

# NFU Newsletter



## Times are changing – hopefully...

For a long time, the trade union voice has been neglected by the European Union.

Now, times are hopefully changing.

With the onset of the financial crisis, much has happened that has opened the ears of the EU legislators to the opinions of trade unions. The collapse of the worldwide financial system in the autumn of 2008 was a devastating blow to the neoliberal world-view. One after another, the free-market dogmas that had dominated the EU rhetoric on financial markets began to fall and have now been replaced by more socially and politically oriented opinions.

Thus, many of the views that trade unions have been advocating for a long time are now part of the European Union's own agenda – that the financial markets need to be better regulated, that financial companies need to be more transparent and better supervised, that perversely excessive bonuses and remuneration policies directed towards financial executives must stop, and so forth.

International financial capital is truly free of all boundaries – it flows unfettered across national borders and often also above national rules. To put shackles on international fi-

nance, we need international actors such as the EU. But not any European Union – we need one that takes the views of the trade unions seriously. The EU is capable of creating harmonised rules for all of its member states. It too can negotiate with the USA and other global players, to build a worldwide framework of financial rules and regulations. But we, the trade unions, must continuously remind them of taking the employees' opinions and needs into consideration.

NFU is working hard to take advantage of this golden opportunity for influence that has appeared. This work is done through reacting on the initiatives of the European Commission, as well as, together with UNI, working pro-actively to influence decision-makers. All new legislation in the EU is drafted by the Commission, which is why this work is so important. During 2009, NFU has so far sent in nine consultation replies to the Commission where we have stated our point of view.

The 2009 NFU Sector Conference gave us a chance to reflect on, and discuss, the financial crisis and how to move forward. The speakers' presentations can be found in the links list in the column to your right. Please enjoy your reading!

## In the shadow of the financial crisis



On June 11-12 2009, NFU 11th Finance Sector Conference took place in Gardermoen, Norway. The headline was Shaping the Future – Financial Crisis and the Ways Forward,

and it gathered 110 participants from all Nordic countries as well as the Baltic area and Europe.

As the title suggests, the main

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## In this newsletter

### Focus on the financial crisis:

- Economists blind to warning signs*
- The markets must be regulated anew*
- A look at the situation in the Baltics - No one represents those hardest hit*
- European Works Councils facts*
- In the wake of the crisis in Iceland*

### General Secretary's Note

**News from UNI Europe Finance:**  
**Focus on supervisory structure and responsible lending**

## NFU calendar

- Sept. 2-4: NFU Steering Committee, Reykjavik**
- Sept. 14-16: Danske Unions Conference, Brussels**
- Sept. 22: Social Dialogue Insurance Working Group meeting, Brussels**
- Sept. 24: GR Network meeting, Phone meeting**
- Sept. 29: General Secretary meeting, Helsinki/SUORA**
- Sept. 30-October 1: Women's Group meeting, TBC**
- Oct. 10: 20th ESCB Social Dialogue meeting, Frankfurt**
- Oct. 26: UNI-Norden meeting, Copenhagen**
- Oct. 27-28: NFU Union Council, Denmark**
- Nov. 11-12: Transnational Corporate Clubs conference, Helsinki/SUORA**
- Nov. 22: Social Dialogue Insurance Plenary, Brussels**
- Dec. 3: NFU Steering Committee, Helsinki/SUORA**
- Dec. 10-11: UNI-Europa Finance Conference, Dublin**
- Dec. 15: EWC Workshop, TBC**

## NFU links

- Speaker presentations from the NFU Sector Conference 2009**
- NFU Meeting Calendar 2009**
- NFU responses to EU-Commission Consultations**
- UNI-Europa Finance Website**

## In the shadow of the financial crisis

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theme of the conference was the financial crisis, but with an emphasis on how we can leave the crisis behind and find ways forward. The conference was structured into three parts, where the first part discussed the international and European level, the second part delved into the reasons behind the crisis and how to mend the markets, and the third part focussed on the ground-floor

perspectives of the transnational corporate clubs.

