New global fund will support sustainable banking

The Global Alliance for Banking on Values has launched an investment fund that will support the growth of small financial institutions whose business models adhere to the Alliance's values-based banking principles.

Twenty-one investors, including 15 GABV members, have committed a total of A$40.4 million. The Sustainability, Finance, Real Economies Fund is aiming to have a second round of fund-raising later this year.

The fund is based in Luxembourg and will be managed by MicroVest Capital Management LLC. Its goal is to invest up to $1 billion of capital over a ten-year period.

Investments will be made with reference to a scorecard developed by the GABV to assess a financial institution's focus on principles of sustainable banking. Those principles including serving communities in which financial institutions operate by financing sustainable businesses, helping safeguard the environment and maintaining a high degree of transparency.

GABV, which was founded in 2009, has 25 members. bankmecu is the only Australian member.

GABV said in a media release that the SFRE Fund was the first of its kind with a global focus established solely with private capital.

It estimated the universe of potential investable financial institutions at 2000, with a current total of $600 billion of assets and $65 billion of equity.

Financial institutions must have a minimum of $50 million in assets to be eligible for investment.

GABV said it started the fund because of a shortage of "strategically aligned equity capital" available to meet the needs of small sustainability-focused financial institutions.

It believes this will be a growth area in financial services.