



Register ID Number: 4129929362-47

NFU Response to Consultation on Commission Communication of 27 May 2009 on European Financial Supervision

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

NFU welcomes the European Commission's initiative to reform the financial supervisory system in Europe, and supports in general the Commissions' Communication on European Financial Supervision. In our view, it is extremely important that the European supervisory authorities operate under the same harmonised core standards, as suggested in the Communication. Combined with a more intense supervisory cooperation, as well as our suggestions below, this will have the potential to make an important difference, primarily at the micro level.

As the consultation material outlines general proposals without asking any specific questions, the following reply will be of the same nature.

As a first remark, NFU would like to point out that the proposals in the Communication are mainly pointed to the organisation and structure of the new supervisory system, and not to the practical tools. What is really at the core of the issue is how to secure that supervisory authorities both at the European and national level get adequate and relevant information on what is really happening – both in national banks, in multinational financial corporations, and in the industry as a whole.

In the opinion of NFU, neither the organisation nor the structure of the new supervisory system is sufficient to solve the main problem – guaranteeing adequate information supply on the actual practices and daily routines in financial companies.

As NFU and others have pointed out before, the solution is obvious: finance employees need to be involved and consulted. Who else is better suited to provide information on the everyday, ground-level practices that taken together and accumulated over time decide the fate of the financial industry?

NFU's contacts with supervisory authorities in the Nordic area have shown that when monitoring financial companies, supervisors are in contact with the board or with the management of companies. This is the case in other European countries as well, and seems to be the idea in the proposals in the Communication.

These kinds of limited contacts – only with the board or management of a company – where and indeed are a major risk to the financial system. We know that now; we have seen it painfully clearly. Isn't it so that the management in several large financial companies, in good faith or not, denied seeing or admitting the actual risk level of the business? And isn't it so that the supervisory authorities were convinced by this, as they did not discover and react early enough to the development in the companies and the industry as a whole?

It is obvious that the present practices of information provision and gathering did not suffice to prevent the financial crisis. Moving into the future, we need new and better solutions.

And a crucial part of the solution spells – finance employees. In order to get as neutral information as possible on the day-to-day development in the companies, employees need to be consulted. As opposed to management, who is bound by the prestige of its own business and strategic decisions, the employees can see which way actual practices are moving – and warn if they are going in the wrong direction. All stakeholders have after all a mutual interest of securing sustainable and long-term financial markets. To leave out such a central factor as the employees from the equation, will lead to a supervisory system which is heavily biased in its supply of information. This can surely not be in the interest of the financial sector or the EU as a whole.

Employees' role in the new supervisory framework

The Commission should propose to create a framework for systematic contacts with the employees in financial companies at all levels of the new supervisory system (ESRC and ESFS), in order to secure relevant information on financial market trends and practices.

- The European Systemic Risk Council should have structured contacts at least on a bi-annual basis with the European Works Councils of the multinational financial companies. The Council could invite leading representatives from the Works Councils to structured meetings, where the experiences and observations of the employees can be taken into account.

- The European System of Financial Supervisors should include in their guidelines for national supervisors the obligation to systematically consult with employees or employees' representatives in co-operational bodies.
- In addition to this, a system for protection of whistle-blowers must be created. Employees who report malpractice and regulatory breaches must be protected, and better European legislation should be developed in this regard.
- Set up a system of recurring standardized surveys to be answered by employees and customers as part of an early warning system.
- Set up a European Ombudsman for the Financial Sector to whom staff can report. This proposal also has a direct bearing on the Commission's work with responsible lending – finance employees have the right to give good advice, and should have the opportunity to report breaches to advice standards to a neutral party. The establishment of a finance sector ombudsman can also contribute to a much-needed short and long term improvement of consumer confidence in the sector.
- In creating and implementing the supervisory framework, all actors (COM, ESRC, ESFS, national authorities) should consult the financial sector trade unions (UNI-Europa, national unions).

Yours faithfully

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