three leading cooperative groups among the five major French banking groups. Their 330,000 employees (2/3 of employment and recruiting in the banking sector) and their 25,000 branches serve the 26 million members.

⁵ *Société coopérative d'intérêt collectif*

⁶ *Coopérative d'activité et d'emploi*

FACTS & FIGURES

In 2017 they totalled more than EUR 73 billion in total revenue (GDP), 13 billion in earnings, 220 billion in equity.

As the leading banking networks in the regions they represent more than 60% of retail banking in France. With 73% of bank branches on French territory (excluding the Banque Postale network) they distribute 75% of the financing for SMEs and local development. All in all, more than 90% of the French population has an account or passbook there.

Essentially organised around nearly 25,000 local banks and 80 regional banks the cooperative groups span the entire territory, in urban and rural areas alike: 39 Crédit Agricole regional banks and their local affiliates, 19 Banques Populaires, 17 Caisses d'Epargne and its 240 local savings banks and, finally, 18 Crédit Mutuel regional federations and its 2,104 local banks.

Some cooperative banks, national in nature, owe to an alliance or sector-based business (Crédit Mutuel Enseignant for teachers, Casden Banque Populaire for civil servants, Crédit Coopératif, the bank of the social and solidarity economy...). Their success prompted them to develop complementary services (insurance, personal services, etc.) and to play an active role in the consolidation of the French banking world through business takeovers and acquisitions (Crédit Lyonnais, CIC, etc.) and in developing remote banking and FinTech firms (Fortunéo, Monabank, Leetchi, Linxo, SETL, Fidor Bank, etc.). Taken together, cooperative banks have 25,000 bank branches in France.

Cooperative banks perform their banking activities – mainly the collection of savings and financing, based on a rationale of supporting the real economy.

The majority of cooperative banks emerged in France in the late 19th century. They all aimed to promote access to banking services and lending for those excluded from these, and to contribute towards development of their economic activities. For a century and a half, cooperative banks have been able to constantly evolve and adapt to their members' needs and to changes in their environment. They have developed successfully, weathering the major crises of the 20th century and the beginning of the 21st century – in the case of *Crédit Mutuel* without any assistance from the public authorities.

This responsiveness, this capacity for innovation, this resilience all attest to the relevance of their business model as a real explanation of their successes and justify its defence and promotion.

The Raiffeisen movement (the 'social Christian' side) inspired *Crédit Mutuel* and, to a lesser extent, *Crédit Agricole*, which was supported by the public authorities (tool for financing agriculture), while the Schulze-Delitzsch movement (the 'liberal' side) gave rise to the *Banques Populaires*.

Whatever their original philosophy, French cooperative banks have undergone several main phases in their development:

- *the first phase (from the end of the 19th century to the crisis of the 1930s): birth and regulated expansion;*
- *the second phase (from 1945 to the early 1980s): consolidation and partitioning (strong regional trend in cooperative networks);*
- *the third phase (from 1980 to the end of 1990s): the period of change, with international globalisation and European financial harmonisation. The specificities and restrictions on the activities of cooperative banks have gradually vanished since the Banking Act of 1984, which made them all-purpose banks;*
- *the fourth phase (from 1995 to the present): the harnessed dynamism of cooperatives has never been denied. Cooperative banks have been at the heart of the restructuring operations of the French banking landscape,*

*particularly during privatisation efforts organised by the state, and have now become large banking groups in their own right, with different contours, but all oriented around 'all-purpose banking'. *Crédit Agricole* bought *Crédit Lyonnais*, which was experiencing serious difficulties, and *Crédit Mutuel* acquired *CIC*, allowing both cooperative banks to achieve a regional presence, diversify and expand their customer base. Thus, participating in French banking consolidation and sometimes mixing 'stock companies' with cooperative entities at different levels (CA with *Crédit Lyonnais* and *Indosuez*, BPCE with *Crédit Foncier*, and CM with *CIC* and *Cofidis*, *Citibank Deutschland*, *Citibank Belgium*, etc.).*



After many years of mutual ignorance, followed by fierce competition between the Parisian chic urban bank and the rural and popular banks that the cooperatives are, the quest for dialogue proved stronger than the quarrels. With pride and with enough strength through their cooperative difference the mutualist banking groups managed to create the French Banking Federation (FBF) with the other listed banking networks and are now in a position to establish common positions nationally, whilst keeping with their differences.

