



BANKING AND FINANCE

Public consultation on the Capital Markets Union mid-term review 2017

Fields marked with * are mandatory.

Introduction

Purpose of this consultation

The Commission aims to publish the Mid-term Review of the [Capital Markets Union \(CMU\) Action Plan](#) in June 2017. The Mid-term Review aims to:

- take stock of progress on the implementation of the CMU Action Plan;
- reframe actions in the light of work undertaken so far and evolving market circumstances;
- complement the CMU Action Plan with new measures which constitute an effective and proportionate response to key challenges.

This consultation provides an opportunity for stakeholders to provide targeted input to revise the CMU Action Plan. The preparation of the CMU Mid-term Review will also draw on relevant submission and findings from the [Commission's Call for Evidence on the EU regulatory framework for financial services](#).

Respondents are invited to provide feedback on the questions raised in this consultation document by 17 March 2017. Respondents are invited to provide evidence-based feedback and specific operational suggestions. The use of the on-line questionnaire is encouraged.

Context of the consultation

The Capital Markets Union (CMU) is a core component of the Commission's Investment Plan for Europe to boost jobs, including youth employment, and growth. It encompasses the reforms of our financial system needed to enable the flow of private capital to fund The EU's pressing investment challenges – in the domains of infrastructure, energy transition, but particularly in financing growing businesses. CMU seeks to better connect savings to investment and to strengthen the EU financial system by enhancing private risk-sharing, providing alternative sources of financing, and increasing options for retail and institutional investors. Removing obstacles to the free flow of capital across borders will strengthen the Economic and Monetary Union by supporting economic convergence and helping to cushion economic shocks in the euro area and beyond, making the EU economy more resilient. This is even more important in the current economic environment.

The CMU Action Plan of September 2015 set out a comprehensive programme of 33 actions to put in place the building blocks for the CMU. Alongside the [Single Market Strategy](#) and [Digital Single Market Strategy](#), CMU sits at the heart of the EU reform agenda for a deeper and fairer Single Market, and remains a flagship priority of this Commission.

The evolving economic and political context in the EU, as well as pronounced differences in the maturity of capital markets across Member States, shows that developing stronger capital markets in the EU is more important than ever. The EU economy needs bigger and better capital markets to help break its reliance on bank lending and diversify its sources of funding. The configuration of EU capital markets is faced with significant change in the years ahead. However, whatever the precise configuration of those markets, it is clear that the EU must remain strongly focussed on developing capital market finance as a complement to a restored banking system, and to ensure that, as capital markets deepen, the capacity to supervise and manage risks keeps pace. The work on setting the broad policy framework and creating the right enabling conditions for capital markets to finance the real economy should continue.

This is why on 14 September 2016 the Commission adopted a [Communication to reaffirm its commitment to the CMU](#). This Communication calls for an acceleration of the reforms and reviews priorities. The Commission firmly believes that, to reap the benefits of the first CMU commitments, there is a need to speed up the legislative process, starting with the long overdue securitisation package and the implementing measures of the Prospectus Regulation.

The CMU pipeline is delivering. Some 15 initiatives have been completed by the Commission, which corresponds to almost one-half of the CMU Action Plan. Several more will be completed in the coming months. As we approach the end of the delivery of the first wave of CMU-building, it is appropriate to take stock of what has been done, its effectiveness in addressing policy challenges, and how to build on these foundations.

The aim of this consultation document is to seek feedback on how the current programme can be updated and completed so that it represents a strong policy framework for the development of capital markets, building on the initiatives that the Commission has presented so far. To support the discussion, this document provides an up-to-date overview of the state of implementation of the CMU Action Plan.

The document retains the structure of the CMU Action Plan which identifies six policy areas on which CMU building should focus. Under each heading, the consultation paper identifies outstanding issues and challenges, having briefly recalled the drivers for policy action and the work done so far.

Respondents are invited to provide concise and operational suggestions on measures that can be enhanced and on complementary actions to deliver the policy goals.

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-cmu-mid-term-review@ec.europa.eu.

