



To:
EUROPEAN COMMISSION
Internal Market Directorate General

CC:
UNI Europa
Bernadette Ségol

Response to consultation regarding fostering an appropriate regime for the remuneration of directors

Key: Change to transparency

Make directors remuneration public to optimise efficiency

The irritation and indignation over the very high level of remuneration are undermining the moral in the whole society. Almost all of us recognise feelings of alienation and moral despair when we learn about some of the golden handshakes that directors are given. We are convinced that the moral deterioration also undermines the productivity.

It is therefore, very important that remuneration of directors is made transparent and thereby made subject to valuation of employees and shareholders in the company. It is not our primary ambition to lower the level of remuneration but to force the presidents of the company boards to publicly defend agreements with the CEO which were reached in the "old boys club".

The commission has put forward the consultation document with concrete questions. This paper follows that structure.

Do interested parties agree that the recommendation should not deal with the issues of the amount and structure of the directors' remuneration?

Yes. It would not be good to create a fixed system for remuneration. It is necessary to be able to in a creative way adapt to changes in the surrounding world.

Do interested parties agree with the Commission that the recommendation should invite Member States to take the necessary regulatory measures to ensure that listed companies comply with all the provisions to foster an appropriate regime for directors' remuneration?

Yes. NFU strongly supports the principle of subsidiarity. It is important that the Member States are given the responsibility to take the necessary regulatory measures in their own context. However we would like the Commission to note the need for special rules regarding European Companies. It has to be pointed out whether the nationally implemented rules apply to SE's registered in the respective country or if there is a regulation on remuneration of directors at the EU-level.

Do interested parties share the view that the scope of the recommendation should cover EU listed companies as defined above or should it cover all EU companies?

Yes. NFU does think it is important to make this valid for all bigger companies. One reason for this is from the perspective of competition. But in the Nordic context listed companies are not always the same as companies registered on the stock market. For example in Sweden there are two types of shareholder owned companies, one private and one public type. To be registered on the stock market you need to be a public company but not all public companies are registered on the stock market. There are also types of companies that are not owned by shareholders, i.e. savings banks. For a fair competition between all bigger actors competing on the same market there must be a generalised description of companies that include all relevant types of legal company structure.

Do interested parties share the view that this recommendation should deal with the remuneration of the members of the administrative, managerial and supervisory bodies by reason of their responsibilities?

Yes. NFU intends that it is clearly not enough to just make this valid for the CEO.

Do interested parties agree that the disclosure of remuneration policy should be forward looking (i.e. next financial year) and should contain at least the elements mentioned above?

Yes. NFU agrees to this. It is very important that the forward looking remuneration policy includes hypothetical calculations based on scenarios for the coming years. This is needed to make it possible for everyone to realise how much a proposed remuneration policy will or can cost the company. One must have an idea of how the dynamic elements like share options can develop in order to understand how much money the remuneration can sum up to.

Do they agree that such information should be a separate item on the AGM1 agenda?

Yes. NFU believes that this should be a mandatory item on the AGM agenda to make sure it is properly prepared and presented at the AGM.

And should there be a requirement for at least an advisory vote on the remuneration policy at the Annual General Meeting?

No. NFU believes that the right to bring this issue up at the AGM is enough from a Scandinavian perspective. To force the AGM to vote on this where the remuneration is approved beforehand by the main owners would anyway be useless and therefore a counter productive rule.

Do interested parties consider that the disclosure of the remuneration of individual directors should include all financial and non-financial benefits as described above?

Yes. NFU means that in this way all costs for the company will be visible. This is of course very important since the creativity to construct remunerations that minimise tax and other expenditures that tend to be regarded as irrelevant fees creates combinations of remunerations that no one has seen before. But it is very important to observe the perspective of personal integrity. NFU means that it would be adequate disclosing the remuneration for individual directors at the top level.

Do they consider that other information related to individual directors' remuneration should also be disclosed?

Yes. NFU means there is a need for a general description that include all relevant remunerations for the directors since the creativity of creating new schemes of remuneration seems to be endless.

Do interested parties agree that grants of share-based schemes to directors should be subject to the prior approval of the general meeting of shareholders and that relevant information on such schemes should be communicated to shareholders prior to the meeting?

No. NFU states that transparency afterwards would be sufficient. Otherwise we risk a situation where the directors are forced into a speakers' chair to negotiate his (or unfortunately, rarely her) salary with the AGM. This would be absurd.

1 Annual General Meeting (Ordinarie bolagsstämma)



Facts on NFU

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At present, eight trade unions are affiliated to the NFU, two in Denmark, two in Sweden, two in Finland and one in each Iceland and Norway. Through these trade unions, the NFU represents 165 000 employees on the Nordic financial market. Some 135 000 of these employees belong to the banking sector, while the remaining 30 000 belong to the insurance sector.



Statement on consultation on board responsibilities and improving financial and corporate governance information

Key: No reason to diminish responsibilities for anyone.

Firstly, we would like to express our grateful thanks to the Commission that let us send forward our statement regarding board responsibilities and improving financial and corporate governance information after our steering committee meeting last Friday.

We copy and pasted the questions from the on-line questionnaire and use that for our response. This gives us the opportunity to expand our answers with some comments and explanations. We try to keep them as short as possible.

Our answers and comments are written with *italics*.

2. Clarification of responsibility for board members for financial and key non-financial information

2.0 Should the term "responsibility" be defined at Community level?

Yes

NFU think this would help to standardise information in the European Market and that is a desired value.

2.1 Should the responsibility be differentiated between management board members and supervisory board members?

Yes

2.2 Should the responsibility be differentiated between executive and non-executive board members?

No

In the Nordic context there is no difference in responsibility between any of the members in the company board in our one tier system. This includes both board members appointed by the

government as representatives for the costumers and the persons from the Finance inspection authorities and the employee representatives. It is important for the employee influence systems that they can act as fully responsible members of the company boards.

2.3 Should board members be allowed to limit their responsibility by disclosing their disagreement with the documents prepared under their responsibility?

Yes

NFU states that it is important that all members can register a reservation against a decision. This is important both for the means of exercise actual influence and to protect minorities in important decisions in the company board. From our perspective a reservation is a way to take responsibility for positions and conflicts and not a way to sneak out of a minority position.

If so, should they disclose the reasons for their disagreement?

Yes and No.

The right to give a written motivation to the registered reservation is important. But this right should not be compulsory. Re registered reservation should be documented in the minutes from the meeting but they should not be made public. The right to register a reservation and motivate it in writing is important for the possibilities to take on high levels of responsibility. But it might cause extra press on the board members in the minority position if a registered reservation would mean an automatic publication of the fact that there is a minority. We do not to create a system where company secrets will be publicised.

2.4 What kind of non-financial information should board members' responsibility also cover?

- *company's risk management system*
- *investment plans*
- *strategies in technical, organisational and human resources areas*
- *corporate governance statement*
- *other: Corporate Social Responsibility*

There is no reason to exempt any area from the collective responsibility in the company board.

2.5 Should board members be responsible towards...

- *all stakeholders (ie. employees, creditors, ...)*

2.6 Should there be common sanctions at Community level for board members who do not comply with their responsibilities regarding financial statements and key non-financial information?

Don't know

This is a complicated judicial matter. To introduce a pan EU judicial procedure for individuals will interfere with national laws and system of courts in a way that we are not capable to overview.

