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Ms. Mairead McGuinness
European Commissioner for
Financial Services, Financial
Stability and Capital Markets
Union
European Commission
Rue de la Loi 200
1049 Brussels

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Subject: Finance Trade Unions letter of introduction to Commission McGuiness

Dear Commissioner McGuiness,

On behalf of UNI Europa Finance, the European trade union federation for finance employees, we wish to congratulate you on your recent appointment as the European Commissioner for Financial Services, Financial Stability and Capital Markets Union.

Following the intense first half of 2020, we would like to extend our appreciation for the efforts and decisiveness that you and your predecessor have shown in dealing with a quickly developing situation. As was predicted early in the Covid-19 crisis, this pandemic will have far-reaching consequences, both in terms of economic impact and in terms of the way we work. Yet we take note of your commitment to shaping a resilient and sustainable finance sector.

To supplement the work that your office has already started in order to redress the economic situation of the European economy, we would like to draw your attention to a number of topics which, according to our experts, would be important to address in the coming months. This would ultimately lead to including more social considerations in the current finance framework, to the benefit of all European citizens. As social partners and historical contributors to social stability, we as trade unions look forward to working with your directorate in a synergetic way on these topics.

EU Roadmap and Action Plan to Recovery

We appreciate the efforts that, through the Banking package measures and flexibility embedded in the EU's prudential and accounting framework, have been put into ensuring that banks have had the possibility to fully support citizens and companies during this pandemic.

With the negotiations for the economic recovery package still ongoing, we believe that it is important that the EU institutions, including the Commission, live up to their promise of wanting to make an economy that works for everyone.

We would therefore request that specific social safeguards be developed and put in place. This would involve that consideration be given to avoid that capital, handled through this mechanism, goes to support companies that do not respect trade union rights and collective bargaining, while they instead spend the funds on dividends for shareholders. Likewise, and in line with some national aid packages, we would also advocate for a temporary ban on firing or laying off workers when receiving financial aid facilitated through these programs. In too many cases have we seen during the aftermath of the 2008 crisis and now in this crisis, companies receive vast amounts of capital to ensure their survival, only for them to turn around and first lay off significant amounts of their staff and then remunerate senior management and shareholders in excessive amounts with the given capital. This is very far from the way we would see a Europe working for all functioning and limits should therefore, in our opinion, be imposed on lay-offs, as well as bonus amounts and shareholder dividends. This should especially be the case in all the sectors deemed essential during the crisis, ranging from healthcare, through to the finance sector. We would thus propose that when companies receive financial aid, this is negotiated in cooperation with the trade union representation or delegation in the company, thereby ensuring that the capital will be spent in an equitable and even manner. This will secure the long-term survival of the company and ensure that adequate capital is set aside for training & re-skilling purposes, social security, health & safety and pensions. In this way, the government will not have to spend additional funds on unemployment benefits and social services because staff isn't being laid off to cut corners.

The European Green Deal and sustainable finance

As with the Sustainable Finance package, we applaud the Commission for taking an ambitious stance on helping the EU attain its climate goals. We also note with optimism the mentioning by the Commission of the need to look more at the social angle of the transition of our economies through the Just Transition Mechanism and Just Transition Fund, which will be of great importance. We are all aware of the significant changes that will come in terms of employment and social security considerations, as our energy production, infrastructure and food production is changed in the coming years. Ensuring that these changes happen with a consideration for the social implications is therefore very important in our perspective. Investment in projects and companies that will have a positive impact on our transition to a greener economy should be done with a view to respecting workers rights' and schemes should be put in place to help workers from sectors that will be phased out. In light of COVID-19, which brought significant sectoral changes and rising unemployment, we also see a need for a wider set of measures, going beyond skills development. We therefore call on the Commission to include further elements pertaining to the social angle in the legislative proposals of this Deal.[1]

In connection to sustainable finance, we also welcome the renewed sustainable finance strategy initiative, as well as the recent adoption of the Taxonomy Regulation. In the latter, we would like to call on the Commission to deliver sooner-rather-than-later on the report about expanding the Taxonomy with social objectives, hopefully further leading to better definitions of S-factors, in an ESG

[1] Please see policy paper put forward by our affiliated member Nordic Financial Unions on this topic at https://nordicfinancialunions.org/nfu-policy-paper-making-headway-to-sustainable-finance/

context. We had hoped to be able to make our contributions to this work directly, through the Platform for Sustainable Finance, to which we had applied, but with the entire trade union movement

having been allocated only 1 out of 50 seats on the Platform, we are starting to doubt that the Commission sees much value in our contributions on the topic.

