Coping with Compliance

The effects of regulatory requirements on employees in the Nordic financial sectors

January 31, 2018

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Executive Summary: Coping with Compliance

EU legislation has a profound impact on the Nordic financial sectors. The NFU survey "Coping with Compliance" gives a perspective from inside the sector and sheds a light on how finance employees and consumers seeking financial advice and services are affected by compliance demands stemming from EU legislation.

The purpose of the study is to investigate how regulatory requirements on documentation, information to consumers and Know Your Customer (KYC) effect finance employees' work and wellbeing, which in turn is linked to consumer outcomes in the form of services, advice and protection. The result paints a picture of increasingly pressured finance employees, who are scrambling to complete their documentation, keep up with KYC requirements and at the same time meet with customers and provide them with good advice and information.

According to the 215 respondents representing over 35 000 Nordic finance employees, the regulatory requirements on documentation, information to consumers and Know Your Customer have increased in the last 2 years. Consequences for the employees include heavier workload and growing stress levels. Over 80% and over 75% respectively of the respondents say this. The majority of the respondents also think that all of the three areas of requirements surveyed are an administrative burden and that they should be simplified.

The rising stress levels in the financial sector should be taken seriously. Not only does stress impact employees' ability to provide sound financial advice to consumers, but it can also have severe long-term negative effects on health and well-being.

The NFU study show that the respondents views diverge on whether the regulatory requirements have improved the situation for consumers. The majority of the respondents agree that the quality of advice and customer understanding is improved to some extent, but a significant number also state that the quality and understanding actually decreases. If this is the case for some, it could be argued that the regulatory requirements do not live up to the legislators' main intention; to improve the situation for consumers by giving them a better understanding of financial products and providing better advice. Almost half, 49%, of the respondents also say that one or more of their members within the last 12 months have experienced a conflict of interest between providing good customer service and following rules and procedures. The reason seems to be limitations in time and resources, as well as too complex and time-consuming regulatory requirements. The respondents also indicated a lack of understanding from management that other tasks and targets, such as sales and performance targets, need to be adjusted as the demands from regulatory requirements increase.

In conclusion, employees in the Nordic finance sector are put under pressure from two directions; legislation and management. The employees are calling out for a better balance, where they are given sufficient time and resources to both advice customers and comply with regulation. It is evident from the NFU study that this is not the case today.

It is crucial that the effects on employees are taken in to consideration by legislators and management, both in order to ensure employee well-being and a high quality of advice and financial services to customers. In the end, it is key to build trust, sustainability and long-term growth in the financial sectors.

78 %, 75 % and **77 %** respectively of the respondents' state that documentation requirements, information to consumers and KYC requirements have **increased employees' stress levels**

84%, 80 % and **83 %** respectively of the respondents say that documentation, information to consumers and KYC requirements have **increased employees' workload**

49% of the respondents' state that one or more of their members within the last 12 months have experienced a **conflict of interest** between providing good customer service and following rules and procedures

86%, 78% and 77% state that documentation, information to consumers and KYC requirements are an **administrative burden.** The majority also thinks that **the requirements should be simplified**

Only a few completely agree when asked if the documentation (15%), information to consumers (15%) and KYC (7%) requirements **give the customer a better understanding of the financial products**

1. Introduction

The financial crisis of 2007-2008, which started in the American subprime mortgage market, changed the world of finance. The crisis spread globally, also to the EU where it morphed into the euro-crisis of 2008.

In Sweden and Denmark, the government consolidated public finances to stabilize vulnerable financial institutions. Finland, as the only Nordic euro-country, was strongly affected by the crisis, which caused recession and political uncertainty. However, the most dramatic consequences took place in Iceland, where several of the large Icelandic banks went bust, plunging the country in to an economic crisis[1]. Norway remained relatively untouched and the Prime Minister at the time, Jens Stoltenberg, has mentioned classical countercyclical policy in combination with a flexible labour market and strong trade unions as an explanation[2].

The European Commission's response to the financial crisis was to push out more than 40 new pieces of new legislation to reform the financial sector. This much needed reform meant a major turn-around from the EU's previous de-regulatory path, making the European financial services in to one of the union's most regulated sectors. The purpose with the reforms was to prevent future crises through strengthened financial stability and to increase consumer protection[3]. A decade later, much of the legislation has entered in to force and been implemented at national level.

The wave of new regulation and stricter supervision has spurred an increased focus on compliance among financial institutions. That fact that the consequences for those who fail to comply are severe, both in terms of repercussions from regulators and the risk of reputational loss, has also played a part in the growing compliance focus. The Thomson Reuters report "Cost of compliance" (2015) shows that financial institutions are spending more and more time and money on tracking new applicable legislation as well as on implementing and complying with regulation[4].

At the same time, statistics show that the number of employees in the Nordic financial

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1 Lewander. Postscript: The Nordic countries and the euro crisis. In *Same, same but different: The Nordic EU members during the crisis*, 2015:1op
2 Guo. Stoltenberg: How Norway escaped economic meltdown, 2010-04-21
3 Sjödin. EU:s försök att reglera löner i finanssektorn. In *Europa og den nordiske aftalemodel.* Dr.Jur. Jens Kristiansen (ed.), 2015
4 Thomson Reuters, Cost of Compliance. Report, 2016

sector is decreasing[5]. Also, several recent reports from the Nordic finance sector trade unions all point in the same direction; the pressure on employees is increasing. A report from Swedish FSU-SE shows that the stress levels has increased in the Swedish financial sector[6]. A study from Norwegian FSU-NO and BI (2013) shows that finance employees work 15 days extra outside registered working hours to reach their targets[7], while a survey by the Danish FSU-DK (2015) shows that 1 in 5 finance employees are feeling so stressed that it can result in a health risk for them. 70% says that the stress is caused by their job situation, and the main reason is deemed to be the increasing work pace. Not only does the increased pressure lead to a health risks for employees, but also weakened consumer protection. Every fourth respondent in the Danish study says that the quality of their advice is compromised by the work pressure[8].

The NFU study "Do you measure up?" (2016) show that performance measurement systems, if used and designed in the wrong way, can be a driving force behind increased stress levels in the financial sector. 42% of the respondents perceive performance measurement systems to increase the administrative burden on the employees[9]. Also, we know that new regulatory demands put additional pressure on employees in the financial sectors. Smaller teams of employees are expected to deliver the same, or better, results as before and at the same time comply with higher demands on documentation, information to consumers and knowledge of customers.

Exactly how regulatory requirements affect employees in the financial sectors is still an unexplored area, but important nevertheless: people working in sales and advice in the financial sector are the ones who meet with and advice customers. They play a key part in building trust in the sector, which has been hurt since the financial crisis. They are also essential to ensure that customers are given good and suitable financial advice.

The employee perspective is also too often missing when discussing EU legislation. After all, employees make out a crucial part of the financial sector, not least as levers for consumer and investor protection, and should be considered on equal footing with customers, companies and society.

[5] Finansförbundet, Arbetsmiljörapport. Report, 2016
[6] Ibid., 2016
[7] Finansforbundet and BI, Flyttning av oppgaver til utlandet. Report, 2013
[8] Finansforbundet, Trivselundersogning. Report, 2015
[9] Nordic Financial Unions, Do you measure up? Report, 2016

1.1 Scope of the study

The scope of this study is to map the effects that regulatory requirements have on employees working in sales and advice functions in Nordic financial institutions. The aim is to investigate the effects on employees' work and wellbeing, which in turn is linked to consumer outcomes in the form of service and protection.

As regulation affects employees in many ways and areas, the scope of the study has been limited to the effects of requirements stemming from certain EU legislation: requirements on documentation, information to consumers and Know Your Customer (KYC).

These three aspects of regulatory requirements set out specific routines and tasks that finance employees, working in sales and advice, are required to follow and do in their daily work.

The study has been conducted as a survey, sent out to shop stewards from the NFU member unions. The 215 shop stewards surveyed in this study represent approximately 35 000 employees in the Nordic financial sectors.

1.2 Disposition of the report

The report has the following disposition. First, we will present a brief background, summarizing previous research and reports on regulatory requirements. The background is followed by an introduction to regulatory requirements in practice, supplemented by a presentation on specific rules and instructions used in the workplace, namely requirements on documentation, information to consumers and KYC-routines, which also have been the focus of the study.

This is followed by a section on the methodology of the survey and collection and analysis of data, including a presentation of the targeted population, sample size and number of respondents.

After this, the result of the survey and conclusions drawn from the result are presented. Key legislative acts, the questionnaire and quotes can be found in the end of the report. The report is accompanied by a set of policy recommendations from NFU.

2. Introduction to regulation in the financial sector

The five Nordic countries have much in common. Norway, Iceland, Denmark, Sweden and Finland are all small economies in the Northern part of Europe, characterized by the Nordic labour market model with strong social partners, high trade union coverage and flexible labour market regulation through collective agreements[10].

At the same time, the Nordic countries are coloured by different economic, political and legal contexts. Sweden, Denmark and Finland are all members of the EU while Iceland and Norway are not, but are subject to the same rules as their Nordic neighbours through their participation in the EEA. Finland is the only Nordic euro-country, making it a part of the eurozone area[11].

Several of the Nordic financial institutions are operating in more than one of the Nordic countries. In fact, many financial institutions see themselves as a Nordic bank and/or insurance company rather than being for example Norwegian or Finnish[12]. The Nordic markets are in strongly interlinked and the Nordic countries often face similar challenges and opportunities.

The financial services industry in the Nordics, non-EU and EU-countries alike, is regulated through EU and national legislation. It is up to the national authorities to implement rules and supervise the sector, meaning that the impact of regulation could be different from one Nordic country to another[13].

Very little research has been done on the effects of regulatory requirements on employees in the financial services sector or on the consequences it has on consumers. One main reason might be that some of the regulatory requirements explored in this study just recently have been implemented and/or are being implemented at national level. Also, the employee perspective in general is often missing when studying financial services. This area of research is no exception. In fact, the employee perspective is generally missing

[10] Sjödin. EU:s försök att reglera löner i finanssektorn. In *Europa og den nordiske aftalemodel.* Dr.Jur. Jens Kristiansen (ed.), 2015
[11] Lewander. Postscript: The Nordic countries and the euro crisis. In *Same, same but different: The Nordic EU members during the crisis*, 2015:1op
[12] See for example Nordea and SEB websites: Nordea. Nordea at a glance (visited: 2017-12-06) and SEB. Vilka vi är (visited: 2017-12-06).
[13] Sjödin. EU:s försök att reglera löner i finanssektorn. In *Europa og den nordiske aftalemodel.* Dr.Jur. Jens Kristiansen (ed.), 2015

also in the European Commissions impact assessment. This underline, unfortunately, the low priority it has been given so far.

Studies on compliance and regulation often include two perspectives of compliance; i) culture of compliance and ethics and ii) strategies to comply with regulatory and ethical standards. The UK Financial Conduct Authority elaborated on which components play a part of companies' compliance with regulation in their paper "Behaviour and compliance in organisations" (2016). The paper concludes that incentives, governance, controls, culture and behavioural factors all play a part. Good leadership, right incentives for staff, combatting unhelpful ideologies and the publication/promotion of good examples by regulators are said to help improve firms culture of compliance[14].

Thomson Reuters has conducted an annual global survey on the cost of compliance since 2009. The report investigates the cost for financial institutions by surveying compliance professionals from over 300 financial institutions all over the world. The survey focuses on the year ahead and asks the respondents what costs and challenges stemming from compliance they expect coming. The report from 2016 shows that the surveyed firms expect regulators to publish even more information in the coming year, which also has been the case for some years now. Firms tend to spend a lot of time tracking the regulatory field to keep up with the changing regulatory landscape[15].

The current regulatory landscape, now a decade after the financial crisis started, has challenged financial institutions in Europe but also the whole structure of the market according to Deloitte's Centre for Regulatory Strategy EMEA report "Navigating the year ahead – Financial Markets Regulatory Outlook 2017"[16].

Financial institutions also tend to spend more and more money on compliance functions and expect that the cost of senior compliance staff will rise of the coming year. Europe is however one of the regions that least expect senior compliance staff costs to rise significantly more in 2016. Only 14% of the respondents perceive this, compared to 31% in the Asia and 29% in the Middle East.

Two thirds of the respondents in the European region also state that the compliance teams

[14] Financial Conduct Authority (FCA). Behaviour and compliance in organisations. Occasional paper 24, 2016
[15] Thomson Reuters. Cost of Compliance. Report, 2016
[16] Deloitte. Navigating the year ahead – Financial Markets Regulatory Outlook 2017. Report, 2017

budget will increase in the coming year[17]. This is also highlighted by McKinsey, mentioning that regulatory fees have increased dramatically since 2009[18]. It should however be noted, that not only do firms risk fees and retributions if failing to comply with regulation: individuals also face the risk of fines and/or reprisals.

In Sweden, several verdicts from Swedsec, an organization that provides a licensing program for employees within the Swedish financial market[19], read that advisors have been warned for not complying with documentation requirements, for example by not documenting sufficient information or submitting the documentation in time. In some cases, the advisors in question explain that the failure to comply with the requirements is due to lack of time and resources (due to being understaffed) or that new routines on documentation has been implemented during a leave, such as being on sick leave or parental leave. In some cases, the advisor also is stripped if his/her advisory license[20].

AML, IDD, PRIIPS, UCITS, MiFID, Solvency II and MAD/R are mentioned by the respondents in the McKinsey report to be the greatest regulatory challenges for financial institutions in the European region for the year to come[21]. These legislations all set out the framework for rules on documentation, information to consumers and KYC.