2.7 Should board members be responsible for providing all relevant information to the auditors?

Yes

Why not?

3. Transparency in intra group relations and transactions with related parties

3.0 Should disclosure of transactions with related parties in the financial statements take place only at group level?

3.1 Should Community law provide for common definitions for:

Related party

Material transactions

Special Purpose Vehicles

Other concepts referred to in this section

3.2 Should equivalent requirements apply for listed and unlisted parent companies?

Yes

Some of the non listed companies are as big as the listed ones and operate as competitors. Therefore they should apply to the same rules.

3.3 Should companies drawing up individual accounts disclose their material transactions with related parties such as special purpose vehicles and companies incorporated offshore, including their precise economic purpose?

Yes

Anything that can be done to prevent creative book keeping should be considered.

3.4 Should material transactions with related parties that are directly or indirectly controlled by the parent company of a group be disclosed?

Yes

The experience from the Swedish insurance industry says that it has been very good that transactions between parent companies and life saving institutions can be object for public debate since the transactions are related to many pre- pensioners.

3.5 Should material transactions with related parties that are significantly influenced by board members of the parent company or any other company of the group be disclosed?

Yes

Yes both the transactions and the relation and involvement by board members in both companies.

3.6 Should the key financial figures of the most important group companies be disclosed?

Yes

3.7 Should the parent company of a group disclose relations with related parties such as special purpose vehicles or companies incorporated offshore, including their precise economic purpose, regardless of a duty to include these in the scope of the consolidation?

Yes

3.8 Should any company of a group disclose relations with related parties such as special purpose vehicles, companies incorporated offshore, including their precise economic purpose?

Yes

3.9 Should any company of a group disclose significant sales of assets to another company within the group or to a third party which are directly or indirectly influenced by the group or board members?

Yes

3.10 Should the nature and extent of cash management agreements (e.g. cash pooling) be disclosed?

Yes

3.11 Should the disclosure of the above described intra group relations and transactions with related parties be done in the notes to the accounts?

Yes

3.12 If not disclosed in the notes to the accounts, should the disclosure of the above be done in the annual report?

Yes

3.13 What other specific transactions, if any, do you think should be disclosed? Please specify.

4. Disclosure about corporate governance practices by listed companies

4.1 Do you agree that the corporate governance statement should ...

- *require listed companies to disclose whether they apply a code on corporate governance or not and, if they do apply one, in what aspects they deviate from the provisions of the corporate governance code*

It's important not to overload with information otherwise you can not see the forest in spite of all the trees.

4.2 Do you agree that, with respect to other elements of corporate governance than mentioned in question 4.1, like for instance the operation of the board, the committees and the shareholders' meeting and the channels of information, the corporate governance statement should...

- inform about those corporate governance elements which differ from or go beyond national laws and provisions

4.3 Do you agree that the corporate governance statement should inform about shareholder rights in the case of cross-border investments?

Yes

4.4 Do you agree that the corporate governance statement should contain information on controlling shareholders?

Yes

4.5 Should the Statement contain the names of the controlling shareholders and a description of their voting rights and special control rights?

Yes

4.6 Should the Statement contain an overview of significant transactions between the controlling shareholders and the company in case they are not disclosed in the annual accounts or group accounts?

Yes

4.8 Should the corporate governance statement be disclosed...

- *in the annual report*

4.9 Should the corporate governance statement also be published on the company's website?

Yes

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B-1049 Brussels

NFU's comments on the Consultation Document "Fostering an appropriate regime for shareholders rights".

First of all, we would like to acknowledge the relevance of the present consultation. It is obvious, that the rapid increase in cross-border investments imply a challenge to the exercise of shareholder-influence. However, the cross-border mergers and investments mean a lot to the influence and working-conditions of the employees too, and we now look forward to a recommendation regarding "Employees rights".

Pp.6 One of the arguments of facilitating shareholders rights is that "shareholders focus on wealth creation and are therefore suited to act as watchdog on behalf of all stakeholders". We think that this is a theoretical point of view or even a naïve hope, and it is clearly not the case in real life. Our experience from the financial sector is that shareholders mainly focus on the share-price and the profit of the company, and other considerations are of minor importance.

Pp. 18 We acknowledge the problems connected to share blocking requirements. We would like to state however, that an alternative (record-date) system must be formed in a way, which protect the company against raids by speculative investors. This means, that the record date must be set well in advance of the GM. Otherwise, it will be possible for a speculative investor to buy sufficient shares a few days before the GM, and afterwards sell the company in pieces.

In general, we think that some of the suggestions of the consultation are very detailed and irrelevant. As an example, we certainly agree to the parties stating that the practice of securities lending is a matter of contract law, and shall be handled by market participants. Likewise we don't think that the issue of who has to pay for the authentication of the ultimate investor (p.13) is a matter of relevance to the forthcoming directive. Finally, we also think that it should be left to the issuers to decide, whether they want to publish relevant information regarding the GM on the website (pp.16).

What is NFU?

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Jan-Erik Lidström,
General Secretary



NFU response to Green Paper on Financial Services Policy

COM (2005) 177

Facts on NFU

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Approach

This response has been created in cooperation in-between policy officers from all NFU affiliates. The NFU executive committee has discussed a draft response and thereafter made a per-capsulam decision to adopt this response.

General comments on the green paper

1. In general NFU supports most of the Green Paper and its proposals. We support the ambition to build one integrated financial market in Europe. Ensuring the effective transposition of existing legislation and European rules into national regulation is one of the key objectives for the policy over the near future. Slow process in national transposition is a sign of a lack of political willingness in the EU member states on the one hand and of a lack of a real pressure among the market users to get service over the borders on the other. It's important that the Commission addresses both problems.
2. In relation to the work on removing inconsistencies, we are pleased to see that working with stakeholders will be a significant part of the ongoing process. Of course, we shall be happy to assist in this work.

The overall objective

3. One key aspect of the European financial market is cost cuts. It's evident already in the overall objectives for the financial Services policy, found on page 3.1

According to our experience cost cuts are equivalent to redundancies. We find it disturbing that the Green Paper on Financial Services Policy lacks social consideration related to this fact.

There is a need for a two folded strategy to meet this challenge. One part of this is a strategy on the EU level as well as the MS level to take active responsibility for the down sizing of these industrial rationalisations. Such a strategy needs to consider life long learning, re-training, strategies to promote re-investments of the profits created in the more profitable financial institutions which will support economical and employment growth in Europe.

The other part of this two folded strategy is about the responsibility in the finance industry to really make decisions that is well founded in economical reality. Our experience tells us that decisions on out-, in, and global sourcing sometimes tend to be governed by interests others than what is best from an economical perspective for the company. We would like to make the Commission observant on the policy adopted by the Nordea Union regarding this issue (see attachment below: Nordea Union sourcing policy). NFU believe this is the sort of responsible and constructive approach needed from all stake holders involved in industry rationalization processes.

Proposal

NFU urges the Commission to consult other General Directorates, Member States and the finance industry to include in this plan a responsible answer to the employees in the financial sector that will face the consequences of the rationalisation.