French cooperative banks are now recognised as essential partners by the French public authorities. During construction of the banking landscape in Europe, the legislature even sought to safeguard savings banks, which had nothing but 'sui generis' status, by transforming them into cooperatives and requiring them to build equity through subscription of shares by their members.

The international regulatory changes accelerated by the 2008 crisis in Europe and France are having a specific impact on cooperative busi-

nesses in the financial sector. The risk-control arrangements and the strengthening of the internal control system ('fit and proper' component and Pillar 3 of Basel III), ratios and share capital required by these new, standardised regulatory rules sometimes run counter to certain founding principles of mutual banking and push cooperatives closer to the standard of listed companies... at the risk of becoming trivialised.

The complexity of the regulations leads all managers to adapt to the increasing technicality and obliges them to seek high-level financial and strategic skills among directors; this, in turn, upsets the geographical, regional, socio-professional representativeness of elected officials. The strength of cooperative banking lies in this link with the regions, and in solidarity between the citizens who comprise them.

The distribution of powers and the mechanisms of financial solidarity (liquidity and equity in particular) patiently built by cooperative groups seem complex to regulators who, for reasons of efficiency and conformity, would prefer to see only one business model. Often, a real difference of understanding around the notion of collective interest pits regulators against cooperative groups for which organisation (governance, size, etc.) of the consolidating entities of certain groups is called into question.

French cooperative banks have become powerful, diversified and at times hybrid banking groups. Integrating into economic developments, cooperatives have thus formed cooperative groups of companies, sometimes with plural kinds of status, the governance of which is original due in particular to consolidation and supervision organised by a central body, a regional organisation and the close link with members, which has implications for the entire chain of governance.

Despite all their diversity of size, organisation and operation, French cooperative banks are all cooperatives. In other words, they implement the principles of cooperation as defined by the International Co-operative Alliance ⁷ and recognised

by the UN, the ILO, the European institutions or French law of 2014 on the social and solidarity economy and practice cooperative audits (see below).

The first rule is that of dual quality: they belong to their client members. The traditional conflict between shareholder and customer interests does not exist, as the partner and the user are one and the same person. That is why the primary objective of a cooperative bank is to provide its members with products and services that meet their expectations and needs while providing the best value for money. In some cases for their exclusive benefit, sometimes, as in France, by opening up to non-member clients.

The second rule is that of democratic governance from the bottom up: Cooperative banks are owned and controlled by their members, who democratically elect their representatives in statutory bodies at the local, regional and national levels. Because all members have the same voting rights under the cooperative principle of 'one person, one vote', this right to vote is not proportional to the capital contribution. And, as the slogan of Cr dit Mutuel says, "a bank that belongs to its clients changes everything"! At Cr dit Mutuel, some 400,000 members elect the 23,000 volunteer directors of the 2,100 local cooperative banks at their annual general meeting. These directors in turn elect the regional and national officers. This rule is fundamental; it drives a bank's entire operation, 'from the bottom up' rather than 'from the top down'. It is a factor involved in controlling risks as close to the local setting as possible and, above all, creating motivation and empowerment.

Cr dit Mutuel is unique to the French banking world ⁸ since each local bank is an institution with a collective banking licence valid at the regional or interregional level. This makes each of the 2100 local banks a small company responsible for its accounts and collectively accountable for its results,

⁷ Principles adopted at the World Congress of Cooperatives in Manchester in 1895 and reaffirmed in 1995

⁸ including cooperative banks

as collective economic solidarity among all the banks seals membership in the cooperative group. Local banks have powerful IT tools to aid in decision-making that enable them to make nearly 95% of lending decisions.

Naturally, relationships between elected and salaried officers are greatly dependent on the personality of each individual, which does not preclude occasional tensions. But clarifying roles – vesting some with authority in strategy and control and others with operational management, the ongoing quest for a balance of power, and the shared goal of developing service to members and clients – limits drift.