The PWC report "State of Compliance" (2016) shows that only 18% of the surveyed respondents (consisting of over 800 company executives, such as chief compliance officers and chief legal officers, globally) have integrated compliance and ethics functions into all strategic activities and plans at the company. 19% state that senior management communicates the importance of compliance and ethics culture at a monthly basis to employees[22]. This implies that compliance with regulation might not be at the top of the senior management agenda and that the tone from the top management does not necessarily reflect the leadership throughout the company.

Today, the pace of new legislation has slowed down. Several EU regulations and directives have been or are currently being implemented at national level, while the Commission is moving towards the revision phase. In 2015/6, the Commission launched a "Call for

[17] Thomson Reuters. Cost of Compliance. Report, 2016
[18] McKinsey. A best-practice model for bank compliance. Report, 2016
[19] Swedsec. About Swedsec. (Visited 2017-12-06)
[20] Swedsec. Beslut 2017:17, Beslut 2017:22 and Beslut 2017:25

[21] Thomson Reuters. Cost of Compliance. Report, 2016
[22] PWC. State of compliance. Report, 2016

evidence" to map and evaluate the effects of new legislation, both in terms of individual pieces and the cumulative effect[23]. It is a part of the Juncker Commission's ambition to regulate less and better to achieve higher growth and more jobs.

In 2016, before stepping down from his position as Commissioner for Financial Services due to the UK's decision to leave the EU, Lord Jonathan Hill touched upon the effects of the EU's regulatory framework on the financial services sector. He implied that the financial services regulation that was pushed out after the crisis was a case of "first failing to identify a problem before then massively over-reacting to it"[24]. It could be argued that the massive amount of regulation that came after the crisis, possibly can have created an opaque and complex regulatory framework that only a few professionals and experts can understand.

2.1 Regulatory requirements in practice

To comply with EU legislation, financial institutions must follow a specific set or rules and instructions. These set have their origin in the EU legislation, but might also have been transposed in to national law and translated by national Financial Supervisory Authorities (FSA's).

Then, the same rules and instructions are implemented at company level and incorporated in to business and management strategies in the form of procedures and routines, setting the framework for the organization. This means that management play a significant role in the way a finance employee carries out his/her work related to regulatory compliance. The British FCA explains it by stating that one of the most important relationships within an organization, when discussing compliance, is the one between senior staff (taking the strategic decisions on how the firm is to work) and the junior staff (carrying out the decisions in practice)[25].

As this study aims to investigate the effect of regulatory requirements on the work and wellbeing of employees working in sales and advice, the focus is on the *practical work* conducted by employees to follow rules and regulation. This does not mean that all

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[23] European Commission. European Commission Communication on Call for Evidence - EU regulatory framework for financial services, 2016-11-23
[24] Hill, Jonathan. Keynote speech by Commissioner Jonathan Hill at Bruegel event 2016-06-12. Published at Bruegel website 2016-06-13 (visited 2017-12-06)
[25]Financial Conduct Authority (FCA). Behaviour and compliance in organisations. Occasional paper 24, 2016

aspects of mentioned regulation and directives are relevant for this study, nor that this study aims to cover all aspects of said regulation.

This practical work has, for this study, been defined as requirements on i) documentation, ii) information to consumers and iii) Know-Your-Customer (KYC).

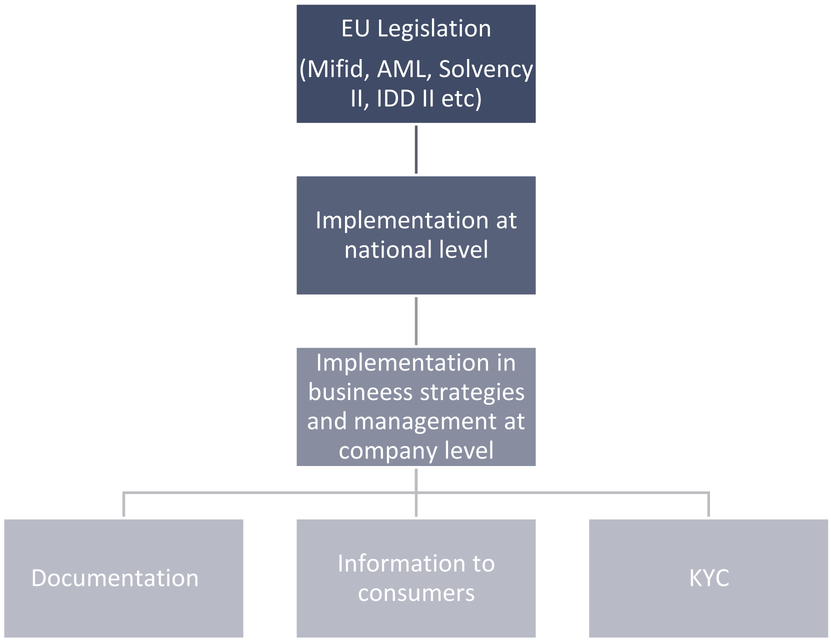

Table 1[26]. The NFU study focuses on the bottom level; documentation, information to consumers and KYC-requirements

These requirements are all stemming from EU legislation and have a direct effect on finance employees working in sales and advice in terms of setting out specific rules and routines in their daily work. These rules and routines are also closely connected to the way consumer protection is realized in practice.

2.2 Definitions

In this study, the practical work conducted by employees to comply with rules and regulations is to be understood as follows;

[26] Table 1, NFU

Documentation

When giving advice to a customer, an advisor must document all information regarding the session and the advice given. The purpose is to document what has been said during a session to make it easier to resolve a potential dispute.

The documentation can be recorded or saved in written form, either on paper or electronically. The advisor is responsible for the documentation. He/she must also make sure that the customer receives a copy of the documentation after the first session.

The advisor is required to document information regarding the advisor at the session, the consumer, date and time of the session, the consumer's experience of financial investments, the purpose of the investment (and investment horizon), the consumer's attitude and readiness regarding risk and the advice given. All documentation is saved at the company. Details of transactions, records of meetings, phone calls, text messages and e-mails are saved up to 7 years.

This means that the advisor needs to ask the customer many questions, document the answers and complete the documentation after each advisory session with the customer. An advisor can be held accountable and even lose his/her license if failing to comply with the rules on documentation.

Legislation setting the frames for documentation requirements

- MiFID

Information to consumers

EU legislation includes many requirements regarding information on financial services or products to customers when selling a financial product or providing financial advice. The background for this is to improve and increase consumer protection to ensure that the consumer gets all the relevant and necessary information about the product/service at issue.

The Insurance Distribution Directive II (IDD II) will for example require that the advisor conducts a 'demands and needs'-test for each individual customer, giving a personalized recommendation and explaining how a product best would meet the customer's demands and needs, and provide the customer with this information. The advisor must also provide the customer with information in advance about him/herself who is selling the product and what type of remuneration he/she will receive (if any).

All persons who sell or advice on Packaged Retail Investment and Insurance Products (PRIIPS) must provide the customer with a Key Information Document (KID). The idea from the European legislators is to make it easier for consumers to understand and compare investment products.

MiFID also regulates information to consumers. According to MiFID, information given to customers must be fair, clear and not misleading. Advisors must provide the customer with information about the remuneration connected to the product. MiFID also stipulates that employees need to have the right competence and knowledge with regards to the products they are working with.

Most commonly, the information about each financial product or service is to be provided as a written document, but not digital, to the consumer.

Legislation setting the frames for information to consumers requirements

- IDD
- PRIIPS
- MiFID
- UCITVS V

Know Your Customer (KYC)

Financial institutions need to collect information about their new and existing customers' identities, transactions and behaviour according to the rules on Anti-Money Laundering and MAD/R.

KYC-routines include the requirements to always identify your customer, questions that advisors need to ask customers, information that the advisors need to collect and behaviour that should be monitored, analysed and possibly reported. The purpose is to prevent money laundering and to counter financing of terrorism and market manipulation, which is regulated through AML and MAD/R respectively.

KYC also includes specific rules on financial services to politically exposed persons (PEPs) and those of close relation to PEPs. The purpose is to prevent corruption and bribery.

Legislation setting the frames for KYC requirements

- AML
- MAD/R

3. About the study

The study has been conducted as a survey[27], focusing on what effects regulatory requirements have on finance employees' performance at work and wellbeing.

The survey was constructed in the tool SurveyXact, which also has been used to collect and analyse the data. The survey has 25 questions, where some are background questions that enable respondents from the wrong population to be filtered out.

The questions consist of a mix of rating scale, multiple-choice and open-ended questions. The survey also includes the opportunity to leave a clarifying and/or explanatory comment to some questions. The survey has been conducted anonymously.

3.1 Methodology

The study is a quantitative study based on the information collected through the survey. It was distributed in a link via e-mail by the NFU member unions to the sample group and conducted in a digital format. The unions had the option to distribute a link to the survey or send an e-mail with the survey through SurveyXact. All unions except one, that used SurveyXact for distribution, sent an e-mail with the link to their selected group.

The sample of shop stewards was selected by the NFU member unions, who has the imperative knowledge of the population. Four unions sent the survey to all their shop stewards, as they were unable to make a selection of shop stewards representing customer-facing employees.

Three unions made a strategic selection of a sample of shop stewards out of their total population of shop stewards. The selection was based on whether the shop stewards represented customer-facing employees or not. To ensure that shop stewards only in the right group answered the survey, the survey included a few filter questions. If the respondent did not fit the right group, the survey was automatically ended.

[27] The complete questionnaire can be found in the annex

3.2 Population

The targeted population for the survey is shop stewards from the NFU member unions representing employees in customer-facing roles, primarily working with sales and advice to retail consumers. There are approximately 3000 shop stewards in the NFU member unions in total, however it should be noted that not all are representing employees in customer-facing roles.

The survey was sent to approximately 2300 shop stewards. 215 respondents from the right population answered the survey (an additional 67 respondents outside the right population answered the survey and were filtered out trough control questions).

The data is representative for the population at a Nordic level, based on a 95% confidence level and 6% margin of error. It should however be noted that it is not a proportionately weighted sample of respondents from the Nordic countries, meaning that the sample is not a proportionate representation of the individual Nordic countries. Therefore, no general conclusions are made on a country-by-country basis in this report.

The 215 shop stewards that have answered the survey represent ~35 511 members in the Nordic finance sectors, according to their answer to the question "*How many members do you represent?".* This constitutes approximately 30% of all active members in the NFU member unions[28]. Many of these 215 shop stewards also work as advisers themselves, giving the result of the survey high accuracy.

To ensure anonymity for the respondents, members and companies, no company names have been included in the report. The respondents did enclose the company in which they represent members in the survey (as an open text answer), and these answers have been clustered based on type of company[29]. The company clusters have been divided in to the following categories:

a) large banks,[30]

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[28] Calculation based on 130 000 members* 2016/7 NFU member figures
[29] Companies that are active both in the bank and insurance sector have been, in addition to the company name, clustered also based on which sector the respondents has answered that they represent members in
[30] The largest banks, including G-SIFI but excluding savings banks, in the Nordic area seen to market share in the respective Nordic countries

b) banks[31],

c) insurance companies,

d) savings- and cooperative banks, and

e) currency exchange

The division of what type of company the respondents represent employees in is as follows. It should however be noted that some of the respondents represent members both in the banking and insurance sector, and might therefore be represented twice in the table below[32].

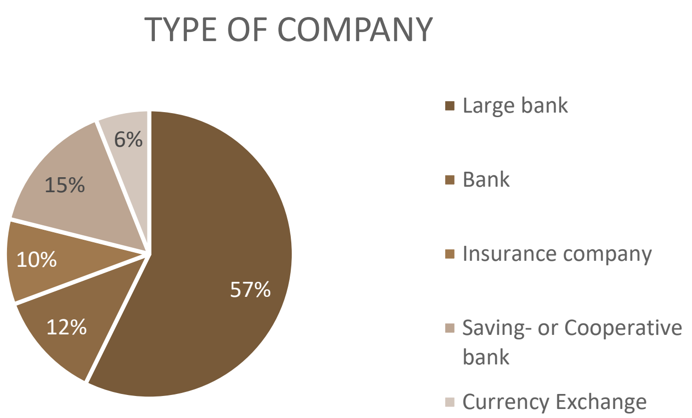

Table 2. Majority of respondents represent employees in larger banks

Most of the respondents represent members in the banking sector (84%). 10% of the respondents represent members in the insurance sector. 5% has answered "other" and specified in the comment section that they represent members in currency exchange or both bank and insurance.

[31] Any other banks excluding large banks and savings- and cooperative banks
[32] Respondents who has answered that they represent members both in bank and insurance has been represented in both cluster a/b and c.

4. The result

Increase in regulatory requirements

"I think [it's] very good to have rules and routines to follow, but they must be simplified to be simple to implement in [our] everyday work. The new rules and routines are actually not new, but all of them come together, [and] we have the feeling that we have not done our job right from the beginning, and now we must change our routines with huge changes […]"

Quote 1 - NFU survey

Approximately 80% of the respondents' experience that the amount of requirements on documentation, information to consumers and KYC have increased over the past 2 years, and a majority of these have experienced that the increase has been significant rather than slight. This is in line with the fact that much of the financial legislation that was adopted by the EU after the financial crisis recently have been, or currently is being, implemented at national level.