Key political orientation

- 1 The overall objective of the Commission's financial services policy over the next 5 years is:
 - To consolidate progress towards an integrated, open, competitive, and economically efficient European financial market and to remove the remaining economically significant barriers.
 - To foster a market where financial services and capital can circulate freely at the lowest possible cost throughout the EU - with adequate and effective levels of prudential control, financial stability and a high level of consumer protection.
 - To implement, enforce and continuously evaluate the existing legislative framework, to deploy rigorously the better regulation agenda for any future initiatives, to enhance supervisory convergence and strengthen European influence in global financial markets.

4. NFU supports the three focus points for the coming five years period found on page 42 and we will also try to contribute to it as much as our resources will allow us.
5. Regarding the ambition to remove barriers to cross-border consolidation NFU would like to point out that we think it is necessary for DG IM to consult the DG Competition on their definitions of what a market is. In the Nordic financial market we have experienced that the DG Competition in their important consumer protection ambitions has hindered a merger between two Swedish banks that all together wouldn't have been any threat to the European Financial market even if they would have been a big player on the Swedish and Nordic market. In this way the DG Competition diminished the banks, and the employee's chances to expand as one medium sized bank out on the European market.

Example

The two Swedish banks SEB and Swedbank announced in the beginning of year 2001 their planned merger. After the in-depth investigation performed by the commission, the banks decided to cancel their merger agreement. They considered that the demand from the Commission to sell off certain activities was too high. The Commissions concerns were related to services to household and SME customers, where the merged bank would receive a dominant market share on the domestic market. What is actually the market? The commission viewed Sweden as the market, but that makes it impossible for companies in small countries to grow and to be competitive internationally. Our view is that in order to create a competitive internal market – the market must be seen as one – not as one per MS or even regions and parts of MS.

6. NFU agree with the view that in building confidence there is not only question of measures in the finance sector but also other horizontal and complementary areas such as corporate governance, company law reform, accounting and statutory auditing which should be scoped in order to apply highest ethical standards in the sector. We find a lack of employee perspective in this context. The employees are not just dependent on these complementary areas of regulation but they are also the ones doing the actual

2 Consolidation of existing legislation, with few new initiatives;

Ensuring the effective transposition of European rules into national regulation and more rigorous enforcement by supervisory authorities;

Continuous ex-post evaluation whereby the Commission will monitor carefully the application of these rules in practice – and their impact on the European financial sector.

work. They should therefore be recognized as whistle-blowers and general stake holders in those issues mentioned in the second paragraph on page 7.

7. NFU finds it positive that EU is pro-active to influence regulatory parameters of the emerging global financial markets. Growth/employment and consumer aspects however should be an integrated part of this work. It would be appropriate to refer to the responsibility for EU to promote the legally binding human and labour rights. Not all states and actors in the finance sector recognize those rights.

Better regulation, transposition, enforcement and continuous evaluation

8. In NFUs response to the previous FSAP review we pointed out that we favour a large degree of standardisation and convergence of the supervisory approach. It is, indeed, pivotal to strike the right balance between supervision and administrative burdens. An accurate and dynamic assessment of the risks should prevent the danger of e. g. harmonisation moving inappropriately 'downwards' to the lowest common denominator. Therefore, NFUs general view on this section regarding supervision is positive, and we agree to most of the suggestions.
9. We would like to raise one caveat, however, in relation to Step 2, subs. (ii), in annex I, p. 10. Even though it is very positive that the role of supervisors has begun to follow the way in which the firms are organising themselves, the cross border powers for a supervisory authority to a subsidiary in another Member State may potentially be problematic to competition etc., if there are too large differences between the two regulatory systems.

Example

We would like to mention the agreement between the different supervisory authorities in Sweden, Denmark, Finland and Norway regarding the supervision of Nordea. The Swedes are responsible all the time Nordea is a Swedish company, but has made the agreement to collaborate to make the supervision of the company more effective. In our mind, this agreement is an example of a rational way to solve some of the challenges with supervision of cross-border financial conglomerates.

10. We look forward to see how the Green Paper's three step strategy on supervision will be carried out and we will take part in the future debate.

Possible targeted new initiatives: Retail financial services

11. On financial mediation NFU agrees with the view that the need for further alignment of rules on conduct of business, sales advice and disclosure should be examined. Financial mediation might be one way of increasing cross-border services. It is however, very

important to underline that the same rules that applies for traditional banks shall also apply for these intermediaries.

12. From a consumers perspective it is vital that fundamental fiscal services (to open a bank account and sign up for normal insurances) are accessible where ever you live and who ever you are. This does not necessary mean that all Europeans should be able to walk to the nearest retail office but the financial institutions and insurance companies need to take the responsibility in pricing and customer policy to make this reality. This responsibility also covers the importance of making the pricing of financial services understandable and transparent.

Regarding bank accounts NFU agrees that one of the prioritised areas should be the access to bank accounts. There are many aspects that need to be addressed. Do all EU citizens have the possibility to open a bank account?

Example

NFU have received recent examples on situations where consumers have had problems with opening bank accounts. One is from a Swedish colleague working in Brussels for one year. He had two specific problems when trying to open an account. Firstly – to open an account he had to have a Belgian identification card. It was not enough with the Swedish passport or ID. The Belgian ID-card could be issued first after six months of living in Belgium. Secondly, he had to receive monthly depositions from an employer on the account. Since he was going to receive his salary on his Swedish account, he would not receive monthly depositions, and thus could not open an account. The other example is similar.

- I am a recent graduate from University College Dublin and have just started a temporary contract working in Brussels. On arrival in Brussels I wished to open a bank account to receive my wages every month. However, this has proved extremely difficult in spite of proclamations of 'free movement of workers' within the EU. I visited several different banks with my Irish passport, my contract of employment and my five month contract of accommodation. I was advised by each of the banks that I would need to produce an 'identity card' from my country of origin. There is no such document in Ireland, as is the case in a number of EU countries. The bank suggested that I apply for a Belgian identity card, however this can take over three months to process...I will only be in Belgium for five months. I asked if a bank statement or credit card bill would be sufficient proof of my address in Ireland. I was told that until recently this was adequate proof but now the rules have changed! I was advised to produce a utility bill addressed to me at my address in Ireland. As I have been living with my parents I did not have such a document. Finally after three weeks of phone calls and visits to the bank it has been decided that a tax document addressed to me at my address in Ireland (with my passport and contract of employment) will be necessary if I wish to open a bank account

in Brussels. This entails a phone call to my tax office in Dublin and up to ten days waiting to receive this document, at which time, after being in Brussels for over a month, I should be able to open an account. I have been so surprised at the barriers I have faced to do something as simple as open a bank account to receive my wages. Surely this is not what is meant by an integrated Europe with free movement of workers, for what use is free movement of workers without free movement of their wages?!

The above example raises not only the question of how easy it is to actually move and work freely within EU, but also questions regarding accessibility. Who should have the right to have a bank account? With these rules an unemployed person might have difficulties in receiving even the basic bank services. This is something that has to be addressed. The bank account that every one should have the right to open should be more than a simple savings account. It should also include a payment service for a reasonable price.

13. NFU agrees with the view expressed by the commission that it is important that the consumers increase their knowledge regarding financial products. The employees play a key role in this process. They should be guaranteed enough training and education to be able to give excellent customer service. A harmonisation of the rules regarding the competences needed for this work is appropriate. NFU underlines the responsibilities of the employers when it comes to providing relevant and qualified training to all employees in the finance sector during paid working hours. The conflict between selling and giving advice must be addressed. It is important that the customer knows what type of service he is receiving. This is not the least important for the employees, who should not be pressured between individual sale goals to sell a certain product and giving the customer objective and adequate service. There have emerged problems when it comes to the possibility to reach sales goals due to the simple fact that a proper financial advice takes more time to deliver than a clearer sale of a product.