The lecturers at the conference included several prominent speakers from the EU, the academic world, the employers, the supervisory authorities, and the non-governmental sector.

In between the lectures, the participants discussed the topics in round-table groups. Each session

was concluded with a debate and question round with the speakers and the audience.

The participants were also treated to a dinner in the evening of June 12 along with brilliant Norwegian-themed entertainment, where, as a surprising bonus, one of the singers happened to also be a bank employee and member of the Financial Sector Union of Norway.

**He foresaw the crisis two years ahead:**

## Economists blind to warning signs

**When a simple statement on a certain income and fortune was all that was needed to get a bank loan, Max Otte understood that the financial crisis was coming. Already in December 2006 he wrote the book *Der Krash Kommt (The Crash is Coming)*.**

-I predicted that it would come, but not when. I said it could happen sometime between 2007 and 2010, Max Otte says.

He doesn't think it was such a great feat, and the number of people who should have had the ability to realize it is not small.

-But I would say that if you are an economist, you are trained to not see that the crisis was coming.

### Professor of Business

Max Otte is a German and American citizen. Currently he is Professor of International Business at University of Applied Sciences in Worms Cologne, Germany. Previously, he has a PhD from Princeton University, USA, and he has been Assistant Professor in International Business and Management at Boston University.

The signs of a looming crisis were many.

One of them was the high level of debt in the United States. From 1975 to 2007, the debt share of GDP had increased from 150 percent to 350 percent.

A press release dated December 2004 from the now world-famous

credit institute Fannie Mae says it all, Max Otte thinks.

In it, Fannie Mae reveals that their prior financial accounting has not followed established accounting practices. The public was asked not to trust old yearly and quarterly accounts from Fannie Mae. They were not correct, explained the company.

Fannie Mae could not account for the actual risk level in the products it had bought.

That was about four years before the crisis really hit.

### Blind to crashes

But the financial industry does not want to hear predictions about crashes.

The fact that big economic crises appear approximately every fifty years and smaller ones every ten

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*Professor Max Otte from University of Applied Sciences in Cologne, Germany*

## Economists blind to warning signs

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years has not made itself felt in the study literature.

-Textbooks in business are really not about crises, and I don't believe this crisis will be in the literature in ten years either. Then it will be forgotten, Max Otte says.

When he lists the ones responsible for the crisis it is not just Fannie Mae and Lehman Brothers who are listed on it.

Practically all actors are there. He mentions central banks, investment banks and the new financial technologies, Anglo-Saxon credit rating agencies, supervisory authorities, accountants, American politics and American politicians, as well as governments and other ready buyers of rotten credits in the rest of the world.

Max Otte has a particularly evil eye pointed at the credit rating agencies, who contributed to the severity of the financial crisis by rating high-risk financial products containing hidden sub-prime loans as safe investments.

-There is no reason whatsoever for them to remain now that they have failed so completely. And, of course, it is madness to trust private companies that have entered into a cartel and thereafter do whatever they want to, he says.

### Wrong medication

In Max Ottes opinion, the crisis has been handled in the wrong way. We regard it as a crisis of liquidity, when in fact it is a crisis in the ability to

pay, of solvency. This means that the measures already taken to confront the crisis were wrong.

He sees three main political tasks in order to solve the crisis.

The problematic banks need to be reorganised or liquidated, the rest of the economy needs to be stimulated, and the financial markets need to be regulated again.

He considers a reinstating of the regulations that disappeared in the liberalisation of the markets as a crucial step.

-But why don't we do it? Well, because the forces of the dark side are so strong in Brussels and elsewhere, Max Otte says, and displays a picture of the evil ruler Darth Vader in Star Wars.

