

European Commission's Conference on a "New supervisory architecture in Europe"

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Speech by Oliver Roethig, Head of UNI Finance

I am speaking here on behalf of UNI-Europa Finance. UNI-Europa Finance is the European trade union organisation for the finance industries. It represents 1.5 million employees in Europe.

This conference is very important. Financial supervision has to be reformed in a transparent way. A key concern for public authorities, finance companies and workers is that trust in financial markets is reestablished.

Thus, reform cannot be a matter between regulators and the industry alone. We need the full involvement of all stakeholders. This must include consumers and trade unions.

It should be clear that we are not talking about little reforms at the margins of current supervisory regime. We – and here I mean the public – demand a profound reform of the regulatory systems for the finance industry. We need to see a return of business ethics and responsible government.

We have to make sure again that the primary purpose of a bank or insurance company is to provide

- good service,
- good jobs,
- sustainable returns to shareholders,
- and a stable financial system.

For UNI-Europa Finance, there are two key messages for the reform process:

1. At the core of a functioning financial system are the employees – their voice must be listened to!
2. Consumers have the right to good advice – finance workers have the right to give good advice!

The Commission's communication and the de Larosière report lead in the right direction. We support the principle of a framework that covers all operators and products.

For unions, a major omission is, however, that the central role played by employees in the companies is not taken into account sufficiently. We need to put the factor "employees" into the equation of supervision.

Such a mechanism would provide an inside view of what is happening adding to the top-down perspective provided by senior management and auditors. Employees are best acquainted with the impact of business practices on the broader risk situation in a company and the sector as a whole.

We need a complementary bottom-up approach where employees feed into risk-management and financial supervision with their experiences.

Key to any reform should be the development of a new long-term orientated, risk-conscious business model. The underlying principle should be that operating practices in companies ensure long-term sustainability, profitability and limit systemic risks in the finance industry.

UNI Finance therefore asked for the following:

First, internal operating procedures and practices should be transparent.

The way employees are motivated and constrained in performing their jobs must be clear. This includes remuneration, incentives, skills, and working conditions.

In some companies, the reaction to the financial crisis and the drop in profits was increasing sales targets for employees. In effect, they were demanding to push more products into the market that customers could not afford.

The good news is: insofar possible, employees try to put the interest of the client before that of the short-term profit of their employer – supervisors should make good use of this.

Second, structured dialogue should be established between unions, financial supervisors and a company's risk management.

Dialogue should address operating procedures and work practices affecting companies' risk management, and more generally the stability of the financial system.

To see this necessity, we only have to recall the business practices that led to the sub-prime crisis and that were ignored by supervisors and risk-management.

Third, each company should have a charter on responsible sale of financial products.

This document should make sale practices and the constraint of employees transparent for everyone. UNI-Europa Finance proposes that such charters are developed jointly by management, unions, investors, consumer associations and other relevant parties.

Such charters could be supported by an ombudsman system and whistle blowing mechanism at company level or national level.

A charter would complement regulatory requirements with a framework fine-tuned to a company's specificities.

This should be promoted and supported by supervisors.

Let me also raise three broader issues concerning supervisory reform.

First, regulation has to make sure that companies leave behind their fixation on short-term profit.

Thus, we suggest that fiduciary duty is re-defined:

- Top-level decision-makers in financial institutions must pursue a long-term and sustainable business strategy.
- They must avoid undue risk-taking and a focus on short-term profits.

Second, besides changing the business philosophy, we also need hands-on supervisors.

Supervisors should not only control if rules are applied to the letter. They should also do elaborate stress tests of companies on a continuous basis.

The results should not be a secret. They should advise companies on overcoming excessive risks.

One might also consider having regular reports on a company's risk exposure to its AGM.

Third, we are in favour of an integrated supervisory and regulatory system in Europe.

We are in support of colleges of supervisors for multinationals and a key role for the European System of Central banks.

We want to move to a fully integrated financial market with a proper European oversight structures. Otherwise, how viable will be the business model of EU-wide operating banks and insurance companies?

In conclusion, reforming the supervisory regime is in the first place about re-establishing trust.

To be successful this requires the cooperation of all stakeholders. For us, this means finance workers have to be a key part of the equation, as do consumers.

For UNI-Europa Finance, customers have the right to good advice, so finance workers have the right to *give* good advice.

Supervisors and regulators as well as companies need to ensure both. We call upon them and other stakeholders to develop together with unions a finance industry that is sustainable, profitable and ethical responsible.

Thank you!