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NFU Response to the Consultation on the review of the Prospectus Directive (Directive 2003/71/EC)

About 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, NFU represents 160 000 employees in the Nordic financial market.

General remarks

Some of the questions asked by the Commission in the consultation paper are dealing with matters that are largely oriented towards the securities issuers and investors on the market, and hence not for NFU to comment specifically.

In our reply, we have focused on matters that will, from our perspective, have an impact on employees in the finance sector now and in the future.

Do you agree with the Commission services' preliminary assessment of the functioning of the Prospectus Directive?

NFU supports the idea of simplification and reduction of administrative burden where there are benefits for the market and its stakeholders to be gained. NFU also agrees with the Commission that any change in regulations entails a cost, and that this aspect should be taken duly into account when proposing legislative amendments. NFU would, however, like to point out that not only economic costs should be considered. NFU generally supports the cutting of unnecessary red tape, but if deregulation and the lessening of administrative burdens leads to downsizing, the social and economic interests of employees must also be taken into account.

Do you agree with the change proposed in Article 2.1(e) of the Prospectus Directive?

NFU supports one regulatory model that will cover any type of action; to have separate rules for categorising clients, with accompanying information obligations depending on the status or type of operations the company is involved in, makes the work harder and less foreseeable for every party involved. This makes especially sense with respect to the existing and ever-expanding interlinkage between different actors on the financial market.

Do you agree with the change proposed in Article 4(1)(e) of the Prospectus Directive?

Generally speaking, especially in hindsight of the financial crisis, NFU would just like to point out that clarity and transparency is vital when it comes to bonus systems and incentive plans. This of course goes for all schemes on all levels. NFU however agrees that, as long as the information regarding the existence of such schemes is transparent and available to all stakeholders, a prospectus might not be necessary at all times. The important point is that employees participating or intending to participate in such a scheme need to be informed of the contents and conditions relating to it. NFU agrees that a system where administrative burdens makes it cumbersome to create profit sharing for employees should be revised, but within limits.

When it comes to creating systems for bonuses and remuneration, such as employee share schemes, the involvement of trade unions, workers organisations and employees is important. Employee share schemes might be an instrument to motivate the employees to do a better job that will result in a better quality of service and advice to the customers, but it must be duly investigated what these schemes entail for the employees in terms of rights and obligations. As previously stated, it might not be necessary with a full-on prospectus, but it is definitely necessary that all information regarding the contents, conditions and risks associated with a scheme is passed on to the participating employees, to ensure that everybody understands what the scheme encompasses. This is of course even more relevant if parts of the "normal" remuneration or salary is paid with company shares.

Disclosure obligations

NFU agrees that it is necessary to discuss where the balance should lie between the provision of all necessary information for investors to make an informed decision and, at the same time, ensure that the prospectus is comprehensible and "user friendly". In this context it can be argued that it is reasonable that "professional clients" and "eligible counterparts" are more likely to make use of prospectuses since they are dealing with the matters themselves on a regular basis, and that simplified information can be more relevant for retail investors. This must not mean, however, that an introduction of basic and easy-to-understand products leads



to a creation of layers, where consumers interested in simplified products are left to conduct their own business, while the industry focuses on stakeholders that might be able to reap benefits from more advanced financial products.

That said, NFU would like to point to the quality of information in itself. Given the increasing interlinkage between the players on the financial markets it is of course vital that investors on all levels receive and understand the information given from issuers as well as intermediaries. At several meetings with DG Internal Market we have stressed the importance of training and education – of both finance sector employees and of consumers. The complexity of financial products is increasing and at the same time the individual must take greater responsibility for pension savings. Given this increasing complexity, it is of the utmost necessity that roles, risks and responsibilities are made crystal clear to all parties involved.

NFU has maintained that consumers need to be educated primarily in the situation where they actually set out to buy services and are looking for the best deal. This means that finance sector employees have an important role to play and will be major providers of consumer training. The quality of services to the consumers will thus depend upon the level and content of training offered to employees. Furthermore, not only competent, but also sufficient personnel will be the key to success. This of course also means that employers in the sector must take responsibility for ensuring that their employees have the competence and the time to provide this information to investors.

Yours faithfully

NORDISKA FINANSANSTÄLLDAS UNION (NFU)

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