### Government advisors:

## -The markets must be regulated anew

***Nobody believes in the self-clearing ability of the market anymore. That's why we need new and effective supranational regulations to avoid future financial crises, says financial market expert Sony Kapoor:***

***-If we don't do it now it will be too late.***

Sony Kapoor is Executive Director of think-tank Re-Define and advisor to the World Bank, the UN and national governments of which many are in the influential G20 group. But his background is quite unexpected:

-My opening line is: Before, I used to work for the Lehman Brothers...

### The brain of the market economy

It is not the financial sector in itself that is flawed.

-Finance is the brain of the market economy, Sony Kapoor points out. Its task is to relocate money and capital from where there are too many resources to where there are too few.

Blaming the crisis on excessive

risk-taking is also wrong. Sony Kapoor continues:

-It is hard to say what is too risky. Taking risks is a central element of what money does.

Sony Kapoor points out that the financial sector builds more on trust than other branches of the economy.

-You would never buy a car with-

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*Sony Kapoor, Executive Director of think-tank Re-Define*

## -The markets must be regulated anew

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out testing it first. But you cannot try out long-term financial services such as pensions and insurances. And since they are based on a high level of trust and a long time horizon, we need to have higher ethical standards here than in other sectors, says Sony.

### Once again pillars of society

-I know that it sounds funny but there was a time when banks were called the pillars of society, and for good reason. Then financial crisis is an excellent opportunity to reinstate that order, says Sony Kapoor.

-Now we have the opportunity to not just say what we are against, but what we are for. But if we don't do it now, it will be too late.

Sony Kapoor thinks the new regulation should favour competition, in order to lower consumer costs. They should also increase plurality as this gives better stability.

### Another goal is simplicity

-Since there is no copyright in the financial sector, all actors strive towards inventing as complicated products as possible to make them impossible to replicate. The complexity complicates regulation Sony says.

And since everything is allowed today if it is not explicitly forbidden, financial innovators construct products that supervisors cannot regulate before these products are already established in the market.

-We have to change our focus of regulation – everything should be forbidden unless it is allowed.

### Apply for permission first

Those who want to introduce a new financial product should have to apply for permission before they are allowed to sell it.

-We do not allow a new medicine to be released to the market until we know if it is safe, says Sony Kapoor.

Fairness is another guiding principle. Especially since the sector until now has done everything to escape carrying its share of the common costs for society.

*Lars Frisell, chief economist at the Swedish Financial Supervisory Authority*



That is why he believes in tiny transaction taxes, a so-called Tobin tax. Or a differentiated tax where complicated products are more expensive than simple and easy-to-grasp ones.

-That would be an effective obstacle to speculation such as when a hedge fund sells the same bond 30, 40 times a day. Regulations are a protection against too speedy trading.

-We need more speed bumps, Sony stresses.

### You can't regulate away the next crisis

Only one of the speakers at the conference contradicted Sony Kapoor: Lars Frisell, chief economist at the Swedish Financial Supervisory Authority, and the one who will handle the improved oversight that Sony Kapoor wants.

-If you think you can regulate away a new financial crisis you are fooling yourself. You cannot put so much faith in supervisory authorities, Lars Frisell said.

Already before the current crisis the necessary supervisory tools were in place. Lars Frisell continues:

-The legal options were there but

no one dared to use them.

He is not so impressed by the new international supervisory authority that the EU finance ministers welcomed only two days before the conference. It is more important to get individual countries to cooperate around their supervision, he said.

Lars Frisell also doubted the many individual government initiatives.

-They risk being too quick, too simple and too much.

And Lars Frisell wondered whether the other lecturers really wanted to go back to the regulations that the world has lived with from the depression in the 1930s up until the 1970s.

-Do we want a system where it is nearly impossible to borrow money? How dynamic is such a system?

### Many loopholes

Apart from that, Sony Kapoor was supported by a number of speakers, such as the former Prime Minister of Denmark Poul Nyrup Rasmussen, currently President of the Social Democrats in the European Parliament.

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## -The markets must be regulated anew

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*Poul Nyrup Rasmussen,  
President of the Social  
Democrats in the  
European Parliament*

After initially having been positively surprised by the European Commission's proposals, Poul Nyrup Rasmussen was now critical.