In the end, the good governance of French cooperative banks is based on striking an appropriate linkage between:

- *on the one hand, effective involvement of representative democracy in setting shared objectives and monitoring fulfilment of these objectives, it being understood that the board of directors, whatever its composition, is a collegial body for decision-making and monitoring the operational management delegated to the employee managers;*
- *on the other hand, involving members in committees, commissions or working groups, in expressing users' needs, developing projects and preparing decisions that are then submitted to the statutory bodies for approval. This is participatory democracy; and,*
- *finally, the initiative and responsibility of the executive directors and their teams in respect of the initial project, the mandates assigned and the collective interests of the membership.*

This good governance also makes each cooperative essentially a school of democracy and an actor in regional and national social cohesion. It is also a guarantee of the cooperative's overall independence: independence of mind and independence of decision-making on the part of its members, as individual interests cannot be expressed in the collective and pluralistic governance of local and regional banks.

The third rule is that of the allocation to reserves of a significant portion of earnings and the indivisibility of reserves: depending on the country, this rule is either strictly applied or merely recommended. A significant share of the earnings, net income or surplus is usually set aside, which helps strengthen the independence and power of cooperative banks. A portion of these earnings can also be distributed to members in the form of a rebate or remuneration of shares, with legal or statutory limitations in most cases which make the share attractive but also protect the continuity of the cooperative.

Finally, the fourth French rule is that of the principle of absolute non-negotiability of shares: coupled with the impossibility of dividing reserves this means that shares cannot support speculative transactions and are part of a logic of sustainability. They are not listed and can only be bought back by the bank that issued them. In addition, because undistributed reserves are indivisible, they permit strengthening the equity capital base and reinvestment in the bank's development. This allows French cooperative banks to have excellent ratios, together with the integrity they imply.

All in all, cooperative banks differ in many respects profoundly from listed commercial banks:

- *their purpose is to satisfy their clients and to promote the development of the regions in which they live by meeting their economic and social needs – and not to maximise shareholder profit;*
- *their democratic governance is bottom-up, not top-down;*
- *they are organised in a decentralised proximity network, not in a centralised structure;*
- *their strategy is a long-term, non-speculative one on which a lasting relationship is built – not a short-sighted orientation driven by market fluctuations;*
- *their activity is essentially retail banking (or bancassurance) to finance economic actors rather than activity in financial markets or large-scale financing for the sake of profitability;*

- *their solidarity mechanisms are essentially internal rather than an appeal to shareholders, markets or public authorities (deposit guarantee fund, etc.);*
- *the control mechanisms are primarily dependent on internal arrangements rather than supervisory intervention, and their diversification of risk is high as a result of all these factors.*

Of course it is important to ensure that these principles, the organisation of the cooperative bank and its day-to-day practice are all compliant. That presupposes both the setting of targets and the monitoring of their effective application. This is the aim of the cooperative review generalised by the French law of 2014⁹ as is the implementation of balance sheets and cooperative plans of action.

Although practices vary considerably from one bank to another, they form the common ground of the cooperative difference, including in large cooperative groups that, through organic growth or external growth (buyouts), have incorporated capitalist components into certain diversification activities, service subsidiaries, or even proximity networks (examples include LCL at Crédit Agricole or CIC at Crédit Mutuel) – which implies regularly adapting their cooperative governance.

To be noted the factors that explain the abilities cooperative banks have to evolve, and to adapt to and resist internal and external shocks. Firstly, the integrity of their historical, cultural, social and economic roots. In a banking and, more broadly, economic and social landscape that has undergone profound upheavals over the past century and a half, the strength of French cooperative banks has been to constantly evolve while remaining faithful to these roots¹⁰, always seeking to serve their members and clients, who mainly represent the middle class. The second factor, linked to the first, is the proximity, both

