



Trade Union Advisory Committee  
to the Organisation  
for Economic Cooperation and  
Development  
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International Trade Union Confederation



Mr Svein Andresen  
Secretary General  
Financial Stability Board (FSB)  
Centralbahnplatz 2  
4002 Basel Switzerland  
Basel

TUAC/UNI/ESP-JH

13 July 2011

**Trade Union comments ahead of the Plenary of the FSB (18 July 2011)**

Dear Mr. Andresen,

We would like to express our appreciation for the productive half-day meeting on 4 May with the Deputy to the FSB Secretary-General Mr. Rupert Thorne accompanied by several members of your Secretariat.

We considered the series of discussions on the major issues on the FSB's agenda to be constructive and indeed to constitute a good model for the type of cooperation we would like to establish on a regular basis.

Ahead of the forthcoming Plenary of the FSB we would like to request that you circulate to FSB Board members the following summary of trade union views on a number of priority issues in the FSB current programme of action:

**Global systemically important financial institutions (G-SIFIs):** G-SIFIs pose a real and immediate threat to the state of public finances, and hence to taxpayers and working families, across OECD and emerging economies as seen in the rise of "implicit" contingent liabilities. The package of measures that the FSB is contemplating for G-SIFIs should in our view include capital surcharge and resolution authority but also disciplining rules on board risk management and remuneration of bankers and traders. Their governance and structure should be designed so as to shield retail and commercial activities from the volatile risks in investment banking and speculative trading.

**Implementation of Basel III:** concerns have been expressed about the potential unintended consequences of the new regime for long term investment strategies including for assets that do not fall within traditional classes such as equity and bonds. We urge the FSB to alleviate any such concern by emphasizing that the new regime would primarily serve to preventing high risk investment strategies and furthermore to ensure that, in the implementation phase, Basel III does not unintentionally discriminate

against long term investments that would effectively serve the real economy and social development. We would also like to highlight the importance of the corporate governance element of the Basel III rules, in particular the need to tackle the pressure on employees to sell high risk products which are intrinsically linked to incentive structures and internal practice.

**Regulation of OTC derivatives:** in our view all structured products should be traded on organised exchanges under the scrutiny of publicly accountable authorities.



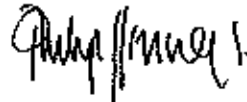
**Financial transaction tax (FTT):** Many G20 governments have expressed support for the FTT and the European Commission now considers the FTT as a serious option for the future. In January 2011, the Managing Director of the IMF indicated that an FTT could entirely conceivably form part of fiscal contributions from the financial sector. Even the OECD, which has traditionally questioned the feasibility of the FTT, has begun to change this position<sup>1</sup>. It is time for the FSB to address the issue as well.

**Credit rating agencies' ratings:** the FSB should pursue and intensify work to reduce reliance on the current oligopoly of credit rating agencies, promote competition and tighten regulation of agencies so as to limit conflicts of interests.

**Consumer financial protection:** we welcome the FSB's new focus on enhancing protection of financial consumers, including households. Trade unions representing employees of credit and insurance institutions have a key role to play in providing their specific expertise and in contributing to better regulation on consumer protection, including in strengthening internal risk management and moving toward responsible remuneration policy and sales incentives. In order to achieve this, the emphasis must be on rebuilding trust between employees and consumers whereby employees are fully trained on ever changing, complex financial products in order to provide an advisory as opposed to a sales role. This further entails employee involvement in supervisory processes (global, European and national) and the establishment of formal whistle blowing structures which offer employees full protection.

We look forward to your reaction and to that of your Board members, and to maintaining and enhancing our dialogue process with the FSB.

Yours sincerely,

<p>Sharan Burrow</p>  <p>General Secretary International Trade Union Confederation</p>	<p>John Evans</p>  <p>General Secretary Trade Union Advisory Committee to the OECD</p>	<p>Philip Jennings</p>  <p>General Secretary Union Network International (UNI)</p>
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<sup>1</sup>The OECD's chief financial expert, Adrian Blundell-Wignall, sees value in establishing an FTT on OTC derivatives, source: <http://www.oecd.org/dataoecd/62/10/48299884.pdf>