



# NFU response to

## COM(2005) 314 final GREEN PAPER ON THE ENHANCEMENT OF THE EU FRAMEWORK FOR INVESTMENT FUNDS (SEC(2005) 947)

### Facts on NFU

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

### Approach

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

### Transparency

NFU can not say whether it's more or less important with investors' protection than anything else touched upon in the green book. But we do think that transparency and comparability are important factors to support a growth of the private investments in these types of products. Information regarding costs, risks and gains must be provided to customers in an understandable form and in such a way that competing products and different UCITS<sup>1</sup> can be compared by the regular customer.

### No regulatory dumping

The ambition to harmonize and clarify the products offered on the market must not lead to a one-size-fits-all situation. There will be a customer as well as an industry interest in diversification. On the other hand we do not support a situation where the number of products offered to costumers is so big that the effective comparability is practically impossible for anyone with a moderate interest<sup>2</sup>.

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

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<sup>1</sup> UCITS (Undertakings for Collective Investment in Transferable Securities)

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

## **Clear responsibilities**

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

## **Customer training**

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

## **Number of employees in UCITS industry**

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