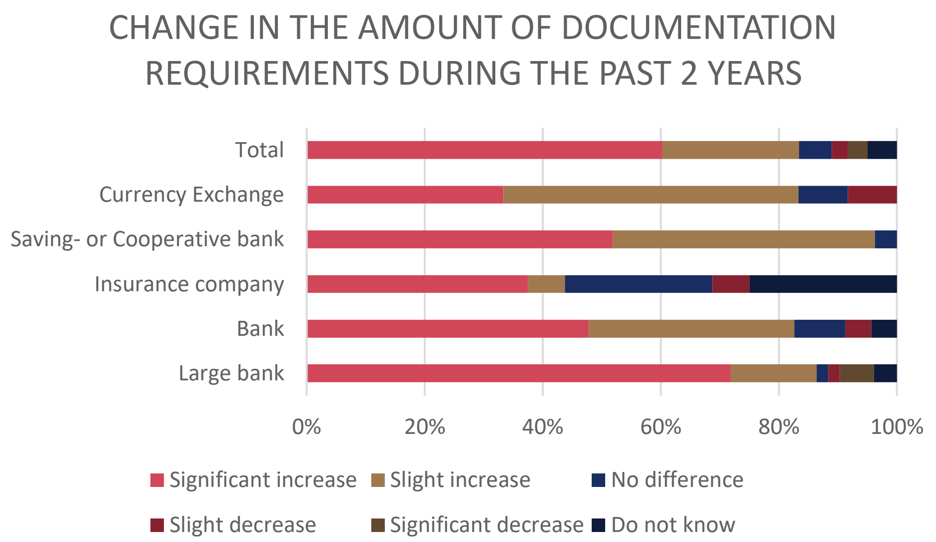

Table 3.1 The amount of documentation requirements have increased

Documentation and KYC requirements are perceived to have increased the most, when comparing the three types of requirements. 83% of the respondents perceive that the number of requirements on documentation has increased over the last two years, and 60% experience the increase as significant. It is the respondents that represent members in the banking sector that have experienced the largest increase compared to the respondents representing members in insurance or currency exchange.

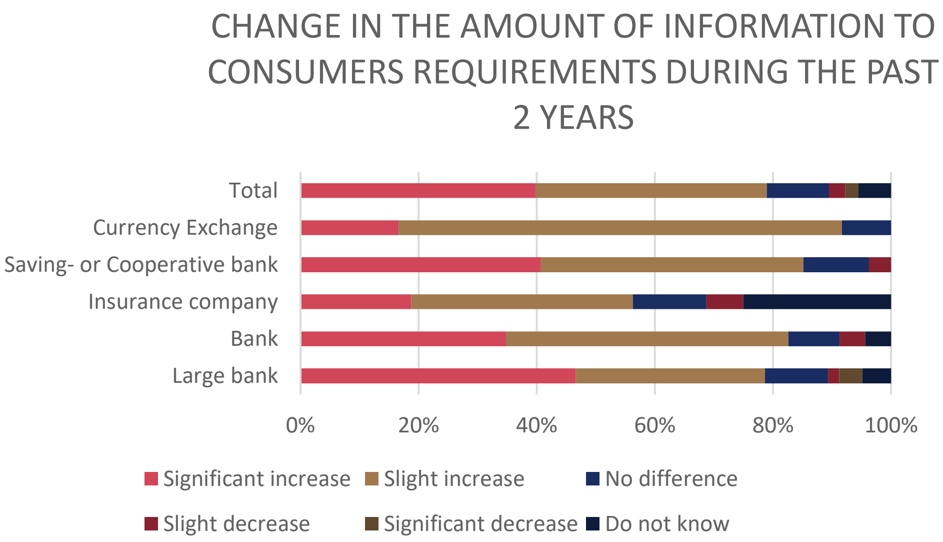

Table 3.2 The amount of information to consumers requirements have increased

The respondents have not experience the same increase when it comes to requirements on information to consumers. That said, a large majority still thinks that the amount of requirements have grown. 79 % of the respondents think that the requirements have increased in some way and 40% that this increase has been significant. Once again, it is in the banking sector where the requirements are perceived to have increased the most.

Those representing members in insurance companies have experienced the least increase of all. 19% thinks that the increase has been significant and 38% that is has been a slight increase. One quarter has also answered that they "do not know" if there has been a change or not.

One reasonable explanation to the uncertainty and the low perception of increase in the insurance sector is that IDD II, which includes requirements on providing information in written format to customers and to perform a `demands and needs´ test for each client, still remains to be implemented.

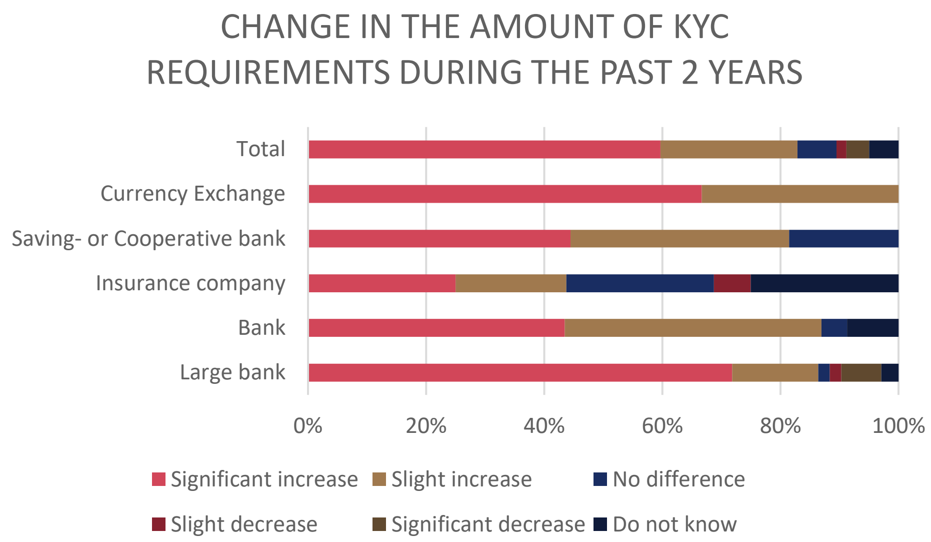

Table 3.3 The amount of KYC requirements have increased

The banking sector has also been more affected by the requirements on KYC compared to the insurance sector. In total, 83% of the respondents, regardless of where in the sector they work or represent members, state that the requirements have increased during the past two years.

87% and 86%, slightly above the total average, respectively of the respondents representing members in large banks and banks and 81% of the respondents representing savings- and cooperative banks believe that the requirements have increased during the past two years. Only 44% of the members in the insurance sector have experienced an increase of requirements on KYC. In fact, 25 % have not experienced any change during the last two years.

The employees working in currency exchange are however the ones that seem to be the most effected by the KYC requirements. All, 100%, of the respondents have experienced an increase, and 67% state that this increase has been significant. Perhaps the explanation for this lies in the nature of work within currency exchange and the reasoning behind the KYC requirements; to monitor and identify attempts to launder money and finance terrorism.

Growing workload in the finance sector

The result from the survey suggests that the regulatory requirements, and in turn the rules and routines an employee has to follow, have increased during the last two years. In what way does this increase effect finance employees' over-all workload? To understand how an increased amount of regulatory requirement affects the daily work of an employee in the Nordic financial sector, we need to know what the workload of employees looks like.

The survey shows that a typical employee within the Nordic financial sector generally has four or more meetings with customers, either physical, virtual or on the phone, per day. Three out of five respondents state this. Employees working at an insurance company or a currency exchange company have the highest number of meetings per day, 82% and 92% respectively of the respondents state that an employee have more than four meetings with customers per day.

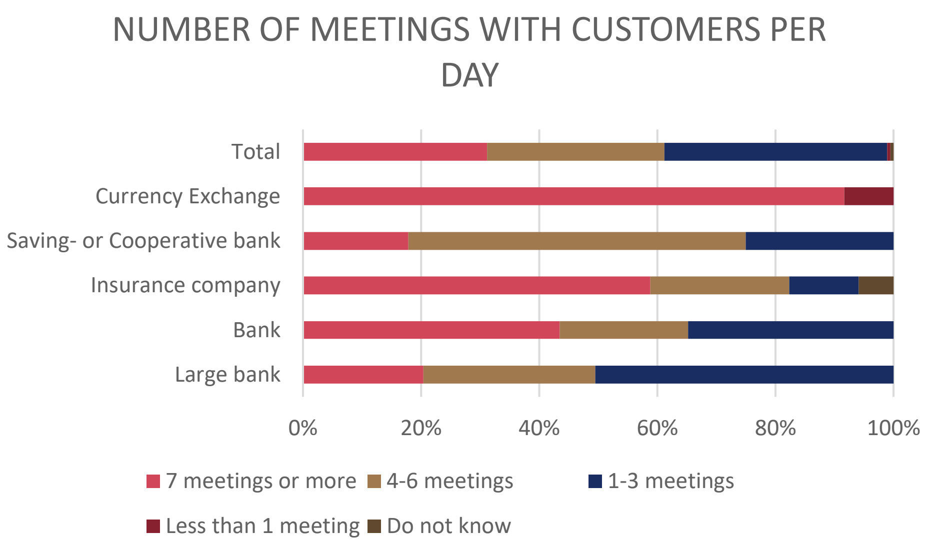

Table 4. Employees generally has four or more meetings with customers/day

In their portfolio, an employee typically has more than 600 customers to tend to. 44% of the respondents' state this, while a third of respondents state that employees have between 251 and 600 customers in the portfolio. Only 7 % have answered that employees have 250 or less customers in their portfolio.

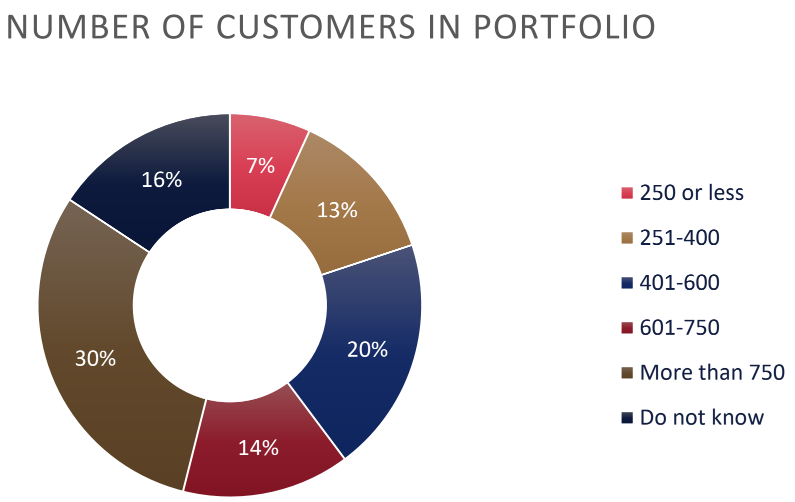

Table 5. Majority of employees have 600 customers or more according to respondents

How much time employees spend on different tasks, including meeting with customers, varies depending on where in the financial sector they work. When asked how many hours an employee spends on different tasks during a regular work day, the respondents have answered that meetings with customers takes up the majority of an employee's time. 42% states that employees spend four hours/day or more in meetings with customers.

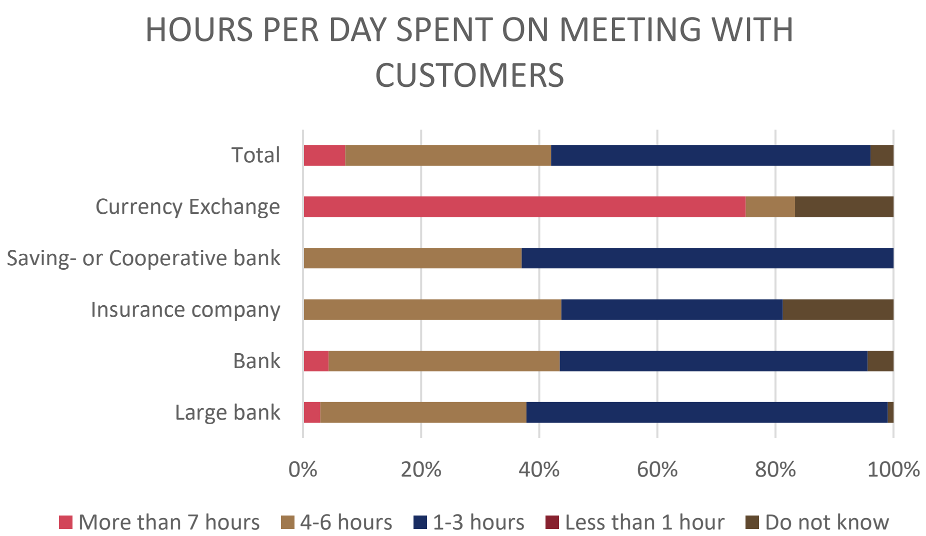

Table 6.1 Meetings with customers takes up most of an employee's time

The respondents have answered that Nordic finance sector employees usually spend 1-3 hours per day on documentation. 65% say this. Only 13% spend four or more hours per day on documentation.