-The right headlines were there. But the devil is in the details, and now I am not so impressed anymore, he says.

The new rules have a line of loopholes, he explained, and exemplified with a size limit: the rules are to be applicable only to funds managing more than 100 million euro.

-If you want to start a 500 million euro fund, you might as well start five funds at 99,9 million euro and escape all regulation. That is why Sony and I say that we must have complete regulatory coverage, continues Poul Nyrup Rasmussen.

### Now everyone listens to unions

Allan Bang, President of the Finance Sector Union of Denmark, NFU and UNI Finance, pointed out the future role of unions.

One year ago, Allan explained, no one would listen to the trade unions' point of view. Now everyone – the EU, IMF and individual governments – wants to hear how the unions can contribute to a sensible development in the financial markets.

But what will happen when the crisis is over?

-Right now I think we have the chance of a lifetime to bring about a change. There will be pressure on UNI, NFU and other union colleagues to create structures ensuring that we can maintain these channels of influence also in the future, said Allan Bang.

### Unions can call the alarm

Sony Kapoor described the employees as being a bulwark against "business as usual".

-There are three main reasons for this. You can notice the crisis before the shit hits the fan, you have a structure in place enabling you to ring the alarm bell, and you are a mechanism that can give credibility back to the sector, Sony said.

But there are also problems when unions and employees are to fulfil such a function. One is the lack of union representation in markets such as in the Baltic States and the USA. Another is the fact that performance-based pay has put pressure on financial staff to put sales results before sound advice. Allan Bang emphasised:

-There has been enormous pressure on our colleagues to sell no matter what.

Because of this, Sony Kapoor wants to see a financial equivalent to the international doctor's oath, where every doctor in the world pledges to try and ward off anything that might harm the ill. "I will not give a lethal drug to anyone if I am asked, nor will I advise such a plan".

-This is an idea that the unions should promote and it should run just like the Hippocratic Oath of the doctors' profession – first of all: do no harm, Sony Kapoor concluded.



*Allan Bang, President of the Finance Sector  
Union of Denmark, NFU and UNI Finance*

**Key Policies**

1. A new business model: sustainable, long-term oriented and risk-conscious, empowering customers and workers.
2. Model charter for responsible sale of financial products for each company.
3. Unions/employees in dialogue with supervisors and companies' risk management (including...).
4. Financial supervision & risk management (including... procedures and practices of... (generating... pressure))

## **A look at the Baltic crisis:**

### **No one represents those hardest hit**

***In the places where the financial crisis has hit the hardest, no one represents the 16 790 employed in the Nordic bank branches in the Baltics.***

***The Balts are not union members. And Nordic trade union reps put their own members first if interests collide.***

***-In such a case, I have to represent the members who have elected me, says Göran Lilja in SEB's corporate union club.***

The four Nordic banks Swedbank, SEB, Nordea and DnB NOR have lent out more than half a billion SEK in the Baltics.

And the financial crisis hits the three countries hard.

In March this year, the four banks together had 16 790 employees in Estonia, Latvia and Lithuania.

That is 1 230 fewer than the year before. And the Norwegian union periodical Finansfokus estimates that around 6 000 financial jobs have disappeared in the Baltics in the wake of the crisis.

#### **Laid off**

Finansfokus also tells about employees who have been fired under conditions which union reps in the Nordic area never would have accepted. The basis for the layoffs has been

minor formal deficiencies discovered in audits.

Close to none of the employees have a union to turn to for help.

SEB in Latvia is the only bank where there is a proper union club, and in Lithuania a kind of co-worker club was started about a year ago. Representatives from Latvia, Lithuania and Estonia are also members of the European Works Council (EWC) in SEB.

In Swedbank the three countries each have one representative in the corporations' EWC, but there are no unions. There is, however, a housing association in Lithuania, but the

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*Discussing the Baltics: (from left) Göran Lilja, Marie-Louise Kings, Bente Hornsrud Espenes, Steinar Nickelsen, Ülle Lennuk, Niels Q. Kruse and with Ingar Brotnov in front*

## No one represents those hardest hit

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Swedish union presently has no contacts with this.