physical and psychological, to their client members and their regions. The key to the relationship with them is trust in the context of a long-term relationship. This is the source of responsiveness to their current and future needs through high-quality services and the ability to take decisions locally as well – which is both a powerful motivator and it empowers staff and it is a source for the diversification of risk. Thirdly, the financial soundness based on the participation of members and the allocation of earnings to reserves (in excess of 80%). This provides savers with a sense of security, an ability to withstand internal and external shocks, and to finance development through organic and/or external growth. It also drove resilience to the crisis of 2008, supported by a lack of dependence on markets. This is why credit rating agencies take a favourable view of Crédit Mutuel's business model, which is characterised notably by strong positions in French bancassurance, a moderate appetite for risk, sound strong capitalisation and liquidity, and an excellent capacity for the internal generation of capital combined with a 97% rate of allocation of earnings to reserves¹¹. The fourth factor: a culture of corporate accountability and corporate social responsibility¹². Integration within a region implies an awareness of its problems and a response to its needs. This holds true not only for environmental concerns, and specifically the ecological transition, but also for actions of solidarity for the benefit of clients in difficulty and more broadly in partnership with local associations and local communities; it holds true for aid towards job creation, in particular for young people; and it holds true for support for cultural, medico-social, humanitarian operations, etc. Beyond the sole interests of their members, this is a strong component of their attitude as a bank with responsibilities in the service of a region.

⁹ Law No 2014-856 of 31 July 2014 on the social and solidarity economy

¹⁰ Jose Manuel Barroso, former President of the European Commission: 'Co-operative businesses that have stayed faithful to co-operative values and principles and the co-operative banks which rely on members' funds and are controlled by local people have generally been able to resist the crisis very well.' (2011)

¹¹ This made it possible for Crédit Mutuel to achieve a CET1 ratio of 17.4% in 2017.

¹² Cooperative social responsibility!

The construction of the SSM, the transfer of regulation to the European Central Bank and the emergence of FinTech have all opened up a new chapter in the history of the cooperative bank

Thanks to their original model as all-purpose banks, French cooperative banks offer a complete range of business lines to assist companies with their financing needs: as a retail bank, finance bank and investment bank. In addition, the system of real estate financing in France, which is predominantly in the hands of cooperatives, is characterised by its robustness and several specific features: an analysis of the borrower's ability to repay rather than practices based on the value of the asset, and loans that are essentially fixed-rate loans.

This is indeed an original model, a model that could be characterised as alternative, that resists and evolves within markets, increasingly in head-on competition with other banks and, more broadly, with all forms of provision of financial services, with particular reliance on technological tools (GAFA, eFinance platform, etc.).

Nonetheless, the European banking landscape is bringing about significant changes to the environment, and they are once again called upon to promote and defend the relevance of their model and of their democratic organisation with regulators who are more acculturated to the dominant model of the listed bank. The pragmatism of cooperatives, which to some extent defy shareholder capitalism by implementing principles of solidarity in economies with free competition, means that they are not always heard by the officials who oversee the Banking Union.

The bank is subject to conflicting orders from public authorities and regulators. The weight of regulations compounds the constraints and capital requirements – without taking into account the contradiction between these requirements and the parallel demand for risk-taking to finance the economy and sustain growth!

Moreover, faced with competition on a global scale, many European regulators are pushing the

idea of consolidation. This runs the risk of launching a process of centralisation that runs counter to cooperative principles and their effectiveness. However, the dynamics are in the network effect, which combines primary cooperatives that remain independent with tools shared in common (IT services, access to capital markets) of a good size.

We are also witnessing not only the emergence of new players that are often less regulated, particularly in forms of payment and the financing of economic agents but also a stiffening of competition. The European model of bank financing of economies is in upheaval, and bank disintermediation of business financing seems to be the aim of some regulators, who are thus undermining the pooling of risks. The explosion of technologies that are disrupting many activities also impacts the relationship with a clientele that is better informed, more demanding, more independent and more volatile.

The digitalisation of the economy is leading to a fundamental shift in customer relations. All customers must therefore be able to remotely subscribe to the bulk of our products. This is the objective Crédit Mutuel set for itself for the end of 2018. However, it must not be forgotten that what matters is the simplicity of transactions, the quality of advice provided and the security of computer data.

New uses, new lifestyles: cooperatives are decidedly modern

Cooperatives have always been at the forefront of social innovation. The first cooperatives invented new forms of work and consumption. Today, they are responding to the new challenges of society, relating to the ecological transition, the digital transition, youth, the rural community, nutrition, etc. In the 21st century, the responses are certainly different, but they are also still rooted in an approach that makes the cooperative a forceful response to the challenges posed by societal change and the yearnings of the citizenry. No matter what the sector, the response can always take a cooper-

ative form. Whether on a small or large scale, in the city or in the countryside, in traditional sectors or in high-tech sectors, in the environmental, social, economic or societal field, for all ages, all professions, all challenges, cooperation appears to be an obvious approach to all those who experience it. The cooperative difference lies not only in its uniqueness but in its ambition and strength as well.