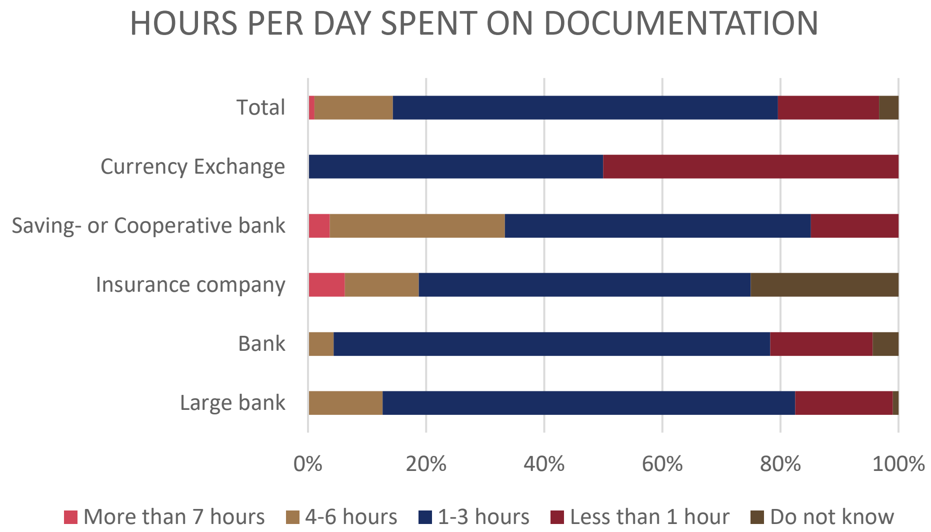

Table 6.2 Majority of respondents spend 1-3 hours on documentation requirements/day

The least time-consuming requirements are said to be information to consumers and KYC-routines. 11% and 8% respectively of the respondents state that employees spend four hours or more per day on this. That requirements on information to consumers to a large part are built on standardized information documents, implies that is should take less time to prepare and conduct than for example documentation, which needs to be done for each individual meeting.

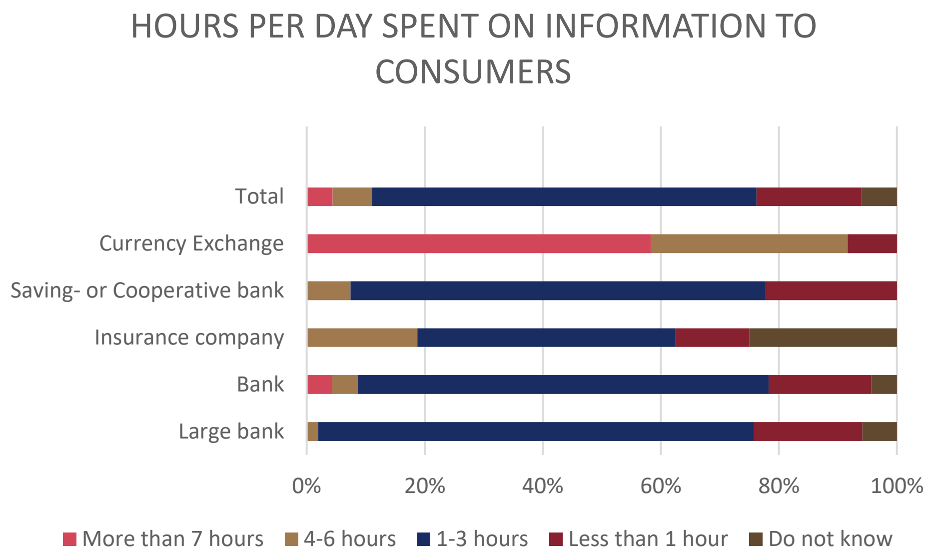

Table 6.3 Information to consumers requirements perceived as least time-consuming

The exception is employees working in currency exchange where, although they also spend most time on meetings with customers according to our survey, 92% of the respondents state that employees spend more than four hours per day on KYC-requirements. They spend the least time on documentation requirements, where none of the respondents have said that employees spend more than three hours per day on this.

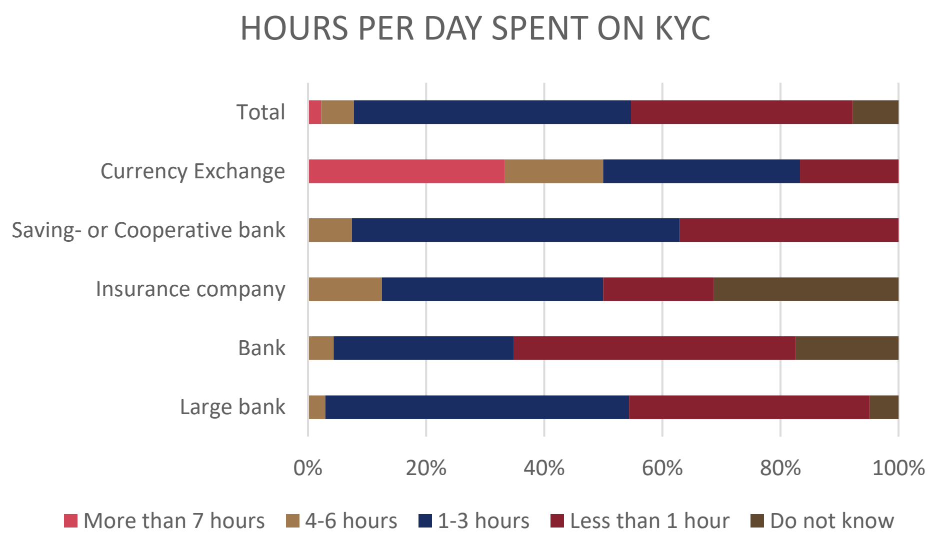

Table 6.4 KYC requirements perceived as least time-consuming

This deviates from the result for the other groups of respondents, who experience that meetings with customers followed by documentation, takes up the main part of their time. 15% of respondents state that employees in general spend four or more hours on documentation per day and 65% that they spend 1-3 hours per day on documentation. The difference can possibly once again be explained by the nature of work within currency exchange, which is more at risk for attempts to launder money and might not provide the same kind of services that are subject to documentation requirements. For the rest of the financial sector, KYC-related tasks are performed at a rolling basis, compiling and updating information on both existing and new customers.

It becomes clear from the result that employees in the Nordic financial sector are quite busy on a regular day at the office. The result also show that the workload has grown due to the requirements on documentation, information to consumers and KYC. Half of the respondents state that employees' workload has grown significantly due to requirements on documentation and one third that is has increased slightly. This puts the total percentage of respondents who perceive that documentation has increased the workload of employees at 84%. It is the respondents who represent members in the banking sector who have experienced the biggest increase in workload, while those who represent employees in currency exchange perceive the increase to be the lowest.

However, it is still 50% of this group that perceive that there has been an increase – even if it is perceived to be slight rather than significant. One third think that documentation requirements have had no impact on the workload at all. 8% perceive that the workload has decreased due to the requirements.

> *"Many are worried of not doing the documentation well enough, what and how to write. The pressure is increasing, [and] we are supposed to document while we are sitting with the customers and at the same time be able to have a conversation with them. The regulatory framework is taking over the work completely and it is becoming increasingly difficult to reach out to the customer and achieve a good customer meeting"*
>
> *Quote 2 - NFU survey*

27% of the respondents in the insurance sector have experienced that the workload has grown significantly due to the documentation requirements, and over 50% that it has increased slightly.

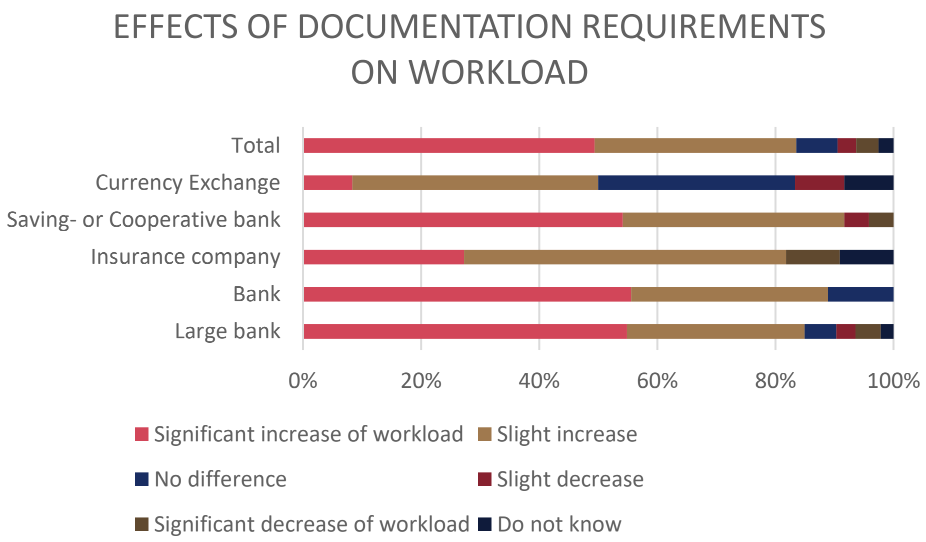

Table 7.1 Documentation requirements increase the workload significantly

The respondents have not experienced the same degree of increase in workload due to requirements on information to consumers. About 30% state that the workload has grown significantly and more than 50% that the increase has been slight. It is the respondents representing members in 'smaller' banks who have experienced the biggest increase in workload. All the respondents have answered that there has been an increase, where one third state that it has been significant and two thirds that is has been slight.

The savings- and cooperative banks and large banks however have experienced the increase in a similar way; one third of respondents state that there has been a significant increase and about half that it has been slight. Less than one out of ten; 8% of the respondents from savings- and cooperative banks and 9% of those from large banks respectively state that the requirements on information to consumers have made no difference for employees' workload.

The majority of the respondents from the insurance sector have also experienced that the workload has become bigger due to the information requirements. 18% say that the increase has been significant and two thirds that it has been slight. 9% disagree and think that the requirements have decreased the workload slightly.

Employees who work in currency exchange has experienced the least increase in workload according to the survey. One fourth of the respondents state that the requirements have made no difference on the workload. However, it is still over 60% of the respondents that say that the requirements on information to consumers have increased the workload, significantly or slightly.

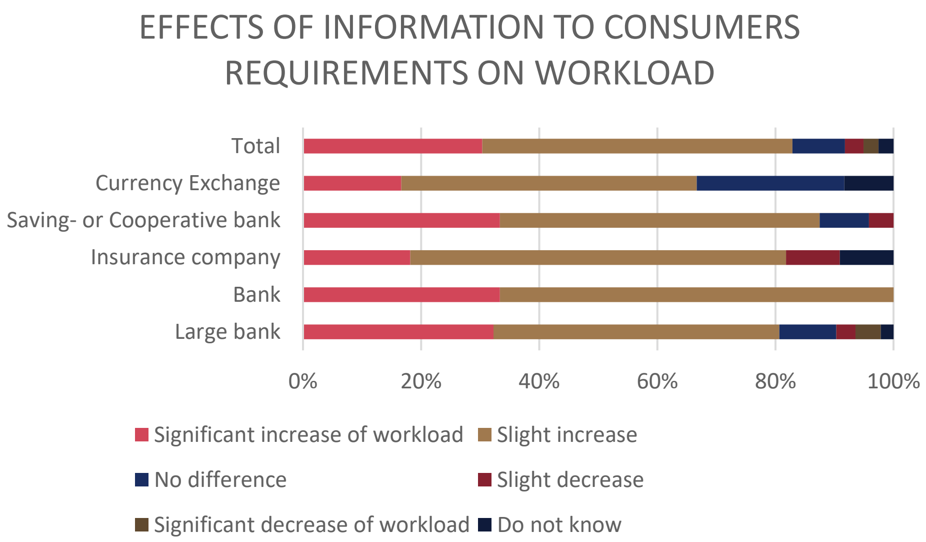

Table 7.2 Information-to-consumers requirements increase the workload slightly less than documentation requirement do

Requirements on KYC have had a similar effect on the workload as documentation requirements have, according to the respondents. About four out of five thinks that the workload has increased due to KYC requirements. Half of these think that is has been a significant increase and the other half that it has been slight.

It is the employees who work within a large bank that seem to be affected the most by the KYC requirements according to the survey. Approximately 84% of the respondents representing members in large banks say that the workload has become larger due to the KYC requirements. This can be compared to the respondents representing members in the insurance sector, where only 54% state that the requirements have increased the workload and only slightly. 27% have answered that the requirements have had no impact on the workload, and 9% that they instead have decreased the workload slightly.

"High pressure [on employees] to deliver at least 15 qualified meetings a week. Otherwise you're not considered to deliver according to performance as expected"

Quote 3 - NFU survey

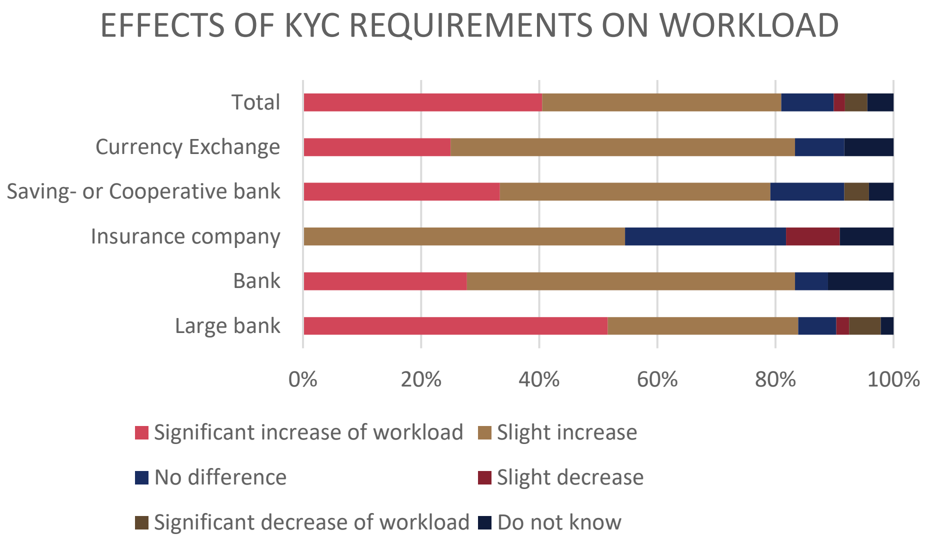

Table 7.3 KYC requirements increases the workload

Compliance and performance measurement

The results clearly show that the three types of regulatory requirements affect parts of the sector in different ways. However, employees' work days are not only shaped by pressure from regulatory requirements. Company strategies and performance measurement targets also play a part in the way employees carry out their work.

