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Policy recommendation letter of UNI Europa Finance ahead of new EU Commission mandate

Introduction

As a trade union federation representing 1.5 million workers in both the banking and insurance sectors, we believe it is crucial that the rights and working conditions of employees are at the forefront of any policy discussions and decisions made by DG FISMA. The financial industry plays an important role in the economy, and its stability and success depend on the well-being and productivity of its business practices and workforce. We therefore urge the responsible parties within the European Commission, especially DG FISMA, to strengthen the employees' perspective in current and future legislative proposals going into the new Commission mandate. The sequence of points in the following list does not represent order of priority.

1. Capital Markets Union

The Capital Markets Union (CMU) initiative aims to create a more integrated and efficient financial system in the EU. As part of this, the revision of the Retail Investment Services directive is an opportunity to ensure that financial consumers have access to high-quality advice, which in our view can not be guaranteed if the initially proposed ban on inducements was to be reinstated. Personal financial advice is a precondition for customers to engage in the capital markets. We also strongly support the European Parliament's position that any minimum level of training requirements for financial advisers should be held during working hours, as this recognizes the importance of ongoing professional development and ensures that employees are not burdened with additional unpaid work.

We furthermore suggest that the European legislators consider the possibility of creating an ‘EU-made’ certification for financial products, which would allow for financial consumers to more easily distinguish among EU and non-EU originating financial products, with the added guarantees that EU compliant products would bring. We also encourage the suggestion of auto-enrolment into occupational pension systems to ensure the strengthening of the CMU through pension providers.

2. Sustainable Finance

The revision of the Sustainable Finance Disclosure Regulation (SFDR) is an important step in promoting transparency and accountability in the financial sector's approach to sustainability. However, it is crucial that the criteria and terminology used in the SFDR are aligned with other relevant legislative acts to avoid confusion and inconsistencies.

Additionally, we are concerned about the potential burden placed on financial advisers in explaining what is considered sustainable to their clients. Any revisions to the SFDR should aim to simplify and clarify these definitions to ensure that advisers can provide clear, truthful, and accurate information to consumers, while also maintaining and expanding on social indicators.

3. Artificial Intelligence

The increasing use of artificial intelligence (AI) in the financial sector has significant implications for both consumers and workers. Algorithmic management, where decisions about hiring, firing, and performance evaluation are made by algorithms, has the potential to undermine workers' rights and lead to unfair and biased outcomes. We believe it is essential that the AI Act includes strong legislative safeguards to prevent the misuse of AI to the detriment of workers' rights. This should include provisions for transparency, accountability, and human oversight of AI systems, as well as the right for workers to appeal decisions made by algorithms. Similarly we would also encourage the Commission to consider how workers can be included in the lead-up to the implementation of AI in a company, in terms of development, purchasing, implementation, periodic evaluation and adaptation. These actions should prevent an undermining of trust in the workplace, as the workers are familiar with the ways in which they may or may not be monitored by the AI systems. For inspiration we welcome the Commission to consider the recommendations presented in the May 2024 European Social Partners in the Banking Sector Joint Declaration on Employment Aspects of Artificial Intelligence[1].

4. Cybercrime

The threat of cybercrime is a growing concern for the financial sector, and it is crucial that workers are equipped with the necessary tools and training to contribute to strengthening the resilience of the EU financial sector. Employees on the frontlines of customer service and data management are often the first line of defence against cyber threats, and they need to be provided with adequate resources and support to carry out their roles effectively. This includes regular training on cybersecurity best practices, access to up-to-date security software and tools, and clear protocols for responding to potential breaches or attacks. Given the evolving nature of cybercrime these are important points to consider should there be the need for additions and reviews of the Digital Operational Resilience Act (DORA). Furthermore, we encourage the Commission to consider the added avenues of risk that are opened when

[1] https://uniglobalunion.org/wp-content/uploads/Joint-Declaration-on-Employment-Aspects-of-Artificial-Intelligence_BankSD.pdf

companies outsource their IT operations or the requirement of the Open Banking framework to share customer data.

5. EU Deposit Insurance Scheme/CMDI

The proposed EU Deposit Insurance Scheme (EDIS) aims to provide a common deposit insurance system for the Eurozone, which would help to strengthen the resilience of the banking sector and protect consumers' savings. We would support a lighter version like that in the recently decided report in ECON on that file[2]. We would also support the maintenance of a stronger role of Institutional Protection Schemes (IPS) under the Bank Crisis Management and Deposit Insurance (CMDI) framework as a means of preserving successful banking structures including their workers' protections and promoting financial stability.

6. Revision of the Mortgage Credit Directive

The proposed revision of the Mortgage Credit Directive (MCD) presents an opportunity to ensure that workers' rights and working conditions are taken into account in the regulation of the mortgage lending industry. As DG FISMA develops the legislative proposal, it is essential that sufficient leeway is provided to allow for different national models and approaches to mortgage lending. This is particularly important in the case of Denmark, where the mortgage market operates under a unique model that may require specific considerations. We urge DG FISMA to engage with trade unions and other stakeholders to ensure that the revised MCD reflects the needs and concerns of workers in the mortgage lending industry.

