



NORDISKA FINANSANSTÄLLDAS UNION

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NFU response to the Consultation on (i) a draft Directive / Regulation with respect to the authorisation, operation and supervision of credit rating agencies (CRAs) and (ii) on policy options to address the problem of excessive reliance on credit ratings.

About NFU

The Confederation of the Nordic Bank, Finance and Insurance Unions (NFU) is an organisation for co-operation between trade unions that organise employees in the banking, finance and insurance sectors in the five Nordic countries. At present, eight trade unions are affiliated to the NFU; two in Denmark, two in Finland, two in Sweden, and one in each Iceland and Norway. Through these trade unions, NFU represents 155 000 employees in the Nordic financial market.

General remarks

NFU strongly supports the initiative by the Commission. There must be an end to the current world oligopoly of rating agencies. Rating agencies should not work on the development of financial products and subsequently issue a creditworthiness rating for the same products. Such conflict of interest is damaging. We need independent rating agencies that do not (can not) carry out rating on the basis of economic interest.

We agree that it is necessary that methodologies and models used by the credit rating agencies are regularly reviewed in order to be able to properly reflect the changing conditions in the underlying asset markets.

Regardless what option related to the authorisation process and the supervisory architecture is chosen, it is necessary to create a mechanism to ensure the effective enforcement of the provisions of this foreseen act of legislation. NFU fully agrees with the Commission that strong coordination among national regulators will be needed to ensure an efficient supervision and sanctioning system in Europe inspired by a partnership culture between national regulators operating in a network of regulators.

In relation to the idea of establishing a Community Agency, NFU is of the opinion that within Europe at least one public rating agency should be established. It is important that the supervisory authorities are given swift and continuous information about the state of affairs regarding the operations by Credit Rating Agencies established within the Community. Therefore a system must be put in place where rating agencies are rated themselves. A supervision mechanism without an early warning system will most likely turn out to be toothless, since the damage might already be done. The current financial

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turmoil has once again shown us how dysfunction in these markets has immediate effects on other areas of national economies. We need a body to monitor the monitors, to ensure the compliance with financial trends. This could be done through the introduction of independent/public rating agencies. If the ratings of an independent rating agency differ from the ratings of a profit driven institution, it might be an indication that the rating methods of the latter needs to be examined.

The consultation document on policy options to address the problem of excessive reliance on credit ratings includes a proposal requiring that all published ratings include 'health-warnings' informing of the specific risks associated with investments in these assets. NFU is, as pointed out above, of the opinion that an independent European rating agency could also provide "health-warnings" regarding the rating agencies themselves.

The consultation document on policy options to address the problem of excessive reliance on credit ratings also notes that the Capital Requirements Directive places particular importance on external credit ratings in the context of securitisation exposures. According to the consultation document, the Commission is already developing concrete measures to make sure that banks look 'beyond' the ratings.

In this context NFU urges the Commission to take note of the fact that any change in requirements for finance institutions also means changes in requirements for finance sector employees. The quality of services to customers will thus depend upon the level and content of training offered to employees. Furthermore, not only competent, but also sufficient personnel will be the key to success. When revising legislation, the Commission should also ensure that Finance industry employers take responsibility for updating and maintaining employees' skills.

Yours faithfully

NORDISKA FINANSANSTÄLLDAS UNION (NFU)
The Confederation of Nordic Bank, Finance and Insurance trade unions

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General Secretary

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