Employees working in sales and advice are often measured on different variables, such as number of meetings, sales, time, customer satisfaction, and more. According to the survey, the vast majority of the respondents have knowledge of and/or experience that their members are measured on meetings with customers, customer satisfaction and, to a slightly less extent, on the number of documentations completed.

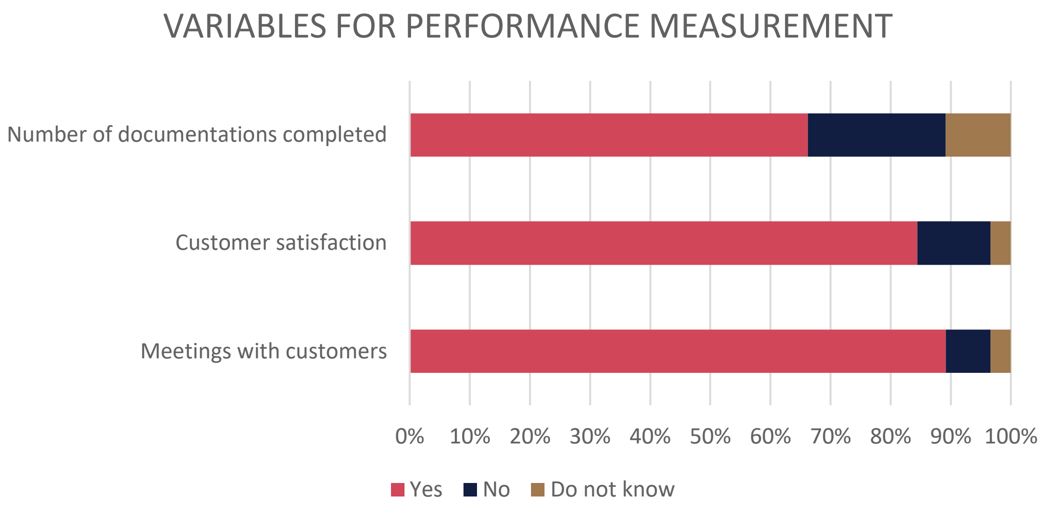

Table 8. Employees are usually measured on all areas above

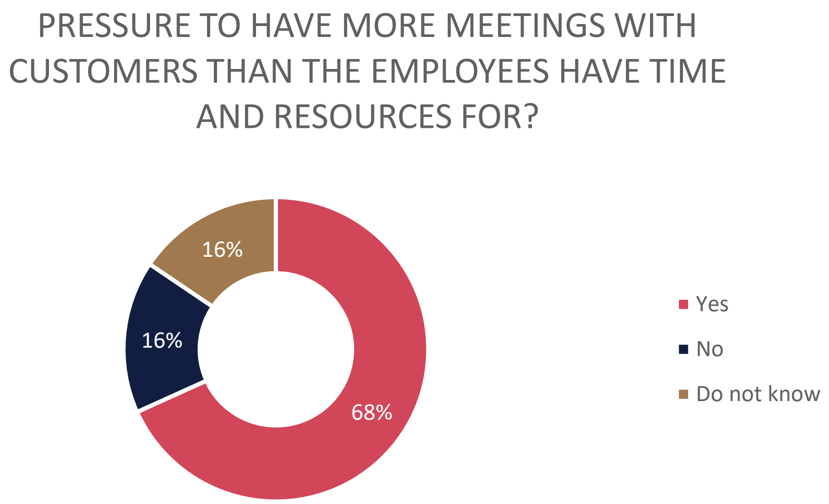

Table 9. 68% of the respondents have knowledge of one or more members who have been pressured to have more meetings that they have time and resources for

The pressure on employees to have a certain number of meetings per week seems to be high in the sectors. When asked if any of their members have experienced pressure from their manager and/or team leader to have more meetings with customers than they have time and resources for, 68% of the respondents state that they have had members who have experienced this.

However, somewhat contradictory perhaps, the number of meetings with customers is said to be the least prioritized at the companies that the respondents represent members in. Instead, following rules and regulations, followed by providing good customer service is stated to be most important. Most of the respondents do however perceive all areas to be very important or important to some extent.

"Managers say according to [company A] that people should have X number of meetings per day. But they forget that people have other things to do, such as documenting many, many things, answering the messages and so on. They do not understand what people really do"

Quote 4 - NFU survey

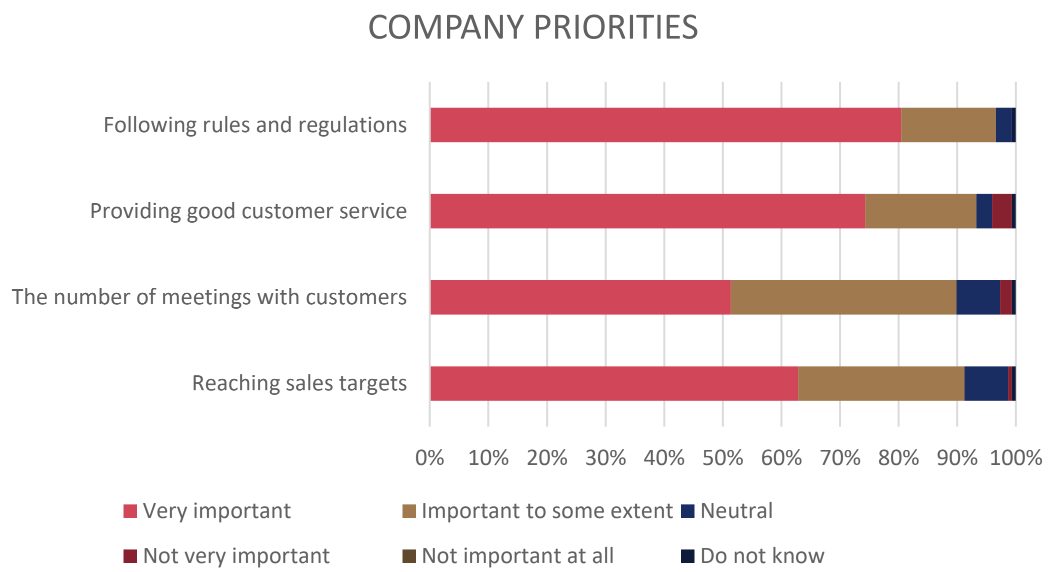

Table 10. Following rules and regulation, followed by providing good customer service is most prioritized at the companies the respondents represent members in

A central part to ensure a proper balance in workload is that priorities within the company are clear and realistic. The result shows that all areas are perceived to be important, and that employees at the same time are prone to experience themselves in a situation of conflicting interests. 49% of the respondents state that one or more of their members within the last 12 months have experienced a conflict of interest between providing good customer service and following rules and procedures.

This is a severe concern, not only from a work environment and wellbeing perspective, but also when considering implications on financial stability if consumers are not given proper advice. Moreover, it is hard to imagine that the legislators strived for a situation where employees are forced to choose between providing good customer service and following rules and procedures.

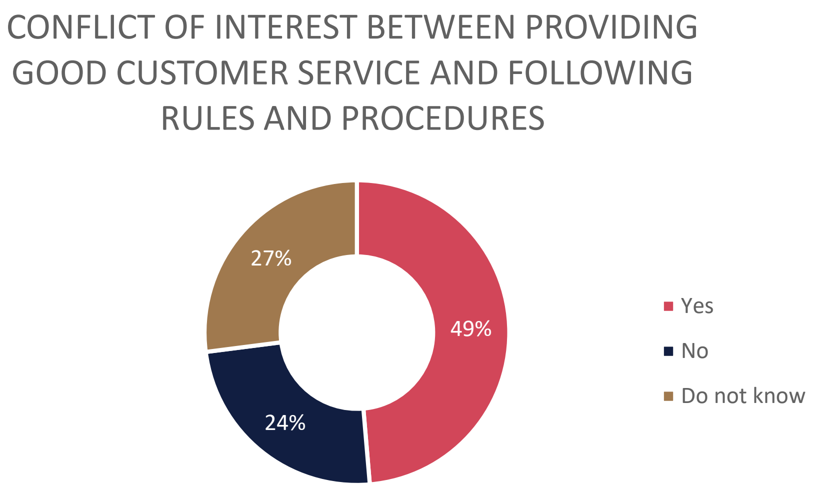

Table 11. Almost half of the respondents have knowledge of one or more members who, within the last 12 months, have been experiencing a conflict of interest

> *"The best product/solution for the customer is not always the best for the adviser. We usually do our best for the customer, but [it might] lead to poorer achievement of targets for us, which in turn increases the press[ure] from the top"*
>
> *Quote 5 - NFU survey*

"The meetings with customers are prioritized at the cost of time for administration, documentation and education sometimes. It could lead to stress. A better balance would be perfect"

Quote 6 - NFU survey

The comments tell us that it often is a question of time and resources, but also a question of pressure from goals and targets set by management.

Several of the respondents' comments also mention a of lack of balance between the different tasks that are a part of the responsibility of employees working with sales and advice.

The results show that the regulatory requirements have increased over the past years, but the comments also illustrate that the over-all workload has increased as well.

The regulatory requirements seem to have been piled on top of all the other work that employees are required to do, for example meetings with customers, competence development, and more.

"We have to work with the right documentation, be updated on the market, regulations on both saving and lending. Documentation and customer knowledge takes time – more time than the employer may understand. Then we will be so effective that we will have more visits in any case"

Quote 7 - NFU survey

There seems to be a lack of understanding from management that requirements on documentation, information and KYC takes time for the employee to do. To be able to cope with the increased workload, many employees need to work (unregistered) overtime.

"We have to work harder than before because we have to do more work at the same time. Therefore, more stress among the employees and many more work overtime and [do] not get paid for it"

Quote 8 - NFU survey

Documentation requirements take time

"According to new rules and routines, the employee has less time for meetings. At the same time while you must document every single detail in your work, you must meet with your clients and give them advice, with so many things that you must think [of] at the same time. This causes more stress, and give[s] you less ability to meet your clients when they need your advice"

Quote 9 - NFU surveyc

One effect of the new requirements on documentation, information to consumers and KYC is that each customer interaction takes more time than it used to. Advisors no longer have time to help customers immediately, but instead they schedule a meeting in the future since they must allocate more time for the meeting. According to the respondents, the reason is all the documentation that needs to be done in the meeting.

One respondent reflects the opinion that some employees working in sales and advice today might try to avoid giving advice on certain matters.

"A simple creation of a savings account for children with a deposit of 50 kroner monthly is a such demanding tasks in terms of documentation that it is easier to say to the customer that we do not offer this product"

Quote 10 - NFU survey

This because that the new requirements are too time-consuming and/or complex in relation to the matter they are helping the customer with. This is worrying as consumers risk missing out on certain financial products or services due to a too complex regulatory framework in combination with lack of time.

"It takes longer time to become a new customer today than before all the rules came. We do not have the opportunity to help customers directly but book them in later […] because we have to allocate more time"

Quote 11 - NFU survey

Increasing stress levels

"The regulatory requirements take very long time but the sales requirements from the company does not decrease. This leads to stress!"

Quote 12 - NFU survey

With an increased amount of regulatory requirements and pressure on employees, the survey also shows that the stress levels of employees in the Nordic financial sectors have increased.

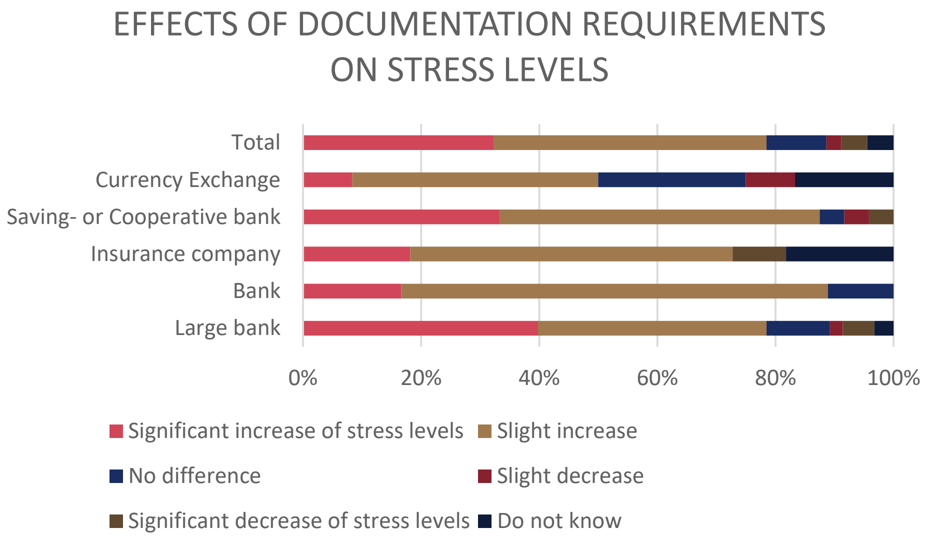

Table 12.1 Documentation requirements increases employees' stress levels

78 % of the respondents state that documentation requirements have increased employees' stress levels, while 75 % perceive that information to consumers and 77% that KYC requirements have had the same effect on employees. Documentation requirements

are perceived to have the most negative effect on employees, where 32% state that the requirements have increased the stress levels significantly.

