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Three million finance employees must be ‘the eyes and ears’ of a new financial regulatory system, urges global union

Millions of finance employees could provide the best early warning system to alert international regulators about breaches of regulatory standards by finance companies, according to proposals to be announced this week by the global trade union, UNI Global Union.

Ahead of the G20 financial summit in Washington on 15 November, UNI Global Union is urging key international regulators to adopt a structured process for bottom-up monitoring by employees, in order to strengthen any new financial regulatory framework that they agree.

The proposal will be formally presented to senior finance union representatives at the UNI-Europa Finance Conference on 6 November, in Vienna. But UNI today wrote with the proposals to the head of the International Monetary Fund, Dominique Strauss-Kahn, the President of the Council of the European Union, Nicolas Sarkozy, the President of the European Commission, José Manuel Barroso, the Chairman of the Eurogroup and Prime Minister of Luxembourg, Jean-Claude Juncker, and the President of the European Central Bank, Jean-Claude Trichet. Union affiliates are also writing to their national governments and regulators.

Under the proposals, UNI's three million finance members, working in companies in 98 countries, would monitor the operation of regulatory standards on a continuous basis, and report breaches to UNI's global headquarters, via its 215 union affiliates. UNI would then present a quarterly report to regulators, highlighting serious regulatory breaches, risks and trends.

UNI Global Union General Secretary Philip Jennings, said: "Our three million members who work in finance companies throughout the world must be the eyes and ears of a new financial regulatory system. Top-down national finance regulation has clearly failed. We propose a strengthened international regulatory framework with a bottom-up approach, to provide early warning when companies are committing serious breaches of both the letter and the spirit of new regulations.

"As a Global Union, we have a unique reach, depth and expertise in finance, which can help ensure proper regulatory supervision and prevent a repeat of the irresponsible practices which have brought our finance system to the brink of collapse.

"Our proposal marks a new approach for trades unions. Criticising those who brought about this crisis is not enough: we have a responsibility to our members – and to all employees whose jobs are at risk from a financial collapse – to become partners in a new regulatory monitoring process, to make sure that this never happens again."

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Notes for editors

1. UNI Global Union

UNI Global Union represents more than 900 national and company unions, representing 20 million members in 150 countries. UNI Finance represents three million finance employees in 215 unions in 98 countries.

2. Proposal to assist with the monitoring and supervision of a new financial regulatory framework

Introduction

The current global financial crisis has shown that the financial regulatory system as it operates today does not work. The world is now looking for stronger regulation, with strengthened supervision and monitoring processes, in order to secure a sustainable finance industry.

Governments, regulators and the finance industry are therefore focusing on establishing a new international financial architecture, potentially involving the creation of a global regulatory and supervisory body.

UNI Global Union is offering to play an active and constructive role within this new regulatory system. We have the expertise to assist in the creation of a new regulatory framework, and because of our global reach and depth, we could be a cooperative, reliable and responsible participant in the supervision and monitoring of the new system.

We believe that we can be a valuable component, in cooperation with international regulators, in a process for sharing information on financial practices as they operate on the ground. We can provide checks and balances, which could improve understanding and assist in risk management among national and international regulators, to ensure that the problems with which the world is grappling today do not arise in the future.

UNI Global Union's objective in making this offer is simple: our preoccupation, and that of the employees who we represent, is to avoid a repetition of this financial meltdown. The global economy, taxpayers, consumers and workers cannot afford another crisis of this magnitude. A stable, sound and transparent financial system, operating on the basis of long-term sustainability, in which risks are addressed swiftly and effectively is in the interest of all employees and UNI Global Union's members.

How UNI Global Union can help

UNI Global Union is the only worldwide organisation representing employees in the finance industry. We represent three million finance employees in a network of 215 finance unions in 98 countries, covering the large majority of banks and insurance companies around the world.

This offers us a unique and invaluable global reach, depth and expertise. With our network of employees and finance unions, UNI Global Union can offer an important additional interface for regulators with the finance industry. We can gather extensive information on the operational practices of finance companies, providing a flow of information to national and international regulators from the bottom up. This would complement the top-down oversight that they carry out directly, and provide an inside view of what is happening supplementary to that provided by senior management and auditors.

We can alert regulators to breaches of regulatory standards, regulations avoidance and emerging unsustainable business practices, thereby forming part of an early-warning system, to ensure that institutional problems are known earlier and can be dealt with more swiftly. And because of our multinational reach, we can provide an overview of company operations across national borders, helping to identify when regulatory breaches, risks and emerging trends are endemic within multinational institutions and need addressing by international regulators.

Such a role for UNI Global Union would build on our existing structures, both internally with our national and company union affiliates, and externally, such as our involvement in 51 European works councils and our consultative role with the European Commission and the European Central Bank.

A proposed mechanism for monitoring by UNI Global Union

We have identified a limited number of issues on which UNI Global Union could usefully provide additional insight to regulators, and for which we and our members have competence. These could include:

1. Regulations and practice on remuneration and incentives for non-executive staff
2. Regulations and practice on the marketing of financial products
3. The training of staff in regulatory compliance
4. Regulations avoidance through product or practice innovation
5. Identifying new risks and trends
6. Breaches of compliance.

We propose a procedure under which information gathered on the ground is fed into UNI Global Union, collated, assessed then reported into the new international regulatory and supervisory structure on a quarterly basis. The process would involve four elements:

1. Affiliated trade unions and their representatives in financial institutions will provide UNI Global Union with well-sourced and evidence-backed information on the six issues outlined above.
2. Based on this input, the UNI Secretariat (advised by a geographically-balanced group, composed of representatives of finance unions) will collate and analyse the information. They will identify emerging cross-company and cross-border trends, as well as serious specific issues within individual companies and countries.
3. Where the evidence from affiliates suggests only occasional and limited aberrations within institutions, rather than deliberate and systematic regulatory breaches, then affiliates will raise these issues where appropriate with company management and national regulators.
4. Where the evidence from affiliates suggests potentially-serious breaches, risks and trends, then these will be included in a summary report. UNI Global Union will present this report to international regulatory bodies for discussion in a structured setting. Regulators may then follow-up with further investigation or action.

In addition, either of the two sides may raise urgent issues on an *ad hoc* basis, outside the scheduled quarterly meetings.

We propose to focus this exercise on the 50 major transnational finance companies worldwide and the G20 countries, complemented by countries with major multinational financial institutions, such as Spain. We would need to agree with regulators appropriate provisions for protecting employees who use this mechanism to alert regulators of potential regulatory breaches, as well as the commercial confidentiality of the finance companies, so that the information collated has a strictly limited and appropriate circulation.

UNI Global Union believes that the mechanism we have proposed will increase the transparency of the finance industry, support the work of regulators by providing information not easily accessible through other routes, and improve regulatory governance at a company level.