

Nordic Financial Unions

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Question 1: Do you agree with the general description of what constitutes the practice of cross-selling?

Non-applicable

Question 2: Do you agree with the identified potential benefits of cross-selling practices?

Non-applicable

Question 3: Do you agree with the identified potential detriment associated with cross-selling practices?

Nordic Financial Unions (NFU) recognizes the potential consumer detriment that cross-selling could lead to. Under the heading 'Behavioral drivers of potential consumer detriment', item 4.f, we miss a reference also to excessive sales targets as potential causes for sales staff to be incentivized to promote a bundled package. NFU recognizes excessive sales targets as one of the main reasons why sales staff can be incentivized to miss-selling. Instead the staff should be given adequate time and resources to give good advice and information to its customers. The proposed Guideline 10 rightly refers to performance measurements systems which we consider very important. Aggressive sales targets and merit rating systems are counterproductive to customer protection and qualified advice, and they must be avoided in the financial sectors.

Financial institutions must be able to document a clear divide on what is financial advice and what is pure sales. In an ideal world, the remuneration sales have to take departure in consumers' satisfaction and value creation, not in the numbers of sales.

A related national example is the verdict of the Norwegian Supreme Court in the so-called Røreggen trial where the Norwegian Supreme Court ruled against DNB after giving what the court described as misleading information during an investment sale.

Consumer protection is at centre-stage of the regulation of the financial market and of the supervision of various providers of financial services such as banks, insurance companies and investment firms. This is in the best interest of consumers and the financial industry as a whole. Consumers must to be well protected when purchasing or selling financial products and property, and to be able to base their decisions on good information and impartial advice.

The investment products that are being offered need to be transparent and combined with the notion that the financial advisor has the customer's best interests at heart. This means that there must be adequate training for employees in order to understand the potential pit falls of risky products. This is also something the employers must be able to provide to their employees. This will be in the best interest of all parties.

Question 4: Please comment on each of the five examples in paragraph 13, clearly indicating the number of the example to which your comment(s) relate.

Non-applicable

Question 5: Please comment on the proposed guidelines 1 and 5 as well as the corresponding examples, stating clearly in your response the guideline paragraph number to which your comment relates.

Non-applicable

Question 6: Please comment on the proposed guidelines 2, 3, 4 and 6 as well as the corresponding examples, stating clearly in your response the guideline paragraph number to which your comment relates.

NFU finds it crucial that customers receive good information on all financial products that they are approached with or show an interest in. This is however dependent on that the financial companies provide employees with adequate time and resources for them to be able to properly inform and advice their clients.

Guideline 6: NFU agrees with the Joint Committee that the customers should receive information also about non-price factors and relevant risks of the products in the bundled packages in a clear and understandable way. To ensure that, employees must be given time and training in order to to give proper and timely information to customers. In terms of tied or bundled packages, it is important that the sales staff understand the different products in the package, their interaction and the relevant risks to give the right information and advice to the customers. As acknowledged under the proposed Guideline 9, it is crucial that employees continuously receive

sufficient and in-depth training on the advantages and disadvantages of products.

On another note, further new rules on distribution and selling practices should avoid increasing the administrative burden of individual employees. Further administrative requirements risk decreasing the quality of advice and service to customers.

Question 7: Please comment on the proposed guideline 7 as well as the corresponding examples, stating clearly in your response the guideline paragraph number to which your comment relates.

Non-applicable

Question 8: Please comment on the proposed guideline 8 as well as the corresponding examples, stating clearly in your response the guideline paragraph number to which your comment relates.

That the products sold are suitable to the customers is of course key. The employees, sales staff, which are in contact with the customers must therefore be given time and resources to be able to assess the customers' needs and give proper advice. It is important that the pressure to sell does not impair on the client's right to be given accurate information and good advice. Aggressive sales targets and merit rating systems are therefore counterproductive to customer protection.

Another important aspect is how the quality of the information and advice given is closely linked to the issue of training (see more under Q9). The quality of services to the customers depend both of time and resources as well as training offered to employees.

Question 9: Please comment on the proposed guidelines 9 and 10 as well as the corresponding examples, stating clearly in your response the guideline paragraph number to which your comment relates.

NFU is happy to see the wordings by the Joint Committee under Guidelines 9 and 10 as well as the illustrative examples.

With regards to training under Guideline 9, we support it and find it as a crucial component to customer protection. We would like to emphasize that it is the responsibility of the company to provide time and resources for employees' competence and professional development. Training should be provided on a continuous basis, in order to ensure that the employees are fully informed of new products and related risks. In terms of tied or bundled packages it is important that the staff is informed of all the products equally.

As recognized in Guideline 10, both remuneration models and sales incentives could lead to conflicts of interest. As the employee can feel pressured to reach his/her targets it is likely that what is sold to customers may not be based on objective and sound advice from the employee. As the illustrative examples also show, there are different types of systems that create sales pressure on employees. There are both the commissions based incentives systems, as well as non-monetary performance measurement systems that instead affect the salary or position of the employee. Both systems can create equal sales pressure on employees which in turn can have a negative impact on customer protection. If an employee fails to meet his/her sales target for the bundled package, the negative effects could not only be connected to monetary commissions or salary but also for example his/her position at the company. That aggressive sales targets are avoided is crucial in order to avoid conflicts of interest. Sustainable finance should be the overall objective of these guidelines.

Question 10: Please comment on the proposed guideline 11 as well as the corresponding examples, stating clearly in your response the guideline paragraph number to which your comment relates.

Non-applicable

Question 11: Please provide any specific evidence or data that would further inform the analysis of the likely cost and benefit impacts of the guidelines.

Non-applicable