> *"Working is emphasized a lot on documentation, documentation and documentation. Meetings with customer suffers from the fulfilling [of] all the documentation requirements. Different and many forms has to be fulfilled during the meeting and different tasks ha[ve] to be solved before the meeting just to fulfil the requirements […]"*
>
> *Quote 13 - NFU survey*

When it comes to documentation requirements, the result shows that they have had quite different effects on employees working within the banking sector. Two fifths of the respondents representing members in large banks and 33% of the respondents from savings- and cooperative banks have experiences a significant increase in stress levels, while only 17% of the respondents representing employees in other banks think the same. However, 72% from the latter group perceive that the requirements have increased slightly.

In the insurance sector, the documentation requirements have increased employees' stress levels according to the respondents. Over half have answered that the requirements have increased the employees' stress levels slightly and 18% that the increase has been significant.

Respondents representing employees in currency exchange have experienced the least significant effect of documentation requirements on employees' stress levels – half have seen an increase in stress levels due to the requirements while one quarter have experienced no difference at all.

Information to consumers requirements are perceived to have increased the stress levels to the least extent, however the difference from the effects of documentation and KYC is quite small. The insurance sector has been least affected according to the result. This is not surprising as the respondents representing members in insurance companies did also experience the least increase of requirements on information to consumers and the least significant effect on workload.

The main part of the respondents, regardless of sector, has stated that they have experienced a slight increase in stress levels due to requirements on information to consumers. It is the employees working in a savings- or cooperative bank or a "smaller" bank that seems to be the worst off. 83% and 94% respectively of the respondents answer that it has been an increase in stress levels due to the demands on providing the customer with information. Possibly, this can depend on the size of the firm, and consequently the number of the staff, particularly as respondents working in large banks have not experienced the same large increase in stress levels. However, this needs to be investigated further and no definite conclusions can be drawn from the survey result regarding this.

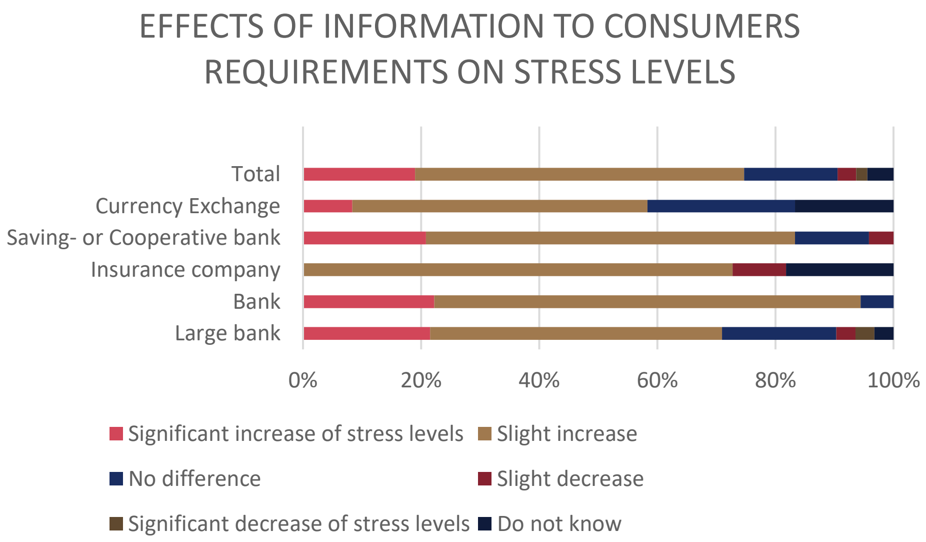

Table 12.2 Information to consumers requirements increase employees' stress levels slightly less than documentation requirements

KYC requirements have had the least effect on insurance sector employees' stress levels according to the result. This can be explained by the nature of the services insurance companies provide; they should most likely not be subject to the same amount of KYC requirements as banks for example. In fact, slightly more than one quarter says that KYC requirements have had no effects on employees' stress levels.

The respondents representing employees in currency exchange firms have only experienced a slight increase in stress levels due to KYC requirements, even if they also were the ones who had experienced the largest increase in KYC requirements. This could be a sign that the KYC requirements have a high priority within currency exchange companies and/or that the routines have been properly implemented in the employees' daily work.

It is the employees working in a large bank that have experiences the most significant increase in stress levels due to KYC requirements. 78% of the respondents' state that the KYC requirements have increased employees' stress levels, which is a worryingly high result. Larger banks are possibly more vulnerable to money laundering schemes and market manipulation than smaller ones due to their size and often international profile, which might explain the result.

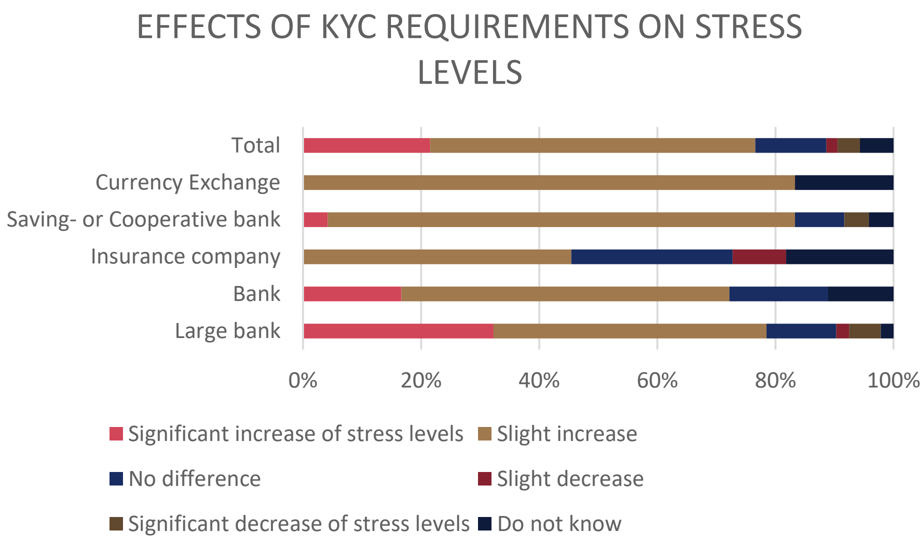

Table 12.3 KYC requirements increase employees' stress levels less than documentation requirements

It should be taken seriously that the regulatory requirements all seem to increase employees' stress levels. To feel stressed and pressured under a long time can have severe implications on employees' health and well-being, as underlined in one of the comments from the survey;

> *"It feels like the pressure on us advisors increase for each day. I have several colleagues who have been on sick-leave due to burn-out or high blood pressure in recent years. […]"*
>
> *Quote 14 - NFU survey*

High level of competence in the sector

In order to stay updated on the changing regulatory landscape, employees need to be given training and/or competence development. In some cases, this is regulated in EU legislation. IDD II, for example, includes a provision giving employees the right to 15 hours of professional training per year. MiFID also stipulates that employees need to have the right competence and knowledge regarding the products they are working with.

The result shows that employees generally do receive training and/or education on the requirements on documentation, information to consumers and KYC. Almost 80% of the respondents state this.

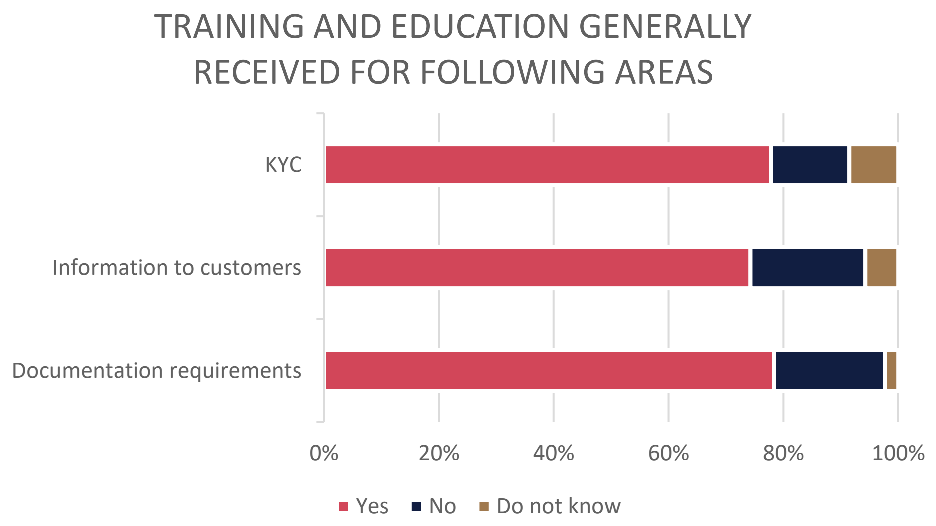

Table 13. Employees generally receive some sort of training and/or education for all the above areas

Guidelines can play a part in communicating the "tone from the top" and spreading priorities through an organization. Companies within the Nordic financial sector tend to have clear guidelines on sales and advice of financial products, according to 91% of the respondents. 47% think that the guidelines tend to be very clear, while 44% view them as clear to some extent.

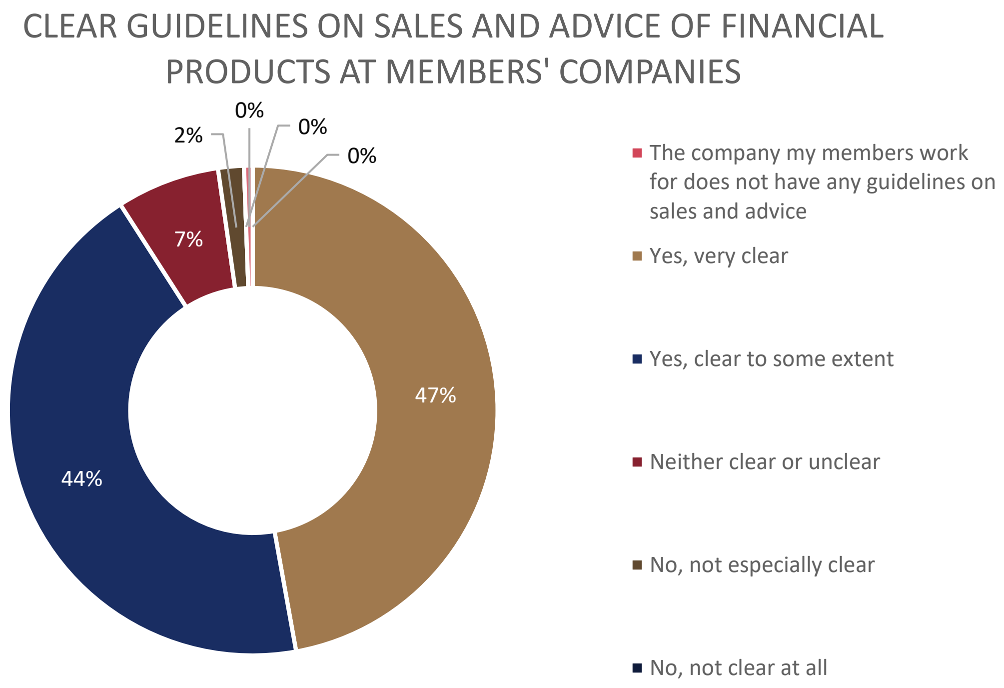

Table 14. Majority of companies have Guidelines on sales and advice that is very clear or clear to some extent

Nearly 60% of the respondents state that the employees have the right knowledge to fulfil the requirements, while approximately one third experience that the employees only have the right knowledge "to some extent". This might be because of the complex and changing nature of regulation, given that many rules and routines currently are being implemented within companies.

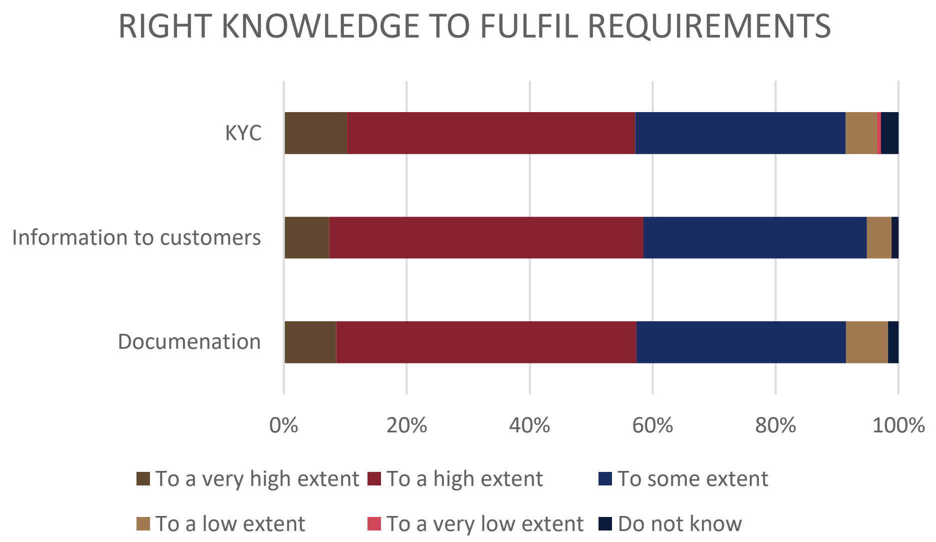

Table 15. Employees have the right knowledge to a high or very high extent to fulfil the regulatory requirements

The result shows that it does not seem to be lack of training, education, guidelines and competence that causes the increased feeling of stress among employees in the Nordic financial sector.

