

Nordic Financial Unions

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NFU Response to Consultation Paper on the Professional Qualifications Directive

Summary of main points

- Introduce an EU-wide framework for professional certification of financial advisors with a view to safeguard the stability of the European market as a whole and establish a level playing field among financial institutions
- EU work on certification should be contained in a framework based on openness and comparability of the financial advisors' competences. The framework should be construed in such a way that it can contain the various national education systems.
- Continuing professional development of finance employees must be promoted by such a framework, in order to achieve sound sales practices and consumer confidence in the financial industry
- The content of the framework needs to be developed in close contact with the social partners

General remarks

A framework for certification of financial advisors should be established in the EU. Such a framework would help to ensure that financial products are only sold by staff that are properly trained and have a thorough understanding of the products on offer, including their long-term implications for customers. The framework should be based on openness and comparability of the financial advisors' competences, and should be construed in such a way that it can contain the various national education systems.

Financial advisors want to be certified – they want to take responsibility for the finance sector by living up to the demands of a professional certification. From the perspective of both finance employees and customers, the rules and conditions surrounding the provision of

financial advice need to be as clear and transparent as possible. The employee perspective on establishing and maintaining sound sales practices has not received the attention that it deserves. A framework for certification of financial advisors would enhance the working conditions for the employees while at the same time contributing to better sales practices.

In the Nordic countries there are already now certification procedures for financial advisors in place, albeit somewhat varying in scope, nature and content. A European certification framework that would complement and/or reinforce national regimes would bring a clear added value of a level playing field and better mobility for employees.

A framework for certification would furthermore increase the employability of financial advisors as their competencies are recognised and acknowledged in a wider context. Career development and cross-border mobility will be greatly facilitated in a sector that is presently at very low levels of integration in terms of both employee and consumer mobility across borders.

The financial crisis has highlighted the key importance of maintaining sound and balanced sales practices in the financial sector. The crisis has had a clear negative impact on consumers' trust in the finance sector. A framework for certification would help to restore consumer confidence in the financial markets and finance employees, as it will prove that the industry is taking consumer concerns seriously. A trusting relationship between consumers and employees in the finance sectors is vital for the well-being of the employees as well as for the European internal market and the Member States' national economies.

A framework for certification could also contribute to increase the general knowledge about financial advising among all stakeholders in a financial company – board, management, employees, and consumers. With a certification, the consumer will know that the advisor is knowledgeable and responsible. This is all the more important when setting out to buy financial services in another Member State, where traditions and language is different from home.

Also, such a framework would work in favour of achieving a level playing field in terms of competition between actors in the financial markets. If all actors have to adhere to similar rules, the possibilities for taking advantage of discrepancies between national systems would diminish.

The content of a European framework for certification of financial advisors needs to be developed in close contact with the social partners.

Specific remarks

Question 2: Do you have any suggestions for the simplification of the current recognition procedures? If so, please provide suggestions with supporting evidence.

NFU has repeatedly maintained that all financial market actors should be subject to the same duties and controls, in order to ensure a level playing field and sound competition. A European framework for certification of financial advisors would contribute to an EU-wide common basis of knowledge that is necessary in order to be allowed to give advice to consumers on financial matters. The framework should be endorsed by an independent, third-party European authority or administrative body, for example tied to the EBA and EIOPA for bank and insurance respectively. This authority will coordinate with national administrative bodies for recognition procedures with a view to simplifying the processes as much as possible. A European certification framework should be construed in such a way that it can contain the various national education systems, with the added value of professional mobility and EU-wide recognition of competencies.

Question 10: How could the concept of “regulated education” be better used in the interest of consumers? If such education is not specifically geared to a given profession could a minimum list of relevant competences attested by a home Member State be a way forward?

It is not obvious that financial advisors should be included under the concept of regulated education. “Financial advisor” is not a regulated profession as such, so it is important to provide space in the definitions for different categories of professionals carrying out similar tasks. For consumer perspectives, see question 11. For an indication of the basic areas of a minimum list of competences, see question 12.

Question 11: What are your views about the objectives of a European professional card? Should such a card speed up the recognition process? Should it increase transparency for consumers and employers? Should it enhance confidence and forge closer cooperation between a home and a host Member State?

The primary aim of a European framework for certification of financial advisors is twofold: better professional development and mobility for employees in the financial sectors; and increased consumer protection and transparency. It would speed up the recognition process by coordinating national regimes of basic knowledge and competence criteria for financial advisors regardless of educational background. This would greatly improve the possibilities of taking up work as a financial advisor in another Member State.

