	Comments Template on DP-14-IMD Discussion Paper on Conflicts of Interest in direct and intermediated sales of insurance-based investment products (PRIIPs)	**Deadline 22 July 2014 18:00 CET**
Name of Company:	UNI Europa Finance	
Disclosure of comments:	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential. *Please indicate if your comments on this DP should be treated as confidential, by deleting the word **Public** in the column to the right.*	Public
	Please follow the following instructions for filling in the template: ⇨ Do **not** change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇨ Leave the last column empty. ⇨ Please fill in your comment in the relevant row. If you have no comment on a paragraph or a cell, keep the row empty. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. **Please send the completed template, in Word Format, to DP-14-IMD@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.**	
Reference	**Comment**	
General Comment		
Q1.	It is important to look at the causes for conflicts of interest and what drives the occurrence of conflicts. Standards of ethics in the distribution system are particularly important for financial institutions to fulfil their role, be taken seriously and maintain a good reputation. Everyone working in the industry should have a high level of awareness of her or his particular contribution to the industry's credibility.	

	Performance measurement systems, also known as merit rating systems, solely based on the number of sold products are counterproductive to customer protection and qualified advice, and they must be avoided in the financial sector. As the employee feels pressured to reach her or his targets, many times what is sold to customers is not primarily based on the customer's actual need, following objective and sound advice. It is important to acknowledge the different types of systems that create sales pressure on employees. There are both the commission based incentives, as well as non-monetary performance measurement systems that affect the fixed salary as well as future career opportunities, social status and competence development possibilities of the employee. Both systems can equally lead to sales pressure being put on employees and have negative impacts on customer protection. See more under Q2-Q5. UNI Europa Finance recognises the obstacles regarding commissions and conflicts of interest but wants to stress that it is up to the social partners to negotiate and regulate all forms of remuneration.	
Q2.	UNI Europa Finance considers that the most important types of conflicts of interest are the ones connected to sales pressure put on employees, such as commissions based on the number of sales. It can create a negative spiral for the employees with stress and worsened climate at the workplace. This increasing pressure on employees to sell products can in turn harm the customers. However, incentive systems can serve as positive encouragement for employees to improve their work. It is important to have in mind that encouragement in different forms is positive as to ensure that not only punishment for wrongdoings remains. Positive feedback should be promoted, it just needs to qualitative instead of quantitative.	
Q3.	What should be added as a cause for conflicts of interest is the role of performance measurement systems because of its potential impacts on employees and customers. The systems are based on individual sales targets for employees and are becoming a	

	widespread phenomenon. The measuring of employees does not have to be directly connected to a financial gain, such as commissions for selling a specific product, but can instead have an impact on future salary negotiations and the employee's career in the company. Commission based targets linked to the number of products sold can create a high level of sales pressure and increase the risk of lowering standards of ethics in the distribution system. The sales pressure can also lead to a bad work climate/culture where the sales results are shared among colleagues and the focus is placed solely on reaching sales targets. Extensive monitoring of employees also risks creating distrust between employer and employee. Instead employees should be measured by the quality of their work, overall results and customer satisfaction. The performance measurement systems are effective as a short-term method to increase sales but do not take the customer's interest into consideration. The systems can lead to employees selling products to consumers that they don't really need, for the sole purpose of the employee being able to reach her/his sale targets. It is therefore important to look at causes of conflicts of interest that are not directly related to financial gain, but instead where employees feel pressured to reach sales targets for other reasons than commissions.	
Q4.		
Q5.	The performance measurement systems described under Q3 should be added to the basic structure within Article 21. What differs from e.g. Art 21 (a) is that performance measurement systems do not have to be directly linked to a financial gain for the employee in terms of commissions or variable pay. Instead the results of the measurements can have an impact on the employee's position in the company and for future salary negotiations. Performance measurements can increase the sales pressure and the stress levels of the employees. With personal sales targets for the employees they can feel pressured to sell more products that are not in the best interest of	