Perception of regulatory requirements

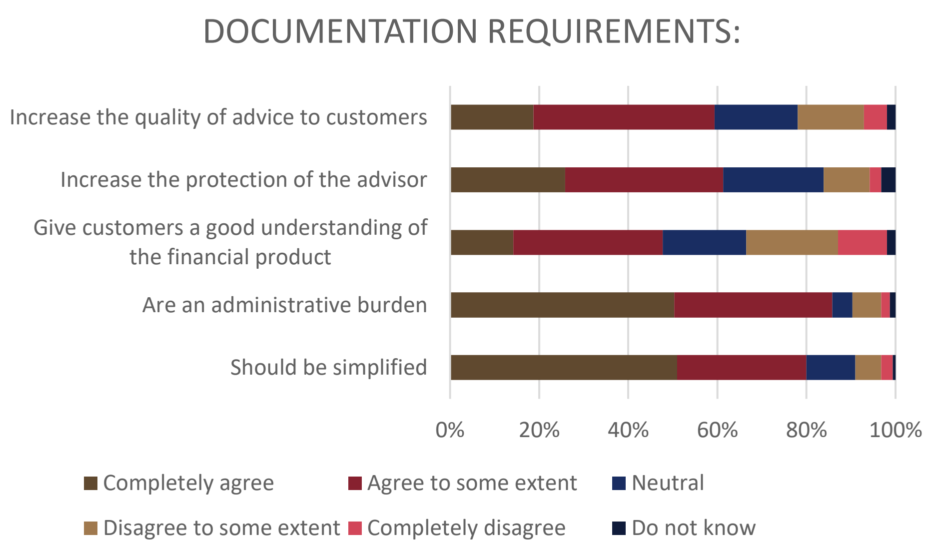

Table 16.1 The respondents think that documentation requirements should be simplified and are an administrative burden

A majority of the respondents think that documentation, information to consumers and KYC requirements are an administrative burden. 86% think this about documentation, 78% about information to consumers and 77% about KYC requirements. In addition, the main part of the respondents also perceive that the requirements should be simplified.

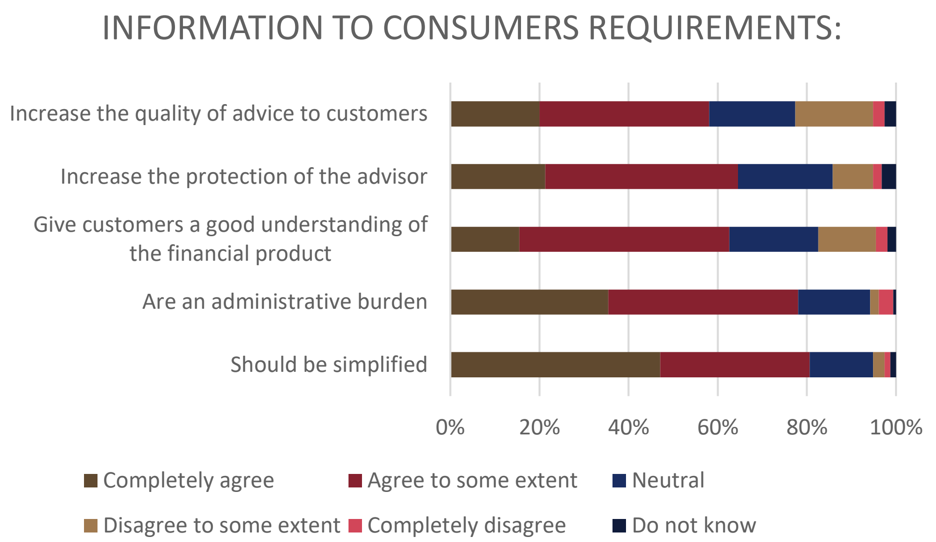

Table 16.2 The respondents think that information to consumers requirements should be simplified and are an administrative burden

A positive notion is that over half of the respondents agree to some extent or completely with the statement that the requirements increase the protection of the advisor. This could be a sign that the requirements provide a somewhat clear framework for employees to follow, but also that the requirements do not push down responsibility to junior staff from management.

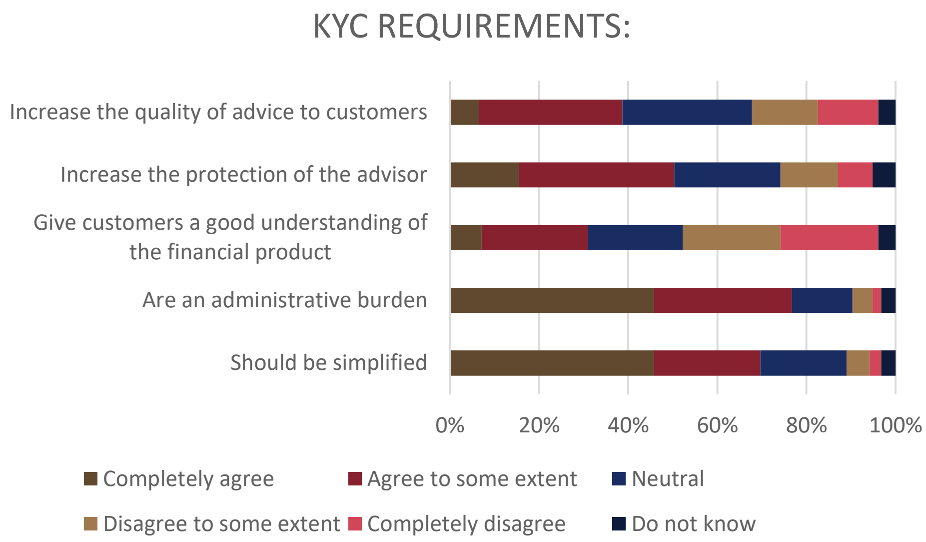

Table 16.3 The respondents think that KYC requirements should be simplified and are an administrative burden

"[…] Do the customer need all the information provided. Sometimes to[o] much information can be equally as bad as no information."

Quote 15 - NFU survey

At the same time, only a few of the respondents completely agree when asked if the documentation (14%), information to consumers (15%) and KYC (7%) requirements give the customer a better understanding of the financial products, which has been one of the legislators' main intentions with the regulatory requirements.

In fact, about the equivalent percentage of respondents completely disagree when asked the same questions. However, the majority agrees to some extent that documentation and information requirements give the customer a better understanding of the financial products. 33% and 47% respectively state this.

"There are too many rules that do not make sense and are difficult for the customer to understand. The rules do not give value"

Quote 16 - NFU survey

The main part of the respondents, 44%, disagrees with the statement that KYC requirements increase the customers' understanding of financial products. This is not very controversial, as KYC requirements aim to identify and prevent money laundering and corruption rather than improve customers' understanding.

Requirements on documentation and information to consumers are however perceived to increase the quality of advice by a majority of respondents. Almost two thirds agree with this statement. However, one fourth of the respondents think the opposite – and instead disagree with the same statement. KYC requirements are viewed to increase the quality of advice the least. 32% agree to some extent with this statement and only 6% completely agree. Almost one third disagree completely or to some extent, meaning that the requirements do not increase and/or effect the quality of advice to customers. Once again, this result is not controversial as this is not the main purpose with the requirements on KYC.

"We don't experience that we give bad service just because we follow our rules and so on but [the] customer see it as bad service sometimes just because of all the questions where the money comes from and what they are going to use it for"

One respondent suggests in a comment that it might not be that the quality of the customer service in fact decreases, but that the customer experiences that it does. Whether or not the requirements directly affect customer service negatively, its effects should be taken seriously by companies and regulators in the financial sector.

It is also pointed out by one respondent that the information given to customers might be too complex for the customer to understand.

"Many customers do not understand what they read and sign the papers as they believe what we tell them"

Quote 18 - NFU survey

The information to consumers often consists of an extensive document that the customer is to read and sign, but very few customers appear to have the time and/or patience to go through and create an understanding of the information in the document. Instead, they just sign it without reading. This may not have been what the regulators intended from the beginning and does nothing to improve customer knowledge and understanding.

Effects on customer interaction

KYC requirements might also have negative effects on the employees work environment and on interaction with customers. Many customers tend to react in a negative way when asked routine questions related to KYC. Almost two out of five respondents are of the impression that customers react negatively to these types of questions.

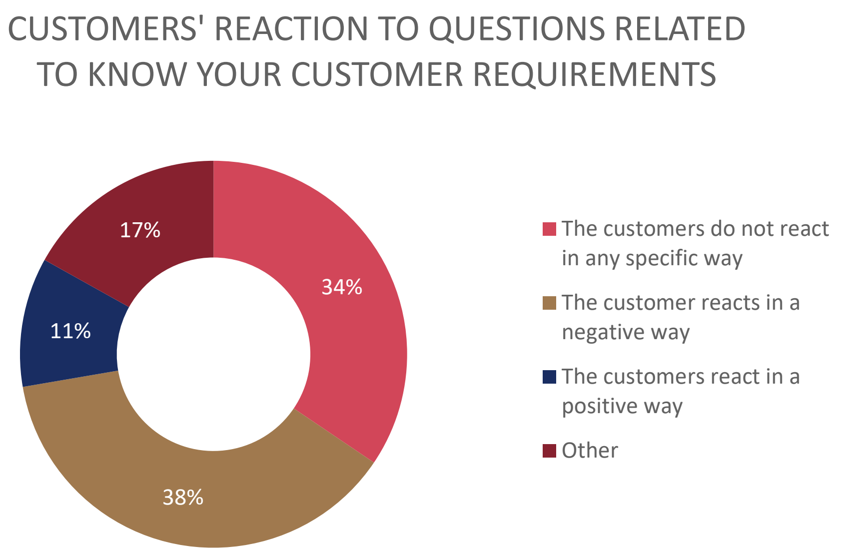

Table 17. 38% of the respondents' state that customers usually react in a negative way

Both the comments and the result however tell us that it occasionally depends on how the questions are asked and if the customers understand why the questions are asked.

"It depends on how you explain the [q]uestions. Some [are] negative but mostly understanding."

Quote 19 - NFU survey

The respondents who had knowledge of customers reacting in a negative way when asked questions relating to KYC requirements were also asked to specify in what (negative) way the customers generally reacted.

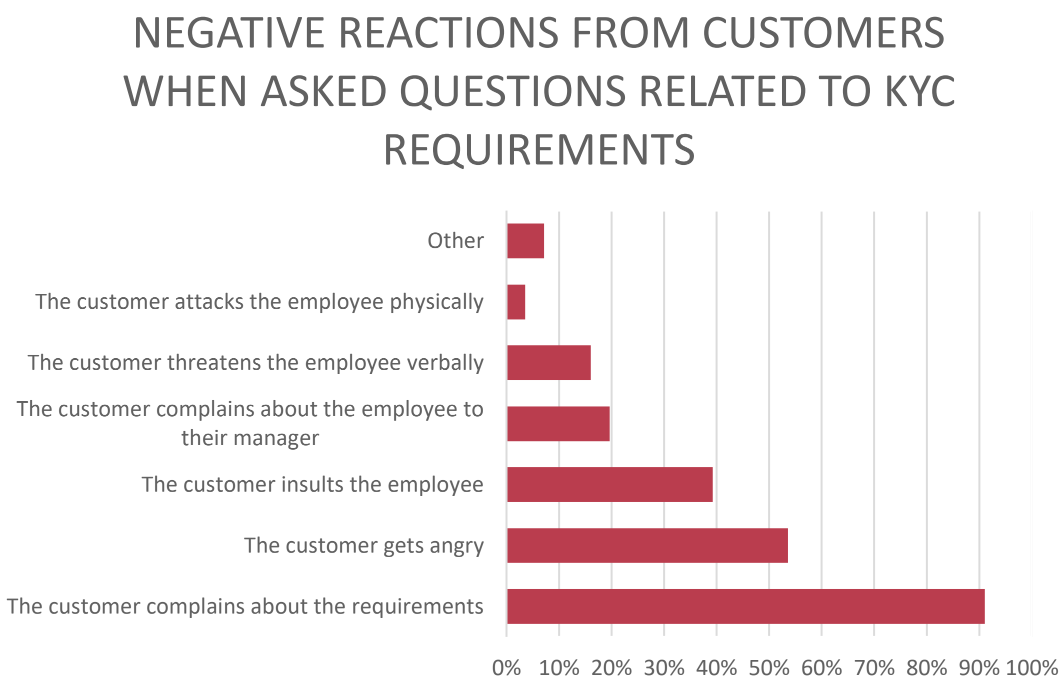

Table 18. The customers usually complain of the requirements if they react negatively

Their answers show that the most common reaction is to complain about the requirements, followed by getting angry. One fifth state that customers tend to complain to a manager. A worryingly high result, 39%, answered that the customer sometimes insults the employee after being asked KYC-related questions, and 16% that they verbally threaten the employee. 4% actually state that they have knowledge of an employee that has been attacked physically by a customer. This raises serious concerns about finance employees' work environment as well as health and safety at work.

The following quote from our study also gives reason to consider the potential negative effects on employees work environment and wellbeing due to requirements on KYC.