Example

14. NFU would like to give examples on measures taken to increase consumer protection. One important step in Sweden was the "Financial Advisory Services to Consumers Act" (No: 2003:862) that entered into force the 1 July 2004. The aim is to increase consumer protection. The Act means that a businessman shall ensure that the person who performs the advisory service is sufficiently competent. They shall also make sure that what has occurred at the time the advisory service was provided is documented. The businessman shall in his advisory service operations observe good advisory service standards and treat the interests of the consumer with sufficient care. A parallel development regarding securities is the Swedsec AB licensing, which started in April 2001. The purpose of the licensing is to increase the basic competency of persons

employed on the Swedish securities market. The object of increasing the basic knowledge of such personnel is to increase confidence in the market by, among other things, providing customers increased protection. In general, the licensing requirement shall apply to all personnel involved in trading securities whose primary function is direct contact with outside parties on matters regarding financial instruments, as well as employees authorised to take decisions regarding transactions involving financial instruments which affect the institution's balance sheet. Outside parties include all categories of clients, as well as other securities institutions, stock exchanges, market places, and clearing institutions. Anyone wishing to obtain a licence must pass an examination. This will evince that the person has a sound knowledge of, among other things, financial instruments and their business and legal characteristics, techniques for trading such instruments, and the risks associated with them. The examination also covers the various regulations which govern the securities market. Administration of the securities market and issues regarding internal controls in institutions operating on this market are also on the examination. In general, all companies on the Swedish securities markets are affiliated to Swedsec, even though the license is voluntary. In Denmark are the rules somewhat similar to the above. The Danish rules have been implemented in Danish legislation by way of an executive order on good business practice for financial undertakings. Norway has a similar system as the Swedish law but it is voluntary.

15. On Consumer training NFU agrees that the wide variety of financial products together with reformed pensions systems and internationalisation etc makes the financial world more complicated than it was just 10 years ago. The consumers have a lot of choices to make. Choices, which might have big effects on their private economy. There is a need for increased education in financial issues. One example is initiatives taken to increase the education/information in schools.

Proposal:

NFU suggests another way would be to create national forums where consumer groups, government, banks and trade unions could exchange ideas.

16. The commission asks what are the (dis)advantages of the various models for cross border provision of services, whether there is a business case for developing a 26th regime, and which business lines might benefit; The NFU Europe Committee are not really sure what this is. We think that the 26th regime is the possibility to open a pan-European regime for private pensions to exist alongside the existing (25 MS) structures. We would like to be involved in the further debate regarding this to learn and to see what impacts it might have on the European insurance industry and its employees.

Asset management



17. NFU supports an integration of the asset management industry in Europe. And again, we expect the commission to address the problems that will occur for the humans that are working in "cost effective fund industry". We are looking forward to take part in the consultation on the Green Paper on asset management that will be released in July 2005.

Thursday, 07 July 2005

Jan-Erik Lidström

General Secretary

Attachement 2005-07-07

Nordea Union sourcing policy

It is of utmost importance that any sourcing arrangement is comprehensible to every employee involved and to the organisation. It is necessary for Nordea to show that it is

- an economically based process – significant cost reduction, and
- no longer core business, and
- a strategic choice

If sourcing is the choice, Nordea Union aims to ensure full employment for all union members.

We negotiate to reach optimum conditions and possibilities for our members.

As representatives in Nordea Union we have three focus areas in sourcing arrangements:

1. The employee
2. The process
3. The company

1. The employee

The below mentioned factors are among several important issues to ensure the best interest of the employee:

- **Job security.** We aim to ensure that there is real employment within the new supplying company and that the new job contract is in accordance with laws and regulations.
- **Collective agreement.** We aim to ensure that all employees are covered by the best possible collective agreement.
- **Environment.** We aim to ensure that any new employer has an acceptable standard level of physical and psychosocial environment.
- **Conditions and benefits.** We aim to ensure that the Nordea employee conditions and benefits within the new company are the best possible, covering a sufficient space of time.
- **Possibilities.** We aim to ensure that all sourcing arrangements and new contracts state possibilities for future careers, education and other personal development within the new company.

- **Motivation.** If a decision to source is made, we will contribute to motivate our members for future employment within a new company, and help our members to prepare for future changes by urging them to seek education or other means of gaining competence.

2. The process

We want all sourcing arrangements and processes to be fair and that unions are involved at all relevant levels. We expect to be given the possibility to influence decisions.

- **Involvement.** We aim to contribute to the best possible quality in all processes by providing focused and skilled union representatives. We also expect that “experts and specialists” from the business area (including the local shop stewards) are to be consulted.
- **Confidentiality.** We recommend open processes in order to make sure that all involved parties are heard. As a negotiation part, we must be presented all relevant material.
- **Information.** We find it crucial that information of an upcoming process is given early and that it is the same to all involved. A communication plan should be made immediately. The information must be valid, comprehensive and relevant.
- **Negotiation.** We demand real negotiations in all sourcing arrangements and in due time.
- **Quality.** A good process helps to obtain a good result, both for our members and for the company. We recommend to use the time needed to ensure a good process.
- **Inhouse bids.** We expect the business area to be given the same opportunity to deliver a bid as all external suppliers, and that the inhouse bid is treated equally and fairly.

3. The company

Nordea Union wants to influence decisions by urging Nordea to focus on:

- **Quality.** Would a sourcing arrangement improve the quality of the services in question?
- **Risk.** Are there strategic, commercial or any other risks connected to the sourcing arrangement?
- **Company culture.** Could the Nordea Group be affected negatively or even harmed by a sourcing?
- **Employee loyalty.** Would a sourcing arrangement diminish or even harm employee loyalty?



NFU response to Questionnaire on the Electronic Money Directive (2000/46/EC)

Ref.: E-Money 003/2005

Facts on NFU

The Confederation of the Nordic Bank, Finance and Insurance Unions (NFU) is an organisation for co-operation between trade unions that organise employees in the banking, finance and insurance sectors in the five Nordic countries. At present, eight trade unions are affiliated to the NFU, two in Denmark, two in Finland, two in Sweden and one in each Iceland and Norway. Through these trade unions, the NFU represents 165 000 employees on the Nordic financial market. Some 135 000 of these employees belong to the banking sector, while the remaining 30 000 belong to the insurance sector.

Approach

This response has been created in cooperation in-between policy officers from all NFU affiliates. The NFU executive committee has discussed a draft response and thereafter made a per-capsulam decision to adopt this response.

General observations

Generally, it is our opinion that E-Money has not, so far, been any major success in the Nordic countries. Maybe this lack of success is due to the fact that the Nordic countries have debit card systems that are nationally widespread and free of charge (or very cheap) to use in normal trading.

It is understandable that the Commission is aiming at improving the environment for the issuance and use of E-Money. It is, however, also pivotal that any measure to that extent is neutral from a competition point of view and thereby secures the level playing field in the European financial sector, i.e. between credit institutions and electronic money institutions.

Also, financial and supervisory stability has to be observed when deciding whether any amendments should be made, and if so, what changes are possible taking the above aspects into consideration.