Within Nordea there are no Baltic unions and no Baltic representation in the company union board.

Norwegian DnB NOR is conducting business in the Baltics through its Danish subsidiary DnB NORD. But Bente Hornsrud Espenes, part of the Norwegian delegation at the NFU Finance Sector Conference in Gardermoen, has no contacts with her colleagues there.

The Baltic aversion to organise themselves in unions has made several Nordic union clubs tired of working in the region at all.

### Their own responsibility

This is what Nils Q. Kruse, President of Union in Nordea, says of it:

-We have been trying to start things up in the Baltics but it's been an uphill struggle. We've been there four times but nothing seems to come of it. A year ago we said that if anyone wants to start a union they can come to us for help. Now the responsibility is theirs.

Nordea also has common conditions for people who lose their job, but only in the Nordic area. In the Baltics, people risk leaving the same day receiving only their holiday compensation pay.

-The people directly affected by these conditions have not turned to us. This is the reason we haven't reacted, says Steinar Nickelsen, President of the Finance Sector Union section in Nordea in Norway.

His colleague Nils Q. Kruse from Nordea in Denmark sees a dilemma in spending too much time organising employees abroad.

-We have no members in these countries. I can understand why our members here at home question why we spend so much energy on other employees, when it is their union fees that pay our wages, Nils says.

In Nordea the Baltics have no union representation, and it is just as bad in Swedbank.

-Presently we have no union representation in the Baltics, and that



Marie-Louise Kings



Steinar Nickelsen



Ülle Lennuk



Nils Q. Kruse

is problematic. We have been discussing how we can solve this, says Marie-Louise Kings who is member of the company union board in Swedbank.

### No insight

The dismissals of close to 1 200 Swedbank employees in Estonia, Latvia and Lithuania during last year is nothing that the Swedish union has been able to influence.

-They do it all by themselves and we have no idea how they do it, says Marie-Louise Kings.

When conflicts arise between the interests of Swedish and Baltic employees, there is no doubt as to whom the Swedish trade union reps are going to represent, Göran Lilja of SEB points out.

-In that case I represent our Swedish members, he says.

This does not mean that the union is fighting for Swedish jobs at all costs. Twice it has agreed to transfer jobs eastward, to Latvia, and just recently to Lithuania where customer accounts and lending will be handled.

-We also consider what is best for the company, he says.

Paradoxically, it was a jobs transferral that made Latvian employees angry enough to start their own union club. When the back-office was moved from Sweden to Riga, the new employees in the Latvian office had better pension schemes than the other SEB employees in Latvia.

-That was one reason why the union club was started, Göran Lilja says.

### Manager started union

Andres Vilks, head of research and later chief economist for SEB in Latvia, was the initiator. In order to recruit other employees, it is vital that the union work is led by respected colleagues and that they do not suffer any reprisals. Otherwise no one dares to join.

-That is probably how we need to

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## No one represents those hardest hit

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do it as well. We need to find someone who is respected enough to be able to engage the others, ponders Marie-Louise Kings from Swedbank.

She is worried about the consequences of carrying out such a big part of the bank's activities without any union representation.

-Furthermore, we have new managers from the Baltics at different levels in Sweden, and this complicates things as they are unaware of Swedish regulation on employee participation.

Does this mean that the Baltic opinion of union work risks spilling over to Sweden?

-That would be very unfortunate but it cannot happen. They can have a personal opinion but it is not valid here. Here we have the Co-Determination Act, Marie-Louise Kings says.

### If succeeded

The most union hostile country in the Baltics is Estonia, where none of the banks have been able to raise any interest whatsoever for union work neither before nor after the crisis.

-When things go bad that usually raises interest for unions, but we have seen nothing of the kind in Estonia. It is actually quite peculiar that they haven't organised themselves, says Göran Lilja.