Such a framework would furthermore increase transparency for both consumers and employers. Consumer protection would be strengthened through the knowledge that the advisor is certified and competent. Financial products should only be sold by staff that are properly trained and have a thorough understanding of the products on offer. A framework for certification would furthermore reduce the space for arbitrariness in cases of disputes between a financial institution and a consumer, as it would contribute to making the roles and responsibilities of the respective parties clear. Trust in the financial advisor is crucial in any situation where advice is given. A certification will work to reinforce this trust.

Financial advising has been given much media attention and there has been a clear increase in society's overall interest in following the development of financial advising. All stakeholders in a financial company – board, management and employees in general – therefore need to be well-informed and have sound knowledge of advisory practices. A certification framework would work to reinforce this general knowledge in a company by highlighting the competencies needed to carry out work as a financial advisor.

Question 12: Do you agree with the proposed features of the card?

NFU is not sure whether the term “card” is appropriate. “Certification” would be more valid, as it better reflects the spirit of what the card is actually doing – i.e. certifying that a person is in possession of the adequate level of professional competence to take up work as a financial advisor, be it in his/her home country or abroad.

The work on certification should be contained in a framework based on openness and comparability of the financial advisors' competences. The framework should be construed in such a way that it can contain the various national education systems.

The framework would focus on facilitating mobility and simplifying recognition procedures, but these measures should lie on the basis of the real content of national certifications – a solid approval of financial advisors' adequate knowledge and competence.

The details of the framework must be developed in close contact with employee's organisations and other relevant stakeholders, and adapted to varying national legislative regimes.

The setting of the final set of rules can only be done by the competent national body or association. The requirements contained within the framework must furthermore be relevant for the nature and scope of the advisory practice in question.

Question 13: What information would be essential on the card? How could a timely update of such information be organised?

The final specification of rules can only be done by the competent national body, but from a general perspective, certification documents or cards should at least contain a declaration that

the individual has fulfilled the necessary competence requirements, including also the appropriate personal information. The update of the information should be handled by the same independent authority that issues the certifications; for further thoughts on this matter, see question 2.

Question 14: Do you think that the title professional card is appropriate? Would the title professional passport, with its connotation of mobility, be more appropriate?

NFU would prefer the title “professional certification”. As a second best alternative, the title “professional card” could be viable. The emphasis should in all instances lie on the card proprietor’s competencies, which are the prerequisite for his or her professional mobility.

Question 15: What are your views about introducing the concept of a European curriculum – a kind of 28th regime applicable in addition to national requirements? What conditions could be foreseen for its development?

The idea of introducing the concept of a European curriculum is very good. There is clear need to find the appropriate legal basis to place a framework for professional certification of financial advisors on, and the European curriculum could very well prove to be a viable approach. As stated earlier, the framework would be complementary to and reinforce existing national regimes.

Question 17: Should lighter regimes for professionals be developed who accompany consumers to another Member State?

A European framework for certification of financial advisors would facilitate the provision of financial services across borders, which in turn will work in favour of high-quality service to consumers. Such a framework would contribute to making the services on offer more transparent and predictable while at the same time creating a more level playing field and sound competition. An Internal market for financial services does not yet exist in the EU. It is almost impossible to open a current account or savings account in another Member State; the same goes for consumer credit. The necessary procedures for cross-border provision of financial services and employee mobility need to be simplified.

Question 27: Do you see a need for taking more account of continuing professional development at EU level? If yes, how could this need be reflected in the Directive?

For employees in the financial sectors, continuing professional development is absolutely crucial in order to keep up with the innovativeness of the financial system, provide good



customer service, and quality advice. Empowered and well-informed consumers are best achieved through education – which is best given by finance employees to consumers when they actually set out to buy services.

A framework for professional certification of financial advisors should stipulate that the competence requirements tied to certificates are to be continuously updated and set to reflect the innovativeness of the financial industry. It must furthermore be made crystal clear that the responsibility of providing the necessary competence development lies with the financial institutions. The training of employees to be better able to meet the needs of consumers is also something that was highlighted in the Commission Staff Working Document on the Follow Up in Retail Financial Services to the Consumer Markets Scoreboard, where it is acknowledged that “...in-depth training on the advantages and disadvantages of the products on offer should form a key part of their profession”.

Sufficient requirements on continuing professional development tied to certifications of financial advisors would also work in favour of restoring consumer confidence in financial services.

About NFU

Nordic Financial 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.

Yours faithfully,

Nordic Financial Unions (NFU)

Jorunn Berland
President

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