The digital economy presents major issues with its positive aspects, including innovation and the improvement of services offered to customers who reinvent the French proximity banking model, but also more complex topics such as cyber security.

Clients are networked and more independent and expect more mobile apps and digital services

The numbers speak for themselves: billions of digital connections and contacts, millions of app downloads, electronic signatures and uses of on-line banking services. And these figures are constantly rising.

Today, the Crédit Mutuel Group manages more than a billion connections to the group's sites and applications every year, more than half of them via smartphone. Crédit Agricole has crossed the threshold of 4 million users for the 'Ma Banque' app, with 600 million connections per year.

While digital tools are used for simple features such as account look-up or payment transactions, the attachment to the bank branch and bank advisor lives on. But while clients appreciate his or her availability, they are sometimes disappointed with the advisor's consulting expertise and even capability of independent decision-making.

This is why Crédit Mutuel partnered with IBM to develop the first French-language solution based on Watson artificial intelligence. This makes it possible to process natural language automatically and learn by example. The first solutions have been rolled out to the 20,000 advisors:

- *e-mail scanning helps contributors process more than 300,000 client requests received every day;*
- *two virtual assistants allow advisors to respond to clients more quickly to provide them with information on insurance and savings products (according to an internal survey, 94% of respondents recommend the virtual assistant to their colleagues, and 87% recommend the e-mail scanner);*
- *three new virtual assistants are being developed (health, welfare, consumer credit).*

In all cases, the advisor remains in control of the operations carried out and remains the sole face to the client.

Whatever the distribution channels, the network must adapt to the needs of clients and regions and offers a very wide range of value-added services. A one-man or one-woman band of the customer relationship, the advisor also benefits from the flexibility of the organisation which gives him or her freedom of action. At Crédit Mutuel 95% of loan decisions are made in local bank branches.

The development of extra-bank services

Working from a local agency, our advisors are very capable of maintaining a remote customer relationship with their clients. This is why, at Crédit Mutuel, we are working on the services and product lines that we can offer tomorrow to secure the presence of our physical network. The aspiration is to become a multi-service bank. We have become a telecom operator (EI-Telecom) with more than 1.5 million subscribers; we are also expanding our business in home protection and remote monitoring with Euro Protection Surveillance (EPS). The Crédit Mutuel remote monitoring offer provides a mobile application that notifies the user at once in the event of a home intrusion, when a child arrives home from school, or if the user wants remote information about the temperature of a particular room. These telephony and remote monitoring

services are offered to individuals, businesses and local authorities. In addition to housing loans (EUR 218 billion in outstanding housing loans), we sold 10,000 housing units in 2017. Today, we also sell and rent cars.

The Crédit Mutuel Group continues to transform its business model based on a diversification strategy across all of its business lines as part of a multi-service, client-centred strategy, as well as its technological transformation in favour of an 'enhanced relationship' between advisor and client.

With Cyberplus by Banque Populaire and Banxo by the Caisses d'Épargne, the BPCE Group offers features in account aggregation and budget management.

Crédit Agricole Insurances offers an app with which users can manage insurance policies from their smartphones: filing claims, enter a statement with photos and, thanks to geo-location, find the nearest repair shop.

Crédit Mutuel Arkéa and BPCE have deployed Apple Pay, a contactless payment service that enables users to pay for purchases on payment terminals at the checkout desk, through compatible apps, or on websites displaying the Apple Pay logo. Crédit Agricole has chosen to combine biometric authentication with mobile payment in order to spare its clients from entering a code, like Crédit Mutuel, via its Euro-Information FinTech and its Lyf Pay app. In all these cases, the aim is to prioritise security while fostering service for the client.

Cooperative banks foster digital developments

CA launched the first start-up incubator, 'Le Village by CA', in Paris; the incubator was then organised into regions with 311 start-ups supported, 309 official partners and 27 villages open as at the end of 2017. Crédit Agricole is shifting into high gear by setting up two funds of EUR 50 million in private equity each that will invest in innovative start-ups. One will be dedicated to financing start-ups in the regions, in 'strategic' areas as varied as

agriculture and agro-food, energy and the environment, housing, health, tourism and the sea. The other will concern the banking and insurance business lines, in order to 'accelerate' its digital transformation internally by investing in FinTech start-ups that use technologies including as big data, blockchain, digital payments, cyber security or the Internet of Things. The Crédit Agricole Group plans to increase this fund to up to EUR 200 million by 2020.

