

To all UNI Finance affiliates

To the members of UNI Finance World and Regional Steering Groups

**Subject: Conference call between UNI Finance, the ITUC, TUAC and the Financial Stability Board (FSB)**

Dear Colleagues,

On 6<sup>th</sup> December, a conference call took place between UNI Finance, the ITUC, TUAC and the Financial Stability Board (FSB). The purpose of the conference call was for the trade union side to be briefed on recent updates from the FSB especially since the G20 submit on 3<sup>rd</sup> – 4<sup>th</sup> November in Cannes and, to share joint trade union opinions on relevant issues.

Eleven items were on the agenda:

1. **Overview of FSB/G20 Action Plan**
2. **Governance and accountability of the FSB**
3. **Global Systemically Important Financial Institutions (G-SIFIs), Bank resolution and the impact assessment on capital surcharges for G-SIFIs**
4. **FSB recommendation on Shadow banking**
5. **Consumer Finance protection**
6. **OTC derivative market reforms and new work on ‘high frequency trading’**
7. **FSB Principles and Standards on compensation**
8. **Reducing reliance on Credit Rating agencies**
9. **FSB outreach policy**
10. **Linking economic policy to financial supervision.**
11. **Linking the Global Forum on Tax Transparency to the FSB programme of work**

On 3<sup>rd</sup> and 4<sup>th</sup> November, the G20 endorsed the FSB workplan and have declared 2012 to be the year of implementation. The FSB's six priority areas are: 1) Compensation, 2) Basel III, 3) Bank resolutions and crisis management, 4) G-SIFIs, 5) Shadow banking, 6) OTC Derivatives. The FSB has prepared a scoreboard to monitor the implementation of key policies in particular Basel III, rules on Globally Systemically Important Financial Institutions (G-SIFIs) and derivatives. It is unlikely that the G20 members will properly implement rules on derivatives by 2012.

29 G-SIFIs were identified (mainly European and US banks). Each of these financial institutions will need to develop an effective resolution plan in the case of a crisis. Their will be separate bank and insurance lists of G-SIFIs. Regarding a global financial transaction tax (FTT) the G20 is still very divided with only a minority in favour of such a tax.

The FSB has started to work on proposals to regulate the shadow banking system, it is a priority area. In addition, on the issue of high frequency trading (HFT) the FSB is monitoring this activity and intending to put forward proposals for a single reporting system for transactions which would make it easier for supervisors and regulators to gain an overview of all financial transactions.

On the important issue of consumer finance the FSB explained their report which was published in October draws from the findings of an FSB stock-taking exercise on consumer finance protection, focusing on policies relating to consumer credit. It presents internationally applicable lessons and identifies gaps where additional international work could help to advance consumer finance protection and financial stability. An annex contains principles for financial consumer protection, newly developed by the OECD with input from FSB members (see link below). The trade unions were very unhappy that the comments raised in the joint UNI Finance paper which was supported by the ITUC and TUAC, were not mentioned in the report especially as it was supposed to be a stocktaking exercise.

[http://www.financialstabilityboard.org/publications/r\\_111026a.pdf](http://www.financialstabilityboard.org/publications/r_111026a.pdf)

Compensation is also a key priority area. The FSB has identified legal impediments to the implementation of these principles and standards including, laws on worker privacy and lack of provisions to allow firms/governments to 'claw back' bonuses paid. The FSB is establishing an exchange system to allow firms to report on other firms they suspect of not following rules on compensation.

On the FSB work to reduce reliance of financial institutions and governments on credit rating agencies (CRAs), the G20 has asked the FSB to produce proposals to regulate this area by February 2012. The FSB has also started running its regional consultative groups with meetings this month in the Americas, Europe and the Middle East and North Africa. The issues covered are mostly those detailed in the FSB report on emerging economies (lack on infrastructure, access to credit etc..). Regarding the link between economic policy and financial supervision, the FSB explained that the overall aims of current macroprudential policy is to build up capital in the market, limit leveraging by dampening speculative activities and reducing contagion between markets. In addition, the FSB informed the trade unions that although there are similarities with their work and that of the Global Tax Forum i.e tax havens, the two organizations have very separate mandates and only coordinate to exchange information on processes not policy.

Kind regards.

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