	customers.	
Q6.		
Q7.		
Q8.		
Q9.	To begin with, it is essential that employee remuneration primarily consists of a fixed income. This is particularly important at income levels where most of the salary goes to covering basic living costs such as rent and everyday expenses. Variable income (such as commissions) can have a positive effect on sales but it must be recognized that it may also lead to inappropriate incentives, in particular related to assessment of risk involved in transactions. The effects have been widely described and debated. An important dimension to have in mind is that in several countries, commissions are negotiated in local collective agreements. It is therefore essential that the social partners are given the primary right to negotiate and regulate remuneration, including variable pay. The European Union secures this right as set down in article 153.5 of the Treaty (TFEU). It has also been shown that in companies with collective agreements the employees' salaries are not foremost based on variable pay and in effect include guarantees for employees against lowered sales numbers.	
Q10.	If conflicts of interest between sales pressure and sound advice are not avoided, the objectivity and professionalism of employees stands the risk of being questioned, which will have adverse effects on the reliability and trust of the sectors. UNI Europa Finance works for a financial sector where employees have enough time to convey proper advice to consumers, and where employees continuously receive sufficient and in-depth training on the advantages and disadvantages of products for specific clients. To continuously educate employees in ethics may also prevent conflicts of interest to appear. In this regard it is important to take the heightened	

	burden of documentation into account. The demands on documentation have increased but employees have in general not been given more time to dedicate to each customer. There has to be a balance between sales, advice and time needed for documentation. Likewise, the contact between customers and employees during the course of the contracts, including clarifications, arising disputes and conflicts should be taken into consideration when assessing measures on managing conflicts of interest. Thus, it must also be assured that the employees are given sufficient time and resources to fulfil this important aspect, as well. One way to prevent possible conflicts of interest is to introduce authorisation schemes or certifications of financial advisors. Such a framework would help to ensure that financial products are only sold by staff that are properly trained and have a thorough understanding of both ethics and the products on offer, including their long-term implications for customers. From the perspective of both finance employees and customers, the rules and conditions surrounding the provision of establishing and maintaining sound sales practices has not received the attention that it deserves. A framework for certification of financial advisors would enhance the working conditions for the employees while at the same time contributing to better sales practices. The financial crisis has highlighted the key importance of maintaining sound and balanced sales practices in the financial sector. The crisis has had a clear negative impact on consumers' trust in the finance sector. A framework for certification could help to restore consumer confidence in the financial markets and finance employees, as it will prove that the industry is taking consumer concerns seriously. A trusting relationship between consumers and employees in the finance sectors is vital for the well-being of the employees as well as for the European internal market and the Member States' national economies.	
Q11.	Transparency for the customers is key. However, the systems for transparency must not breach the protection of employees' identities. The customers should be given	

	information on whether the products are connected to commissions or variable pay for employees, but should not access detailed information on the individual sales person's salary or identity. Providing the customer with the exact amount of the variable remuneration received by the employee does not contribute to consumer protection, instead it risks having a confusing and obscuring effect and divert the customer's attention away from what should be the real focus in sales situation: the price and content of the product. The employees' privacy must not be violated: how an employee is paid, by fixed or variable pay, is an issue for the employer, the employee and his/her trade union. Also, for countries where pay is regulated through collective agreements, this risks undermining the legitimacy of collective bargaining. Conflicts of interest are best mitigated by addressing the issue of excessive sales targets and sales pressure, not by breaching the personal integrity of individual insurance employees with regard to the pay that they receive.	
Q12.		
Q13.		
Q14.		
Q15.		
Q16.	As mentioned under Q10, the burden of documentation should be assessed. Financial regulation must not unreasonably increase the documentation and administration burden on employees, who must be given time and resources to provide sound financial advice. Rules on selling practices should not increase the administrative burden of individual employees. Further administrative requirements risk decreasing the quality of advice and service given to customers.	
Q17.		
Q18.		

Template comments