The bank unions have not succeeded, but the union in insurance company If has. For quite a while the Estonian union for insurance



Göran Lilja

employees has existed, which now mostly organises employees at If.

However, there too the work builds to a large extent on one single person, says Ingar Brotnov, President of the Finance Sector Union of Norway in If.

-We were lucky to have found Ülle Lennuk, member of If's EWC and the board of Estonian insurance union EKTAÜL/ROTAL. If she had quit we would have had problems, he says.

Ingar Brotnov stresses that the Baltics must not be seen as one single entity.

-We regard the region as three different countries with different cultures, languages and traditions.

### Works on their neighbours

And that is how the Baltics should be treated, says Ülle Lennuk, who is currently working on her neighbour countries to try and start up union activities.

-We have been in contact with the Lithuanians and visited them repeatedly, Ülle relates. Then nothing

happens. But now they have an elected representative at least, even if it is not a proper union.

-So all I say is: try again!

The reason why people in the Baltic refrain from union membership is that they are insecure, Ülle Lennuk says.

-They wonder what kinds of new problems it will bring about. In the Baltics people are not so reliant on what will happen, and consequently not so brave. Things must be brought forward carefully, Ülle concludes.

### FACTS on European Works Councils

An EWC is a company council where the management of a multi-national company meet with employee representatives from all EU countries where the company is active.

Established in 1994 through EU Directive 94/45/EC, the EWC rules apply to companies with more than 1000 employees in the EU, of which at least 150 are located in at least two EU countries.

After a long and complicated political process, the EWC Directive was improved and extended in the spring of 2009 (through a so-called "recast").

## General Secretary's Note

After some months alone in the NFU office, Arvid will soon have his colleagues back with him! Magnus is returning from his paternity leave on September 1 and I, Christina, am now working part time.

What joy it will be for all three of us to be back together.

Arvid has done an amazing job to keep the NFU wheels turning and to continue to pursue our new strategies and goals.

He has been supported by a wide range of people from our NFU member organizations, and we wish to send you all our warmest thanks.

This autumn we will be able to return to our full Work Plan and continue to develop our strategies and aims. You will hear from us!!! Although I will be returning to full speed on a gradual scale, all three of

us look forward to grouping up and heading out there, full of energy and new ideas.

Thanks again to Arvid for all of his amazing work, and to you – the NFU members – for providing resources to keep the work going!

***In the wake of the crisis in Iceland:***

**The union paid for therapy**

***The Financial Sector Union of Iceland has lost more than 25 percent of their members since the financial crisis struck the island on October 8 last year. The members have sought support from the union, which has handled tasks normally taken care of by the state.***

In a single week, the Icelandic state took over the country's three larger banks Landsbanki Islands, Glitnir and Kaupthing. For laid-off members and union active persons, everything changed.

When comparing Iceland to the union-hostile Baltic countries, the situation is altogether different on the island in the north. 95 percent of bank employees were members of Samtök Starfsmanna Fjarmalafyrirtækja (SSF), and enjoyed great benefit from their union membership.

-Nowadays, people really appreciate the help they get from the union. Those who were not members before probably are now, says first vice-president of SSF Anna Karen Hauksdottir, who herself works in Islandsbanki, formerly Glitnir.

She says that even the employers are trying to make their employees join the union, since they see the benefits.

**Fought for the members**

When the government overtook the banks, the employees were laid off immediately.

-We had to fight for our members, Anna Karen continues. They had three to six months period of notice. In order to make the employers to respect that, we had to negotiate directly with the Finance Minister and the government. And we succeeded with quite a lot, she says.

-We also managed to persuade the government not to dismiss so many employees. Otherwise, it would have been hard to run the banks, says Andres Erlingsson, SSF's



*Anna Karen Hauksdottir, first vice-president of SSF, and Andres Erlingsson, second vice-president for SSF*

second vice-president and employee in Landsbankinn, the new name for Landsbanki Islands.

