

To all affiliates
To members of the World Executive Board (titular and substitute members)

Meeting with the Financial Stability Board

Dear Colleagues

I was part of a Global Unions' delegation that met with leading officials of the Financial Stability Board (FSB) in Basle on May 4, 2011.

The FSB, formerly the Financial Stability Forum, has a key role to play in building the global architecture for improved financial supervision and regulation.

The FSB has ambitious objectives and a clear mandate, which includes co-ordination at the international level of the work of national financial authorities and standard setting in order "to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies. The FSB must also address vulnerabilities affecting financial systems in the interest of global financial stability."

The G20 London Summit in September 2009 agreed to re-establish the FSB with a stronger institutional basis and enhanced capacity.

The FSB Charter also makes it clear that in the development of medium and long-term plans, principles, standards and guidance, the FSB will consult widely, including "other stakeholders."

UNI has been pushing for the FSB to formally recognise the Global Unions as a stakeholder and to open up their committees to our involvement. This has been resisted and refused. In place, we have meetings with the FSB secretariat. This situation is not acceptable to the Global Unions. Our experience to date has been poor, with letters not answered and difficulties in putting meetings together. The FSB did apologise and committed to improve.

The FSB secretariat are well meaning but seriously under resources. When we first met them 3 years ago, they had 7 staff. Today they have 20. 90% of the funding is provided by the Bank for International Settlements.

If proof was needed that the G20 response to regulating financial institutions and markets is inadequately resourced, then with the FSB we have it.

I encourage affiliates in the finance sector to regularly visit the FSB website (<http://www.financialstabilityboard.org/>) to keep an eye on developments.

Follow up

1. The FSB agreed that from now on there will be meetings with the Global Unions prior to the two plenary sessions each year.
2. There will be regular conference calls, perhaps every 6 weeks, to provide an update and early warning of emerging reports and issues.
3. Current FSB governance rules provide no formal seat at the table for Global Unions. The G20 Summit in Cannes, France in November will address FSB governance, based on a paper prepared by its Chairman Mario Draghi. The Global Unions will work on a statement to bring about change.
4. The September plenary will address consumer protection. An FSB paper will be published. This will be directly relevant to the UNI Finance Global Union campaign on sales and advice. UNI Finance will now ensure that our voice is heard in the process.
5. The September plenary will also look at the co-ordination of regulation of systemically important financial institutions, the so-called SIFI's. There are global SIFI's, regional SIFI's and national SIFI's. The FSB is now tangling with all the complexities of ensuring adequate frameworks of cross border supervision. This is in addition to the existing supervisory colleges.
There appears to be a backlash from banks and insurance companies who do not want to be "listed" as a SIFI. There are arguments about who should be included. The CEO of HSBC recently said that it should be 80 worldwide. Others want a much more restricted list.
The Global Unions and UNI Finance will have to react to the FSB paper which is anticipated on this subject.
6. The FSB conducts a wide range of research which demands our attention, including the impact of Basle III, derivatives' trading, new financial products and compensation matters.

We had a discussion about a recent FSB paper on exchanged traded funds. At one point, reference was made to "inverse leveraged synthetic ETF's." I asked if the average CEO of a financial institution would understand this new innovation; the answer was not convincing.

This feeds the impression that we have an important game of cat and mouse taking place on global regulation.

We have a powerful financial sector, able to employ the best scientific and mathematical minds to produce new hard to understand financial products. This is then allied with the hiring of the best tax, legal, regulatory and public relations' advice, which results in the impression of regulators, governments and all stakeholders being outthought, outspent and outmanoeuvred. We cannot underestimate the power of the finance sector to fight and resist change.

This feeds the worry that the next financial cataclysm is just around the corner. In the USA, for example, the new Dodd-Frank law is in place but the institutions are starved of cash and resources to properly implement the new requirements.

In conclusion, it is important that UNI Finance Global Union continues its engagement with the ITUC, TUAC and ETUC on financial regulation. I will continue to play a role in the G20 process and we will continue to engage with the FSB together with the Global Unions.

There is a complex web of activity taking place, involving a range of global and regional institutions, governments and their supervisory authorities, professional organisations and then the finance sector itself, with its individual and collective lobbying power.

We will continue to strive and to make sense of this “closed” world and try to shape reforms. This will take energy and determination.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Philip J. Jennings". The signature is written in a cursive, flowing style with a large initial 'P'.

Philip J. Jennings
General Secretary
UNI Global Union