7. Open Finance

While we recognize the potential benefits of further opening the finance sector to new entrants, we have some concerns with the potentially disproportionate effects the Open Finance initiative could entail for the sector. The push for increased data sharing between financial institutions and new market participants raises issues around data privacy, security, and the potential for data sharing to become very one-sided, with the incumbent companies having to share customer data with large online platforms while these are under no obligation to share other financial information about their customers which will provide them with an edge over the competition. As DG FISMA considers the Open Finance agenda, it is crucial that proportionality is considered and the proposal does not favour entrants more than incumbents. We would also urge the Commission to weigh carefully the issue of choice for the customer, with access to more options on one side and customer protection on the other. Giving companies the possibility to reach out to potential customers to offer them better services is of

[2] https://www.europarl.europa.eu/doceo/document/A-9-2024-0182_EN.pdf

course a positive aim, but it should also be recognised that many customers do not perform in-depth evaluations of the offers they get and their consent is not truly well-informed, especially when these offers seem to have little consequence. And unscrupulous actors may use this phenomenon to attract customers that would be better off with traditional financial institutions.

8. Insurance Recovery and Resolution Directive

The proposed IRRD aims to establish a common framework for the resolution of failing insurance companies and groups in the EU. While we recognize the importance of this initiative for promoting financial stability, we are concerned about the potential impact on workers' rights and job security if a company enters into recovery or restructuring. It is crucial that sufficient time is left for the development of the technical instruments necessary for the effective implementation of the IRRD, and that provisions are included for employees to be consulted and informed in a timely manner if a recovery or restructuring becomes necessary. Workers should be provided with clear information about their rights and entitlements, as well as access to support and resources to help them navigate the transition.

9. Occupational Pensions

The regulation of occupational pensions is an important issue for workers in the finance sector, as many employees rely on these schemes as a key component of their retirement income. We believe that minimum harmonization directives are necessary to ensure that all workers in the EU have access to high-quality occupational pensions, while still allowing for differences in national models and approaches. In some countries, such as Sweden, upwards of 90% of all employees are covered by a collectively agreed occupational pension scheme, while in others, enrolment rates are much lower. DG FISMA should work with trade unions and other stakeholders to develop a framework for occupational pensions that promotes coverage, adequacy, and sustainability, while respecting the diversity of national pension systems. This would as previously mentioned also go a long way toward further strengthening the European capital markets.

10. Strengthening Sectoral Social Dialogues

Over the past few years, we have seen a concerning trend of decreasing resources and political importance being provided by the European Commission, particularly DG Employment, to the sectoral social dialogues in the finance sector. This seems to contradict the renewed commitment to strengthening social dialogue in Europe through initiatives like the Val Duchesse declaration and Council Recommendation of 12 June 2023 on strengthening social dialogue in the European Union. We believe that strengthened and enforced social dialogue at the European level is crucial for ensuring that workers' rights and working conditions are adequately represented in policy decisions. Through joint agreements between employers and trade unions, many issues related to working conditions can be addressed more effectively than through legislation alone. We urge DG FISMA to work with DG EMPL to prioritize and support social dialogue in the finance sector as a means of promoting positive labour relations and protecting workers' rights. As well as to keep in mind that most social partners on the trade union side in Eastern European countries rely on travel costs being covered in order to be able to attend social dialogue meetings in Brussels. Hence why cutting the budget for these meetings will have a very tangible impact on the representation in the meetings.

11. Targeting legislation

Following the financial crisis of 2008, a comprehensive overhaul of the European financial legislative framework was initiated. In recent years, this has resulted in numerous new directives and regulations affecting the finance sector. The list of applicable legislation has further expanded due to priorities like ESG compliance, capital markets integration, and digital innovation. While a robust regulatory framework is essential for the resilience and stability of the European financial sector, we urge the Commission to avoid excessive and overlapping legislation.

In 2023 alone, 33 new pieces of legislation affecting the finance sector came into force, with no signs of this trend slowing down. This rapid influx of new rules leaves employees with little time to familiarize themselves with the changes before the next set arrives. Moreover, the simultaneous progression of multiple legislative pieces risks overlap, with final outcomes unpredictable until the very end due to trilogues and last-minute deals.

UNI Europa Finance therefore urges the Commission to conduct thorough impact assessments at the beginning of work on each new proposal. Additionally, it is crucial to review and consider whether each element of a proposal might already be covered by existing legislation. We furthermore encourage the Commission to keep proportionality as a high priority, since we notice that the current set of legislation has led to an increase in mergers and harmonisation of banking models across the EU. As with the immune system, diversity in terms of banking models is a strength and currently we seem to be creating a monoculture, which leaves the banking system in Europe increasingly vulnerable to shocks and crisis.

Sincerely,

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