NFU Response to Review of the Deposit Guarantee Schemes Directive (94/19/EC)

Ref.: DGS 001/2005

Facts on NFU

The Confederation of the Nordic Bank, Finance and Insurance Unions (NFU) is an organisation for co-operation between trade unions that organise employees in the banking, finance and insurance sectors in the five Nordic countries. At present, eight trade unions are affiliated to the NFU, two in Denmark, two in Finland, two in Sweden and one in each Iceland and Norway. Through these trade unions, the NFU represents 165 000 employees on the Nordic financial market. Some 135 000 of these employees belong to the banking sector, while the remaining 30 000 belong to the insurance sector.

Approach

This response has been created in cooperation in-between policy officers from all NFU affiliates. The NFU executive committee has discussed a draft response and thereafter made a per-capsulam decision to adopt this response.

Response

NFU sees the need for deposit guarantee schemes in all Member States. The schemes improve consumer protection. And through the schemes the consumer confidence to banks gets better. In an integrated financial market in Europe NFU also supports a common set of rules for financial institutions in the whole common market to promote a fair competition in-between companies based in different European sub-markets.

Here are some comments to the consultation document:

NFU supports general principals

The three paragraphs on top of page six¹ in the consultative working paper sets out important principles that NFU would like to form the basis also for the review of the directive.

¹ "The principal objectives of Directive 94/19/EC, as indicated in its recitals were to:

Keep the minimum coverage limit

Without knowing all the factors that were taken into consideration when one first created the 20 000€ level for minimum coverage in deposit guarantee schemes, it would seem fair to increase the level of coverage after more than ten years. However, on the other hand, the transition period for some of the new member states that do not have schemes at this level is not over before 2008/09. There is also the question if not the 20 000€ minimum level will cover most deposits by costumers also in the near future. NFU therefore can not see an urgent need to change the minimum coverage limit in the deposit guarantee schemes directive.

Home country principle

In the Nordic countries we have seen that the different national regulations on deposit guarantee schemes have had an impact on how the financial institutions have designed their organisations, i.e. converting their subsidiary companies in one country to a branch instead. The argument has been to save expenditures in the deposit guarantee scheme in the host country². In NFUs opinion this is unfortunate, but we do not think this is a good enough argument to change the home country principle.

Deposit guarantee schemes and competition

The different deposit guarantee schemes in the EEA and its impact on competition becomes clear when a bank transforms into a European Company. It is obvious that a solution is urgently needed to meet this problem or otherwise there will not become any bank SE's. But

-
- Promote the harmonious development of the activities of credit institutions throughout the EU through the elimination of all restrictions to the right of establishment while increasing the stability of the banking systems and protection for savers;
 - Ensure a harmonised minimum level of deposit protection wherever deposits are located in the Community;
 - Ensure that, in the event of a closure of an insolvent credit institution, the depositors at any branches situated in a Member State other than where the head office is situated are protected by the same guarantee scheme as the institution's other depositors."

² The Swedish bank Handelsbanken bought the Norwegian bank Bergensbanken in 1999 and promised to keep it as a subsidiary. Only two years later the bank was converted to a branch and one of the arguments was that it was cheaper to be part of the Swedish deposit guarantee scheme.

the solution has to promote an economically reasonable solution for the bank turning itself into an SE without dramatically changing the competition with competitors on the EEA submarkets where the European Company bank operates.

Costs for changing systems

The above mentioned example of changing of organisation designed to adjust to different deposit guarantee schemes in the different Member States is the best argument for a strong common regulation of deposit guarantee schemes on European level. NFU would therefore ask the Commission to estimate the costs of a change into an ex-ante system for those countries which to-day have neither an ex-post nor mixed (ex-ante/ex-post) system.

Risk-based principles

NFU supports that the different deposit guarantee schemes should be financed by risk-based principles. There is after all not the deposits themselves that imply a need for the schemes; it is to what purpose or to whom the deposits are lend.

Deposit guarantee schemes in marketing

NFU means that there is one additional question that should have been addressed in the consultation. In article 9 (3) of the directive there is rule that limits the banks to use their deposit guarantee schemes in their marketing. In NFUs opinion the marketing of which deposit guarantee scheme the banks customers are covered by would make the market more transparent and help the customers in their decision making.



NFU response to COM(2005) 314 final Green Paper on the Enhancement of the EU Framework for Investment Funds (SEC(2005) 947)

Facts on NFU

The Confederation of the Nordic Bank, Finance and Insurance Unions (NFU) is an organisation for co-operation between trade unions that organise employees in the banking, finance and insurance sectors in the five Nordic countries. At present, eight trade unions are affiliated to the NFU, two in Denmark, two in Finland, two in Sweden and one in each Iceland and Norway. Through these trade unions, the NFU represents 165 000 employees on the Nordic financial market. Some 135 000 of these employees belong to the banking sector, while the remaining 30 000 belong to the insurance sector.

Approach

This response has been created in cooperation in-between policy officers from all NFU affiliates. The NFU Executive Committee has discussed a draft response and thereafter made a per-capsulam decision to adopt this response.

Transparency

NFU can not say whether it's more or less important with investors' protection than anything else touched upon in the green book. But we do think that transparency and comparability are important factors to support a growth of the private investments in these types of products. Information regarding costs, risks and gains must be provided to customers in an understandable form and in such a way that competing products and different UCITS¹ can be compared by the regular customer.

No regulatory dumping

The ambition to harmonize and clarify the products offered on the market must not lead to a one-size-fits-all situation. There will be a customer as well as an industry interest in diversification. On the other hand we do not support a situation where the number of products

¹ UCITS (Undertakings for Collective Investment in Transferable Securities)

offered to costumers is so big that the effective comparability is practically impossible for anyone with a moderate interest.²

Most important is that the regulatory framework, developed for EEA, is neutral when it comes to costs depending on where the UCITS has its seat. NFU strongly supports a development that supports a level playing field in-between the EEA submarkets.

Clear responsibilities

The risk involved in this industry also includes responsibility. The provider of the fund must make sure the customer understands the risk taken. The information given should be documented by the UCITS and the customer should sign when receiving the information and, in that way, take responsibility for understanding it. The fund industry and the EU-commission need to observe that there is a potential conflict for employees forced by regulations to give financial advice and the duty to sell as much as possible. The employers must recognise that the remuneration schemes for employees have to be adjusted to ease this conflict.

Customer training

The knowledge needed to understand the UCITS market is very technical. NFU does not expect regular pension savers to educate themselves before they decide to become customers of this kind of service. It is not likely that all customers in Europe will take an interest in this issue before they actually buy the product. Therefore NFU believes that consumer's training has to be provided at the moment of purchasing pension funds.

Number of employees in UCITS industry

In spite of the consolidation asked for in the green book one can expect more employees in the sector. Normally the opposite would be expected but this industry has a potential to grow due to demographical reasons. In addition to this the companies are filled with competent employees working with asset management that always will find positions on the labour market. NFU also believes that regardless of changes in the regulations for the industry it will grow because of the need to modernise pension funds in many European countries.

² Swedes are expected to select pension funds, as part of the public pension savings (PPM), and have Tuesday, 11 October 2005, 700 funds to choose from. That is a bit much.