The next step was to help affected members. SSF rented premises where they started job application courses, helped members write CV's and encouraged them to apply for new jobs.

All churches in Iceland was open, one gym offered free training passes, and the union paid for conversational therapy for members in need of it – a service which they estimate that a fifth of the members used.

Today, the employees in the banking sector have lost between 5 and 50 percent of their wages. Bonuses, options and other performance-based payments are gone.

-But it manifests itself in different ways, says Anna Karen Hauksdottir. Earlier, very few people had enormously high remuneration whereas for most people the difference is not so big.

-Those who work in the offices have had their wages lowered. For a desk clerk there is no difference at all, says Andres Erlingsson.

The big losers are those who worked in the investment banks. That is where the young, smart and

well-educated people who were in it for the money chose to work.

**Save the young**

Now, both Anna Karen and Andres are worried about what the young and well-educated will do.

-They are so valuable for the country, says Anna Karen. The worst-case scenario is that they leave Iceland.

At the same time, she describes the crisis as something Iceland has needed for a long time.

-We have great problems to solve but it is another country now, people are staying together again. There is less competition and not the same focus on money, Anna Karen continues.

Would she have missed the financial crisis if it had not come?

-Yes, kind of, she says. People were in too much of a hurry before, and wage gaps were so high it was unhealthy.

Andres Erlingsson fills in:

-Before, everything was about bonuses. Now the pace is slower, people care about their families again and we have a much better atmosphere.

## News from UNI and UNI-Europa Finance

### Focus on supervisory structure and responsible lending



**By Katrine  
Søndergaard**

*UNI-Europa  
Finance Policy  
Officer*

Over the summer, the European Commission has continued its realisation of the financial sector reform programme outlined in its Communication to the Spring European Council on 4 March 2009.

Among the most important issues running over the summer have been public consultations on the new supervisory structure as well as on possible regulation within the area of responsible lending. Furthermore, the Commission has put forward a proposal on changes of the Capital Requirements Directive, including, among other things, requirements on banks to have sound remuneration practices that do not encourage or reward excessive risk-taking.

The changes to the Capital Requirements Directive build on the Recommendation on Remuneration in the financial services sector adopted by the Commission on 29 April 2009. Apparently, there has been strong disagreement within the Commission as to whether it is a violation of the treaty to include the

remuneration principles in the Capital Requirements Directive, as the EU has no competence to regulate on remuneration. However, the matter is of highest political importance to Barroso, which must be considered one reason why the remuneration principles in the end were included.

On 27 May, the Commission adopted a Communication on the future structure of European financial supervision, which was subject to public consultation in June and July. The Communication builds on the Recommendations of the 'de Larosière' high-level group and includes several good elements, among other things that the supervisory authorities should liaise in a structured way with relevant stakeholders. However, the Communication fails to mention finance employees and trade unions among these, which is disappointing. The Commission will put forward a legislative proposal based on the consultation in October 2009.

As outlined in the Spring Communication, the Commission considers regulating within the area of responsible lending. On 3 September, the Commission is holding a public hearing on responsible lending, following a public consultation that has been running over the summer. The Commission decided only a few years ago not to regulate advice standards and provision of information within mortgage markets, but in

light of the crisis is now reconsidering this. Whether the Commission finally decides to regulate will become clear during the autumn. UNI Europa Finance, as well as NFU, will reply to the written consultation.

As regards the European Parliament, the new composition of the parliamentary committees became official in July. Unfortunately, the French socialist Pervenche Berès lost her chairmanship of the Economic and Monetary Affairs committee (ECON), dealing with financial regulation. She will now chair the Employment and Social Affairs Committee (EMPL), and the ECON committee will be taken over by the Liberal Democrat, Sharon Bowles, from the UK. Though a liberal from the UK, at first glance, can seem to be highly unfortunate for a profound regulatory reform of the sector, she is known as a pragmatic, open and listening politician, and thus can turn out to be an acceptable alternative.



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