"Members have been filmed by customers and the films [have] ended up on Youtube"

Quote 20 - NFU survey

This might be an extreme, and hopefully rare, example but nevertheless it is something that have taken place in the Nordic financial sector. To be filmed at work, presumably without permission, is a severe violation of privacy. To be constantly worried of how customers will react to the KYC-related questions is likely to cause some negative stress connected to the customer meeting.

5. Conclusions

The effects of recent years increased regulatory requirements are notable across the whole Nordic financial sector. However, the result suggests that the banking sector so far has been affected the most. This can be explained by the fact that the major part of the legislation that EU pushed out after the financial crisis was directed towards that same sector. Also, the second Insurance Distribution Directive (IDD II) still remains to be implemented in the insurance sector.

The main scope of this study has been to investigate how regulatory requirements on documentation, information to consumers and KYC effect the work and wellbeing of employees in the Nordic financial sector. The results paint a clear picture; the new requirements are all perceived to have increased employees' stress levels and workload.

One possible explanation is that the requirements are too complex and time-consuming to follow. The vast majority of the respondent actually think that all of the three areas of requirements surveyed are an administrative burden and that they should be simplified. It might however not only be the requirements themselves that are to blame, but the fact that they have been piled on top of all the other work and duties employees must do. Therefore, it is possible that the employees' growing stress and workload could be improved by better leadership and understanding of the practical compliance routines from management.

It is worrying that the result indicates increasingly pressured employees, scrambling to have time to complete their documentation, keep up with KYC requirements and at the same time meet with customers and provide them with good advice and information. Not only does stress impact employees' ability to provide sound financial advice to consumers, but it can also have severe long-term negative effects on health and well-being. It is clear that the legislators have been missing the employee perspective when designing the regulation, which in turn could have potential negative consequences on consumers and financial stability as well.

To give customers a better understanding of financial products and provide them with better advice have been two of the main intentions from the legislators when imposing new requirements on documentation and information to consumers. Interestingly, the result shows diverging perceptions of whether the requirements increase the quality of advice and customers understanding of financial products. The majority of the respondents agree that the quality of advice and customer understanding is improved to some extent, but a significant number also state that the quality and understanding actually decreases. If this is the case for some, it could be argued that the regulatory requirements do not live up to the legislators' intention; to improve the situation for consumers.

The respondents' comments also suggest that meetings with customers often is impaired by all the documentation that advisors need to do. The documentation is intended to increase consumer protection, but it is difficult to see how the customers benefit from having less time to be given advice and information. It is highly worrying that customers might not be offered certain financial products or services because the documentation requirements connected to them are too time-consuming.

It should also be considered if the requirements on information to consumers live up to their intended purpose. It is highlighted in the result that the information documents that are required to be provided to customers when selling and/or giving advice on financial products are too complex and/or lengthy for customers to understand or take in to consideration. If this is the case, the information requirements might be more of an administrative burden for employees rather than to the benefit of customers.

The customers' level of financial literacy and frequency in meetings with financial institutions might play a part for the way in which customers experience and understand the requirements. If the advisor has sufficient time and resources to explain and inform the customer, it might also improve the experience. One conclusion might therefore be that it is not the requirements per se that is the problem, but a range of other factors.

The requirements on KYC also seem have the potential of severely damaging the employee-consumer relationship. Customers sometimes tend to react negatively to the questions that employees are required to ask. Additional information among consumers might be needed to raise the awareness of why it is important for the financial sector to gather information about behaviour, transactions and family relations. This responsibility however should not fall on the employees alone, but management and legislators need to be a part of this work.

More research and evaluation on the effects of regulatory requirements within the financial sector is needed, both when it comes to the effects on employees and the related effects on consumers. Even if the result shows us that employees' stress levels and workloads are rising due to increasing regulatory requirements, it might be pre-mature to conclude that the negative effects are a direct effect of the regulation. Leadership and management might play an equally important part, as could the level of financial literacy of the customers.

Sufficient time and resources are key for employees to be able to provide sound financial advice and services. This is not the situation today. According to this study, employees in the Nordic financial sectors seem to be put under pressure from two directions; compliance and management. As the regulatory requirements and time spent on compliance tasks have increased, there has been no adjustment of the demands management put on employees' performance in other fields, such as number of meetings and sales targets.

The effects could be severe, not only for employees' health and wellbeing at work, but also on their ability to provide customers with good and suitable financial advice and services. This could have negative effects on the sectors' staff supply, because who wants to work in a sector where stress and pressure is considered "the new normal"?

The finance sector is built on trust, which in turn is created, for the main part, in the meeting between advisor and customer. If the customers experience that customer service is impaired, be it due to lack of time, sales targets or complex compliance demands, they might choose to take their business elsewhere or even worse, they might lose trust to the whole financial system.

In conclusion, it is evident from the result that there are several factors that affect the wellbeing and work environment of employees in the Nordic financial sector. The employee perspective needs to be "top of mind" for both legislators and management when working with legislation. By taking this perspective in to consideration, a well-regulated financial sector that supports employees' wellbeing, and sound financial advice and services with strong consumer protection, can be achieved.

Key legislative acts

In this section, key legislative acts that affect finance employees' compliance work are presented in detail. The acts presented here provide the basis for the sets of rules and instructions that have been investigated in our survey; requirements on documentation, information to consumers and KYC.

PRIIPs

The EU's objective of the regulation on PRIIPs (Packaged retail investment and insurance products) is;

> ". […] improving the comprehensibility and comparability of products, ensuring disclosures are provided at the right time in sales processes […]"[33]

The regulation obliges all persons who sell or advice on Packaged Retail Investment and Insurance Products (PRIIPS) to provide the consumer with a Key Information Document (KID). The KID should include:

- the name of the product and the identity of the producer
- the types of investors for whom it is intended a major turn-around in its previous de-regulation path, pushing
- the risk and reward profile of the product, which includes a summary risk indicator, the possible maximum loss of invested capital and appropriate performance scenarios of the product
- the costs investors have to bear when investing in the product
- information about how and to whom an investor can make a complaint in case there is a problem with the product or the person producing, advising on or selling the product

This to make sure that investors are provided with information on the product that they can easily understand and compare. [34]

[33] European Commission. Summary of impact assessment. Celex number: 52012PC0352. 2012-07-03
[34] European Commission. Summary of impact assessment. Celex number: 52012SC0188. 2012-07-03

MiFID

The markets in financial instruments directive MiFID entered in to force in 2007. It regulates the European securities markets.

In 2014, the Commission revised the rules by adopting a new directive, MiFID II, and a new regulation MiFIR. The rules were transposed in to national law in July 2016. Originally, they were meant to apply from January 2017. The date for application has however been pushed forward to January 2018, giving financial institutions more time to set up rules and routines to comply with MiFID II/R.

The objectives with MiFID II is set out as following by the EU Commission:

> "[T]he general objectives of the revision of MiFID are to strengthen investor confidence, to reduce the risks of market disorder and systemic risks, to increase efficiency of financial markets while reducing unnecessary costs for participants." [35]

With MiFID II, EU aims to strengthen the European securities market rules by:

- ensuring that organised trading takes place on regulated platforms
- introducing rules on algorithmic and high frequency trading
- improving the transparency and oversight of financial markets – including derivatives markets - and addressing some shortcomings in commodity derivatives markets
- enhancing investor protection and improving conduct of business rules as well as conditions for competition in the trading and clearing of financial instruments[36]

IDD II/IMD

The distribution, i.e. the selling of and advising on insurance products in the EU, is regulated through the Insurance Mediation Directive (IMD) and now by the expanded Insurance Distribution Directive (IDD), which was adopted in 2016 by the Commission. The

[35] European Commission. Summary of impact assessment. Celex number: 52011SC1227, 2011-10-20
[36] European Commission. Investment services and regulated markets - Markets in financial instruments directive (MiFID). (Visited: 2017-12-06)

IDD is currently in the process of being implemented at national level and was destined to apply from 23 February 2018. However, at the time of the writing of this report, the ECON Committee of the European Parliament has recommended to postpone the application further. Unlike IMD, IDD applies to all sellers of insurance products, including those companies that sell directly to customers[37]. The objective of the IDD is:

> "[…] to improve regulation in the retail insurance market in an efficient manner. It aims at ensuring a level-playing field between all participants involved in the selling of insurance products and at strengthening policyholder protection."[38]

According to the regulators, the benefits for consumers with the expanded IDD is that the harmonized rules will make it easier for consumers to "shop around", meaning that they will get an improved understanding of the insurance product and service offered and a better ability to compare different offers. As a result, the regulators argue, the price of the products/services will be reduced[39].

AML

The Anti-Money Laundering Directive (AML) aim is intended to prevent that the European financial system is used to launder money and/or finance terrorism[40]. The 4th Anti-Money laundering directive entered in to force in June 2017. The aim with the updated directive is to reinforce already existing rules on money laundering and terrorism financing. The reinforced framework sharpens the obligations of banks, lawyers and accountants on risk assessment[41].

MAR/MAD

The Market Abuse Regulation (MAR) and Market Abuse Directive (MAD) prohibits insider

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[37] European Commission. Insurance distribution. (Visited 2017-12-06)
[38] European Commission. Summary of impact assessment. Celex number: 52012SC0192. 2012-07-03
[39] Ibid. 2012
[40] European Parliament, Council of the European Union. Directive. Celex number: 32015L0849. 2015-05-20
[41] European Commission. Press release: Strengthened EU rules to tackle money laundering, tax avoidance and terrorism financing enter into force. 2017-07-26

trading and the manipulation of markets by spreading false information, rumours and trading at false prices. MAR has introduced a common regulatory framework covering insider trading and market manipulation and measures to prevent market abuse. MAD includes rules on insiders' lists, suspicious transactions reports and the disclosure of managers' share transactions. The objective of MAD is as follows:

> "[…] to increase market integrity and investor protection, while ensuring a single rulebook and level playing field and increasing the attractiveness of securities markets for capital raising for SMEs."[42]

To do so, the Commission outlines four more policy objectives; to ensure that regulation keeps pace with market developments, to ensure effective enforcement of market abuse rules, to enhance the effectiveness of the market abuse regime through clarity and legal certainty and, to reduce administrative burdens where possible, particularly for Small- and Medium-sized Enterprises (SME's)[43].

MAR entered in to force in 2016. MAR sets out four separate compliance routines; identification of behaviour, mapping of said behaviour, monitoring and reporting[44].

UCITS V

The directive on Undertakings for collective investment in transferable securities (UCITS) regulates collective investments schemes in Europe. It was amended in 2014 (UCITS V) with new rules in UCITS depositaries and complemented with a regulation (2016/438) dealing with non-market risks related to depositaries[45]. The amended directive had to be transposed into national law in March 2016[46].

The main aims of the UCTIS directive is to offer investors a wider choice of products at a

[42] European Commission. Summary of impact assessment. Celex number: 52011SC1218. 2011-10-20

[43] Ibid., 2011

[44] Bloomberg. Market Abuse Regulation (MAR): What you need to know. 2016-04-11 (Visited 2017-12-06)
[45] European Parliament and Council of the European Union. Directive. Celex number: 32009L0065. 2009-07-13

[46] European Commission. Implementation by EU countries – Implementing measures for Directive 2009/65/EC (Visited 2017-12-06)

lower cost. This objective is to be reached through;

- “a more efficient UCITS market in the EU
- better investor information
- more efficient funds supervision; and
- keep the EU’s investment sector competitive by adjusting the rules to market developments”[47]

In practice, the directive means that investor information is to be provided as a standardized summary-of-information document. The purpose is to create a better understanding of the product for consumers. The directive also strengthens the supervision of UCITS and companies selling them[48].

[47] European Parliament and Council of the European Union. Directive. Celex number: 32009L0065. 2009-07-13

[48] Ibid., 2009

About Nordic Financial Unions

Nordic Financial Unions (NFU) is the voice of the employees in the Nordic financial sectors. We are an organisation for co-operation between trade unions in the bank, finance and insurance sectors in the Nordic countries. Through our seven affiliated unions in Denmark, Sweden, Norway, Finland and Iceland we represent the vast majority of the employees in the Nordic financial sectors.

MISSION

NFU – Nordic Financial Unions is a lobbying organization promoting the interests of Nordic financial trade unions in Europe.

- Through a high level of competence and dialogue we contribute to shaping a sustainable financial sector, fundamental for job creation
- NFU creates value for the affiliates by acting as a knowledge hub among trade unions in the Nordic financial sectors

VISION

NFU strives to make the financial sectors prosper in a way that is sustainable for employees, companies, consumers and society.

- This is done through influencing regulation, framework conditions and business strategies that support job creation and economic growth

List of Abbreviations

AML: Anti Money Laundering Directive

EU: European Union

ESA's: European Supervisory Authorities

FCA: British Financial Conduct Authority

FTF: Insurance Sector Union in Sweden

FSA: Financial Supervisory Authority

FSU-DK: Financial Services Sector Union Denmark

FSU-NO: Financial Services Sector Union Norway

FSU-SE: Financial Services Sector Union Sweden

IDD: Insurance Distribution Directive

KYC: Know Your Customers

MAD: Market Abuse Directive

MAR: Market Abuse Regulation

MiFID: The markets in financial instruments directive

MiFIR: The markets in financial instruments regulation

NFU: Nordic Financial Unions

PRIIPs: Packaged retail investment and insurance products

UCITS: Undertakings for collective investment in transferable securities

SSF: Financial services sector union in Iceland

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