NFU response to Green Paper COM(2005) 327 final Mortgage Credit in the EU

Facts on NFU

The Confederation of the Nordic Bank, Finance and Insurance Unions (NFU) is an organisation for co-operation between trade unions that organise employees in the banking, finance and insurance sectors in the five Nordic countries. At present, eight trade unions are affiliated to the NFU, two in Denmark, two in Finland, two in Sweden and one in each Iceland and Norway. Through these trade unions, the NFU represents 165 000 employees on the Nordic Financial Market. Some 135 000 of these employees belong to the banking sector, while the remaining 30 000 belong to the insurance sector.

Approach

This response has been created in cooperation in-between policy officers from all NFU affiliates. The NFU Executive Committee has discussed a draft response and thereafter made a per-capsulam decision to adopt this response.

General remarks

We have the following general remarks concerning the market and the risk diversity:

The market

The Commission should analyse the impact of an economic setback or a collapse in the property market. The safety net which the mortgage institutions and society can offer clearly differs.

The risk

The funding of property has changed concurrently with the mortgage institutions' increased income and business areas resulting in smaller risk diversity.

Earlier a property was normally financed through a combination of mortgage loans and private bonds at least in Denmark. This type of lending is no longer common after the entry into the market of financial supermarkets that offers a whole range of financial products including

mortgage lending. Today the lending is often a combination of mortgage loans and bank loans or a large down payment in combination with a residual funding through a mortgage loan only.

The financial supermarket will bear the overall risk resulting in smaller risk diversity.

The Green Paper mentions that part of the funding is done through mortgage loans. However, the above-mentioned remark on financial supermarkets should be observed when analysing the composition of the lending. If the borrower is in arrears with the mortgage payment it could be problematic for the borrower with only one lender, since the latter would demand the highest possible security.

Responses to the questions in the Green Paper

In the following we answer to the questions in the Green paper we find is constructive to contribute. Questions are written in bullet points with italics.

II CONSUMER PROTECTION

Information

- *Should the Code of Conduct be replaced by binding legislation or remain voluntary?*

We suggest that the Code of Conduct remains voluntary.. The duty of consumer information provision should be borne jointly by the borrower and the provider. In connection with compulsory provision of advice and guidance, the borrower may receive advice and information without the borrower himself taking responsibility for the greatest financial decision in her/his life. The provider is under an obligation to provide the borrower with objective information, but so that the borrower can make her/his choice on an informed basis.

The choice of product must be made by the borrower and not by the provider. This division of responsibilities must be ensured from the commencement of the provision of advice. If there is a requirement for provision of written advice, the provider and the provider's employees may be legally obligated and may incur a liability for damages. This may limit the provision of advice to being solely factual, instead of being objective and based on overall financial considerations, which is the type of advice for which the borrower has the greatest need when he is to find the right mortgage.

A voluntary code of conduct allows certain flexibility in companies' ways of handling daily affairs. Flexibility allows mortgage providers to differentiate from competitors by providing competent advice and information.

- *What information should be given to consumers? A careful balance must be found between information deficiency and information overload.*

- *The Commission considers it fundamental that pre-contractual information is provided at a stage that enables the consumer to shop around and compare offers. Can such a common EU stage be identified, given the variations in Member States' traditions and legislations?*
- *Should an information provision regime apply only to lenders or to others such as brokers too? How can compliance with any such regime (binding/voluntary) be ensured?*

Yes, the information regime should apply to brokers too in order to ensure that competition is not distorted.

Advice Provision and Credit Intermediation

- *Should the provision of advice to the borrower be made compulsory or be a matter of choice?*

Mortgage products are complex and involve decisions of high economic importance for the consumers. The provision of advice should be compulsory and should be made on joint conditions in order to protect the borrower as well as the provider and the provider's employees. Moreover, it is crucial that the employees receive sufficient and ongoing training, instruction and information about their advisory role and the Code of Conduct described above.

- *Should conditions be applied to any advice actually provided, whether under a duty or by choice (e.g. standards for the advice, sanctions for non-compliance, advance disclosure of fees, of the adviser's role and recording on durable medium)?*

Product pricing should be free in relation to a free market. Information about prices, fees and charges and their effect on the loan during its term should be provided when the loan is obtained. It should be observed that the addition of a charge or fee is made on the basis of a risk assessment throughout the term of the loan.

Early Repayment

- *Should early repayment be a legal right or a matter of choice? If it is to be a right, should it also be made possible for a consumer to waive this right? Under what conditions? Should this right be subject to compensation in the form of fees?*

We think that early repayment should be a legal right to ensure certain product diversity. In addition, we think that the consumer should be able to waive this right in exchange of better loan conditions. To this end, the Danish possibility of early repayment at par should be observed where bond-based loans are involved. In periods of falling yields, this possibility enables borrowers to prepay their loans at par and to take out new loans at a lower interest

rate. In Denmark, borrowers are highly focused on the possibility of prepaying their mortgage loans.

If the possibility of early repayment is not present, the consumer will lose the possibility of re-mortgaging and switching to more favourable loan types during the term of the loan.

- *How should such fees (whether under a right or through contractual choice) be calculated? Should there be caps, as is the case in some Member States?*
- *How should the consumer be informed about early repayment? Is there scope for consumer education here?*

We think that this information should be included as a natural part of the compulsory advice provision mentioned above.

Annual Percentage Rate

- *What is the purpose of an APR? Information? Comparison? Both?*

The purpose of APR is to provide consumers with knowledge about the total loan costs to ensure that they are able to evaluate and compare competing mortgage products and to make the correct choice.

- *Should there be an EU standard covering both the calculation method and the costs elements?*

The interest charged by the lender, the annual percentage rate, will obviously be calculated using a mathematical model that is based on costs and profit. Such a model is regulated naturally by the market. It is difficult to provide consumers with advice and information about the calculation model, and a standardisation will be impossible in practice. The borrower should obviously be informed about the calculation result.

- *If so, what kinds of cost elements should such an EU standard include?*

There should be a minimum EU standard for provision of information about costs comprising administrative expenses, risk/insurance costs as well as costs for drawing up and issuing the loan. This will ensure comparable products.

- *The Commission welcomes views on the merits of providing separately information on all costs not specified in the APR, and on the presentation of the effects of the APR in concrete terms such as the cost per month or the overall cost of the loan.*

A total statement of the monthly costs that are not included in the APR must be regarded as only partly easy to grasp for the borrower. The borrower should be able to be provided with this information on demand when the loan is obtained, repaid or extended.

Usury Rules and Interest Rate Variation

- *What are the implications of usury rules for market integration (including any relationship with products such as equity release and mortgage insurance)?*

The charging of excessively high rates of interest (usury) on the consumer's overall accounts will be a relevant area of focus when the loan composition is a mortgage credit loan and a bank loan with the same institution. The reason for this is that most Member States have a maximum limit for mortgage lending on the value of the property.

Residual funding is often provided by a bank loan. In connection with high-risk lending, the lender will seek to protect himself, and the charging of excessively high interest rates should be regulated for this combination.

Usury is not a great problem in connection with pure mortgage credit lending, as the loan is partly secured by a combination of the value of the property and the borrower's creditworthiness. The charging of interest and the imposition of compound interest is an area that is difficult to regulate, and if such regulation is to be imposed, it should be done by the individual Member State. This area is often regulated by market mechanisms.