In terms of Open Innovation, in 2017 the BPCE Group launched Start-up Pass to make working with the start-up ecosystem more effective. This arrangement simplifies the relationship between the group and FinTech, specifically by accelerating the start of the operational phase.

With Néo Business des Caisses d'Épargne, the BPCE Group intends to provide assistance to 1,000 start-ups and innovative companies. This scheme includes more than 50 trained project managers, spaces within the regions and a dedicated loan designed to finance all the expenses of an innovative project.

In 2003, Crédit Mutuel created CM-CIC Innovation, a support structure for the development of innovative companies. Every year, approximately EUR 15 million is invested in companies in the fields of health, electronics, information technology and, more recently, environmental technologies. Crédit Mutuel and IBM have created an innovation centre with a mission of developing joint offers in the field of the Industrial Internet of Things (M2M), connected and cognitive objects related to commerce, self-service and digital banking or to security or mobile payments.

Consequently, cooperative banks in the regions ranked among the most active investors in French tech in 2017.

Cooperative banks are a strong presence on social networks

The Crédit Mutuel Group has more than 1 million followers on social networks. With 47 million views and 30,000 subscribers, CIC is the bank-

ing leader on YouTube. In March 2017, Caisse d'Épargne launched La Communauté by Caisse d'Épargne, the first community among Internet users dedicated to user-friendly interaction and mutual assistance and advice on issues around money.

The BPCE Group has 1.5 million fans and followers and 24.6 million video views on YouTube via the Caisse d'Épargne, Banque Populaire and Votre Coach websites.

Crédit Agricole has a combined 1,860,000 subscribers on Facebook, Twitter, YouTube, LinkedIn, Google +, Instagram and SnapChat.

Security, the asset of cooperative banks that have adopted charters on data privacy.

Today's, clients are increasingly aware of the risks of abuse and fraud in the use of their personal data.

Since 2016, Crédit Mutuel has been offering electronic signatures on tablet computers or for remote users when subscribing to most of the products and services intended for its retail clients.

In 2015, Crédit Agricole was honoured for the 'First industrial deployment of the electronic signature'; each week, as an agent, it manages 1.5 million electronic signatures to contracts made on tablets. The BPCE Group manages more than 100,000 electronic signatures each day.

Since 2016, Crédit Mutuel has been sharing Safetrans, an innovative solution for use in making remote-banking access and transactions more secure. Based on the combined use of the bank card and a USB-connected reader, this solution permits a highly secure encrypted channel between client and bank.

At Crédit Agricole, Infocompte was the first French banking application to use the Touch ID fingerprint sensor on the iPhone and iPad.

Ultimately, the digital evolution will be sustainable only if it continues to be based on trust and on the security of funds and client data. In a setting beset with constant cyber attacks, cyber secu-

rity is one of the major challenges facing society and banks. It remains the number-one priority of cooperative banking and the foundation on which client relationships are built.

Cooperatives are decidedly modern. However, the uniformity of regulations, the competitive environment, the new behaviours of client members and the impact of technologies all drive a certain trivialisation of responses.

There can be no doubt that the best cooperative response consists in the steps taken to sustain its governance: active transformation of clients into members; enhanced participation in local general meetings and representativeness of boards; charters and codes of ethics and conduct; training of elected officers to ensure a balanced relationship with managers – and to meet the competence requirements of regulators; use of technologies to develop relationships with members who pay decreasing levels of physical visits to the bank branches; offers of new services, etc. Above all, breathing life into an honest and transparent relationship based on freedom in a spirit of solidarity.

Essentially, it is the uniqueness of the cooperative banking model, which ultimately comes quite close to the national motto of 'Freedom, equality and fraternity', freedom of access, equal treatment of members, solidarity and, fundamentally, its democratic governance combined with economic performance and a capacity for innovation that have ensured the survival and development of the cooperative model through times of crisis and, more than ever, its modernity based on its founding values.