Anti-Money Laundering

We would like to express our general support for the AML5 Directive and welcome the Commission's ongoing work to fine-tune these rules to prevent this criminal act. We do worry that the low number of countries having fully implemented the new Directive leaves our markets vulnerable and hope to see the Commission take concerted actions soon to remedy this lack of compliance. Linking back to the point made above about the greater flexibility for banks during the current crisis, we are of course aware that with such procedures comes the need for increased vigilance. We therefore call on the Commission to keep a high level of watchfulness to ensure that the flexibility, extended to both banks and other sectors encompassed by the AMLD duties to report suspicious transactions, does not undermine the efficiency of the AML work. In the same vein, it is also important to be aware that national authorities must have sufficient resources and operational powers to perform their AML duties optimally.

Consumer Credit Directive

In these times of financial uncertainty, a growing number of people are turning to payday loans in order to make ends meet and to bridge payments. Yet the rules governing the market for these types of loans is still very patchy throughout the Member States and at European level fails to capture some of the biggest issues. Notably there are already several national examples of upper limits to nominal interest rates and annual percentage rates, which with great benefit could be introduced in EU legislation. Likewise, examples exist of limitations in terms of marketing channels and of enforced 'cool-off' delays. These are issues that we believe the Commission should consider carefully when conducting the review of the CCD, an exercise whose finalisation we were disappointed to see pushed until Q2 of 2021, when action is needed sooner rather than later. We are well aware of the Commission's long list of activities to achieve during its mandate, but we think that postponing this review is a decision that should be undone as a high priority.

Non-Performing Loans (NPL)

On the topic of NPL, we take note of the Commission's work over the past years to decrease the amount of loans still left unpaid. As well we note the reply by the Chair of the ECB Supervisory Board to the European Parliament of 9 June 2020, in which he outlines the efforts made by the ECB to fight this ongoing problem.

Since GDP and NPL are directly linked, a new recession would exacerbate inevitably impact both. It is therefore crucial to ensure that NPL are properly managed, while at the same time considering the social impact of banks on the local society.

Since many of the NPL originate from companies facing economic difficulties, there are often strong implications associated with these types of loans for the workers of the companies. This means that

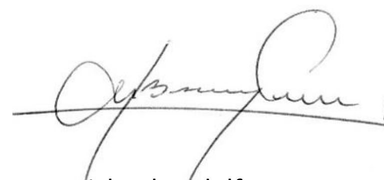
each loan carries with it significant social implications in terms of loss of income etc. We would therefore propose that more effort should be put into avoiding the defaulting of companies, leading to NPL. By taking a more proactive approach, banks would monitor their customers more closely and intervene as soon as they saw the first signs of repayment difficulties arise.

Our recommendation is therefore that the transfer of NPL portfolios and the enforcement of guarantees on bank assets should be combined with effective default resolution mechanisms. This would contribute to 1. Decrease NPLs, 2. Prevent NPL being off-loaded to debt companies without first trying to resolve the issue, 3. Ultimately, to contribute to the mitigation of the economic difficulties at the roots of the arrears.

To enable this approach, specialists should work on active credit management. This includes new positions being be created, with staff qualified in helping companies and people rebalance their budget at the first sign of trouble. In this way, would we not only avoid the creation of more NPL, but also ensure that vulnerable workers are not left behind, especially in these times of mass-closures and unemployment. If this problem is not properly tackled however, we fear that it could lead to a vicious spiral of increasing defaults in households and further increased NPL generation in the housing market.

In conclusion, we hope to meet with you at your earliest convenience in order to discuss these topics with you. We know that you have a full plate at the moment in dealing with the current crisis, but hope that the points mentioned in the previous paragraphs will allow you to draw some inspiration for the ongoing work.

Yours sincerely,



Oliver Roethig — Michael Budolfsen

Regional Secretary UNI Europa — President UNI Europa Finance

Cc: Ms. Dorota Kalina Zaliwska, Head of Unit, Policy planning and implementation, inter-institutional relations, DG FISMA

Mr. Angelo Di Cristo, Head of Department, UNI Finance

Mr. Morten Clausen, Director of Financial Regulation, UNI Europa Finance