- *Should this issue rather be examined in a broader, non-mortgage specific, context?*
- *Do such restrictions hinder market integration?*
- *What impact can they have on the development of particular products such as equity release products?*

Credit Contract

- *The Commission welcomes views on the merits of the standardisation of mortgage contracts, e.g. via a 26th regime instrument.*

Enforcement & Redress

- *Should the Commission consider imposing on Member States an obligation to ensure the existence of such alternative means of redress in the mortgage credit area?*

Rules pertaining to civil law, law of succession, divorce law, insolvency law and property law apply in the Member States. Added to this are tax rules and Land Register rules. These rules in themselves regulate the enforcement of the legal relations between borrower and lender. Seen from the mortgage credit sector's point of view, the imposition of further legal consequences and consequences pertaining to arbitration law may act as a negative deterrent measure. The sector in the individual Member States should, as a minimum, have a complaints body so that

the enterprises in the sector themselves contribute to creating and ensuring a good image and a high level of credibility for the sector. Moreover, the co-operation between national complaints bodies in the finance sector (i.e. FIN-NET) should be promoted and the knowledge and the use of FIN-NET among European consumers. Consumer confidence in foreign financial providers and a well functioning European redress body is a necessary precondition for growth in cross-border transactions.

- *The Commission welcomes views on ways to reinforce the credibility of existing alternative redress systems, particularly in the mortgage credit area.*

III LEGAL ISSUES

Applicable Law

We agree with the Commission that there is no reason to depart from the principle that the law of the country in which the property is situated applies.

There is one aspect regarding the provision of collateral that, on the face of it, has not been highlighted in the Green Paper. The borrower often provides collateral in the form of an owner's mortgage deed to the finance institution that provides the residual funding. This mortgage deed is covered by the applicable legislation in the country in which the institution is situated, which is not necessarily the same country as the country in which the property is situated. The matter of cross-border collateral should be examined.

Client Credit-Worthiness

- *Following the same approach as for consumer credit, the Commission considers that the priority could be to ensure cross-border access to databases on a non-discriminatory basis. It welcomes comments on this.*

The Commission's recommendation that the top priority should be to ensure cross-border access to databases on a non-discriminatory basis should be observed. Consumers should be protected so that registration in a creditworthiness database is followed by cross-border legislation.

Property Valuation

- *What are the merits of a single EU standard, for both valuation processes and valuers?*
- *What are the merits of Commission action to ensure mutual recognition of national valuation standards?*

Property valuation is a highly complex area and is often based on local knowledge and estimates. A single EU standard should therefore be avoided. In stead mutual recognition of national valuation standards could be viable. One of the arguments against the introduction of such a single EU standard is that the assessment of location is often of great importance to the overall property valuation.

Property valuation may be done in several ways if the lender knows the property, for example because the customer is a current customer of the lender and because the lender knows the property, the property can often be valued on the basis of the taxable value according to the public land assessment and other registered material. This can often ease the work burden for the employee, as no inspection of the property will be required. In other cases, in connection with conversion or extension work, or when the property belongs to a new customer, the property should be inspected by a person who has knowledge of the local area.

Forced Sales Procedures

- *The Commission seeks views on the following gradual approach to encourage improvements in forced sales procedures: to first collect information on the cost and duration of these procedures in all Member States and their effectiveness in protecting the interests of all involved, then present it in a regularly updated "scoreboard" and, should this prove ineffective in the long run, consider putting forward more robust measures.*

In connection with forced sales procedures, the lender's legal position should be protected. The lender needs to be able to maintain credible relations with the bond owners and other investors. An analysis should be implemented of the various aspects of forced sales procedures, including an analysis of the difference between the legal relations of various borrower types. Private and professional borrowers can be mentioned as examples of borrower types. Consumer protection agencies should be involved in such an analysis.

It is recommended that a gradual introduction of forced sales procedures should be attempted in this area, one reason being the current historically low percentage of forced sales.

Tax

- *The Commission seeks information on similar or other tax obstacles to the cross-border provision of mortgages, which are likely to infringe the freedoms provided for by EU law.*

IV MORTGAGE COLLATERAL

Land Registers

- *Before making further assessments, the Commission would welcome input on all these issues.*

As a general comment on mortgage collateral we agree with the Commission that there is no reason to depart from the principle that the law of the country in which the property is situated applies. There is one aspect regarding the provision of collateral that, on the face of it, has not been highlighted in the Green Paper. The borrower often provides collateral in the form of an owner's mortgage deed to the bank that provides the residual funding. This mortgage deed is covered by the applicable legislation in the country in which the bank is situated, which is not necessarily the same country as the country in which the property is situated. The matter of cross-border collateral should be examined.

Euromortgage

- *The Commission invites views on the feasibility and desirability of the Euromortgage. It will, in any event, await the outcome of ongoing initiatives to inform its assessment of this issue.*

V FUNDING OF MORTGAGE CREDIT

- *The Commission intends to create an ad hoc stakeholders working group to examine the need for and nature of action on the funding aspects (primary and secondary) of mortgage credit.*
- *It is interested to assess to what extent a pan-European market in mortgage funding can be promoted by market led initiatives, e.g. on documentation standards and model definitions to be used in cross-border funding activities.*
- *In this respect, the Commission is interested to receive views on whether mortgage lending should necessarily be an activity which is restricted to credit institutions, or whether and under which conditions such activity could be performed by institutions which do not take deposits or repayable sums, and therefore do not fall within the scope of the EU definition of a credit institution and therefore of all related prudential rules.*



NFU statement at ECON Public Hearing: "Towards further consolidation in the financial services industry"

We support the ongoing process towards a further consolidation of the European financial institutions if some pre-requisites are in place.

Employee reluctance

The major question you want us to respond to is the employee perspective on cross-border consolidation and especially the findings in the Financial Integration Monitor that the employees seem to have a somewhat reluctant attitude towards further consolidation.

Employees will always be reluctant to losing their job. The challenge is to consolidate in such a way that the employees' worries will diminish, and both the employees that will be out of job and those still remaining share the belief that consolidation is a good thing.

The employee reluctance is of course no surprise. Thus far, most of Europe's employees and workers have not experienced that much positive from the dynamic effects from the ongoing internationalising of companies.

In the Nordic countries we experienced, during the early 1990's a tough period of employment in the banking sector. More than (30 000) of our colleagues were made redundant in the process of rationalisation that had to follow from the financial crisis. The next step to improve the performance in the industry was the natural steps of consolidation. You know all about that process and how fast it turned in to a consolidation that crossed borders. Of course, this led to more redundancies.

This was hard for the employees that were pointed out as redundant. It was also challenging for the trade unions that dealt with this process to negotiate descent conditions for the colleagues leaving the industry. Furthermore, unions focused on giving the colleagues that would remain in the banks as good conditions as possible to create a profitable business that could provide them with secure jobs under good conditions. This process went on with a minimum of industrial actions.

The Nordic bank industry is now strong and well positioned in the Nordic financial market - a market that nowadays also includes the Baltic Sea region.

Three pre-requisites

We believe there are three important pre-requisites that are absolute necessary to make this consolidation a success and to be carried out without unnecessary turmoil on the labour market. The first is employee involvement; the second is a pro-active approach to competence support and development in the banks and the industry. The third pre-requisite is a strong system in the surrounding society to make sure the freed resources the redundant bank employees constitute can be used in other profitable sectors of the economy.

The first pre-requisite

In Scandinavia the employee representatives are regarded as natural stakeholders and full worthy partners in running the business. Employee representatives are represented on the company board in our one-tier systems in all trans-national financial institutions. This gives the employee representatives a good insight in the economical position of the company and they can validate whether the proposed merger or acquisition are based on sound economical calculations or not. Many mergers and acquisitions are supported by the employee representatives even if they lead to cost cuts of overlapping functions. The employee representatives can support the merger or acquisition and hereby act as controllers on behalf of the rest of the employees. Or, they may argue on the company board why this is not a good proposal or what could make it better. It is important to make sure that all effects are taken into account when the restructuring of a company or an industry is being discussed. Employment and social effects must always be included.

Regarding employee involvement, we would like to point out that good employee participation regimes should never be a factor leading companies not to choose a certain type of organisational structure (re the 10th Company Law Directive on cross-border merger, the SE statute). The overall objective should be to have identical or similar arrangements for employee participation based on best-case European legislation, irrespective of the organisational structure of the company.

The second pre-requisite

Investment in competence building is a shared responsibility between employers, employees, trade unions and public authorities. Employees have a responsibility and duty to develop their competence to be able to contribute to the business at their best now - and in the future, to maintain their employability. The employer should provide possibilities for developing the competencies of its workforce. At the same time the employer has the right and duty to demand for its workforce to keep its skills updated. Therefore the employees and the employer have a mutual interest in developing appropriate Life Long Learning programs. The trade unions in Nordic companies have often negotiated agreements with the financial institutions on how training should be organised and remunerated.

The third pre-requisite

In mergers and acquisitions there will emerge synergy effects. This is expected to generalise immediate gains from the affair and pay for all its costs. Regardless of how realistic this is, it will force employees out of the company. The profits in the Financial Services Industry have reached such levels that not all cost cuts seem rational and reasonable. Normally negotiations will take place regarding the compensation for the resignation. Even though this could be regarded a natural contractual negotiation it leads to surprisingly hard resistance from the employer and hard words from the employees. Agreements regarding compensatory schemes for redundant employees should come as no surprise to employers. Such agreements should be included in the prior evaluation of any merger or acquisition.

If the redundancy is made due to an industrial reorganisation the employee has an additional problem – they might need to change sector and even profession. When some industries in Scandinavia have to go through tough redundancy processes they organise competence pools from where employees can apply for new positions within or outside the company. This should also be organised by the government to make sure that the freed resources are shunted as quickly as possible to a contributing position in some other sector of the society. This might be easily solved via an employment service or via re-training and educational programs. This has to be provided by the governments, the Member States.

When those three pre-requisites are in place we will strongly support a further consolidation of the European Financial Industries.

As regards mergers and acquisitions, we would also like to make a reference to the conclusions of the ILO Tripartite Meeting on the Employment Impact on Mergers and Acquisitions in the Banking and Financial Services Sector (9 Feb 2001) which states the following: “Governments, employers and workers have a mutual interest in ensuring that merger and acquisition outcomes conform to the overriding need to maintain a prosperous and competitive financial industry. Taking public interest into account, governments have a primary responsibility to ensure accessible and efficient financial services that guarantee financial stability, and offer decent working conditions. This responsibility also extends to the effects of mergers and acquisitions in the sector. Governments have a role in anticipating and addressing the negative social and employment impacts which mergers and acquisitions may have, and to assist the social partners to find commonly agreed solutions to mitigate the negative effects of mergers and acquisitions. In this context, the social partners have a role to play in ensuring effective social dialogue.”

Local banks for local growth

In doing so we would like to point out that fewer and bigger banks must not lead to a sparse retail office net. One perspective of retail market integration and an increase of cross-border mergers and acquisitions easily forgotten is the risk of concentration of retail distribution of financial services. This causes practical problems for customers that actually need to enter the bank. But, more importantly, it also creates a mental and geographical distance between the bank and the local society. Recent research, for example done by Lars Silver from the Centre for Banking and Finance, Stockholm, points out the important role for a local bank as a distributor of credits. Local capital invested in local business gives a good control over risks and promotes creditors willingness for long term commitment. This is a perspective that also strongly supports the Lisbon strategy.

Furthermore, it is vital that every citizen is guaranteed access to basic financial products - no matter level of income or where he or she lives. This is unfortunately not the case today and we fear a negative development. As regards cross-border access, the situation is far from satisfactory, and the issue of bank accounts is a very good example of this.

Consumer education

It is important that the consumers increase their knowledge regarding financial products. The employees play a key role in this process. Employees should be guaranteed enough training and education to be able to give excellent customer service. A harmonisation of the rules regarding the competences needed for this work is appropriate. NFU underlines the responsibilities of the employers when it comes to providing relevant and qualified training to all employees in the finance sector during paid working hours.

The conflict between selling and giving advice must be addressed. It is important that the customer knows what type of service he is receiving. This is not least important for the employees, who should not be squeezed between individual sale goals to sell a certain product and giving the customer objective and adequate service. Problems have emerged when it comes to the possibility to reach sales goals due to the simple fact that a proper financial advice takes more time to deliver than a clearer sale of a product.

Consumer protection

NFU would like to give examples of measures taken to increase consumer protection. One important step in Sweden was the "Financial Advisory Services to Consumers Act" (No: 2003:862) that entered into force the 1 July 2004. The aim is to increase consumer protection. The Act means that a businessman shall ensure that the person who performs the advisory service is sufficiently competent. They shall also make sure that what has occurred at the time the advisory service was provided is documented. The businessman shall in his advisory



service operations observe good advisory service standards and treat the interests of the consumer with sufficient care.

A parallel development regarding securities is the Swedsec AB licensing, which started in April 2001. The purpose of the licensing is to increase the basic competency of persons employed on the Swedish securities market. The object of increasing the basic knowledge of such personnel is to increase confidence in the market by, among other things, providing customers increased protection. In general, the licensing requirement shall apply to all personnel involved in trading securities whose primary function is direct contact with outside parties on matters regarding financial instruments, as well as employees authorised to take decisions regarding transactions involving financial instruments which affect the institution's balance sheet. Outside parties include all categories of clients, as well as other securities institutions, stock exchanges, market places, and clearing institutions. Anyone wishing to obtain a licence must pass an examination. This will evince that the person has a sound knowledge of, among other things, financial instruments and their business and legal characteristics, techniques for trading such instruments, and the risks associated with them. The examination also covers the various regulations which govern the securities market. Administration of the securities market and issues regarding internal controls in institutions operating on this market are also on the examination. In general, all companies on the Swedish securities markets are affiliated to Swedsec, even though the license is voluntary.

In Denmark are the rules somewhat similar to the above. The Danish rules have been implemented in Danish legislation by way of an executive order on good business practice for financial undertakings. Norway has a similar system as the Swedish law but it is voluntary.

Conclusion

The legislators should not offer cross-border consolidation as the only viable alternative for financial services sector growth. It is important that a consolidation of the industry is guided by principles of employee involvement and participation, respect for the employee made redundant in the process and, of course, products distributed in an efficient way.

Facts on NFU

The Confederation of the Nordic Bank, Finance and Insurance Unions (NFU) is an organisation for co-operation between trade unions that organise employees in the banking, finance and insurance sectors in the five Nordic countries. At present, eight trade unions are affiliated to the NFU, two in Denmark, two in Sweden, two in Finland and one in each Iceland and Norway. Through these trade unions, the NFU represents 160 000 employees on the Nordic financial market.