More information:

- [on this consultation](#)
- [on the protection of personal data regime for this consultation](#) 

1. Information about you

*Are you replying as:

- a private individual
- an organisation or a company
- a public authority or an international organisation

*Name of your organisation:

Assoeuropea

Assoeuropea in an organization set up by Mefop, Assofondipensione e Assoprevidenza.

Mefop is a company jointly owned by the Italian Ministry of Economy and Finance and by more than 90 pension funds both occupational and individual with the aim to strengthen the market of pension schemes.

Assofondipensione represent the interests of occupational pension schemes established after 28 april 1993. The association presents 2,4 million members and 42.5 billion Euro of Asset under management.

Assoprevidenza represents the interests of more than 120 between pension funds and welfare shemes.

Contact email address:

The information you provide here is for administrative purposes only and will not be published

ecofin@mefop.it

*Is your organisation included in the Transparency Register?

(If your organisation is not registered, [we invite you to register here](#), although it is not compulsory to be registered to reply to this consultation. [Why a transparency register?](#))

- Yes
 No

*Type of organisation:

- | | |
|--|---|
| <input type="radio"/> Academic institution | <input type="radio"/> Company, SME, micro-enterprise, sole trader |
| <input type="radio"/> Consultancy, law firm | <input type="radio"/> Consumer organisation |
| <input type="radio"/> Industry association | <input type="radio"/> Media |
| <input checked="" type="radio"/> Non-governmental organisation | <input type="radio"/> Think tank |
| <input type="radio"/> Trade union | <input type="radio"/> Other |

*Where are you based and/or where do you carry out your activity?

Italy

*Field of activity or sector (*if applicable*):

at least 1 choice(s)

- Accounting
 Auditing
 Banking
 Other financial services (e.g. advice, brokerage)
 Credit rating agencies
 Insurance
 Pension provision
 Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
 Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
 Social entrepreneurship
 Other
 Not applicable



Important notice on the publication of responses

*Contributions received are intended for publication on the Commission's website. Do you agree to your contribution being published?

([see specific privacy statement](#) )

- Yes, I agree to my response being published under the name I indicate (*name of your organisation /company/public authority or your name if your reply as an individual*)
- No, I do not want my response to be published

2. Your opinion

A. Financing for innovation, start-ups and non-listed companies

Please [refer to the corresponding section of the consultation document](#)  to read context information before answering the questions.

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Are there additional actions that can contribute to fostering the financing for innovation, start-ups and non-listed companies?

- Yes
- No
- Don't know / no opinion / not relevant

Please propose complementary policy measures, explain their advantages, and illustrate any foreseeable challenges to their implementation.

Start-ups are not a core investment of Italian pension funds. The lack of standardization and transparent information constitutes a barrier to the alternative investments made by pension funds. The development of a common minimum set of comparable information for credit reporting and assessment, as well as the standardization of such information would represent an important step to support this type of investments.

B. Making it easier for companies to enter and raise capital on public markets

Please [refer to the corresponding section of the consultation document](#)  to read context information before answering the questions.

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Are there additional actions that can contribute to making it easier for companies to enter and raise capital on public markets?

- Yes
- No
- Don't know / no opinion / not relevant

C. Investing for long term, infrastructure and sustainable investment

Please [refer to the corresponding section of the consultation document](#)  to read context information before answering the questions.

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Are there additional actions that can contribute to fostering long-term, infrastructure and sustainable investment?

- Yes
- No
- Don't know / no opinion / not relevant

Please propose complementary policy measures, explain their advantages, and illustrate any foreseeable challenges to their implementation.

One of the main concern on financial regulation is related to EMIR because it is likely to increase the costs of pensions, and these costs eventually have to be paid by pensioners. As a result, pension benefits will decrease or contributions need to be increased - with negative effects on the economy. Pension funds are long-term investors who engage in long dated derivative instruments to hedge their investment risk. Pension funds do not hold much cash and invest their all asset in the interest of the members. The exemption for cleared OTC derivatives should be maintained until a suitable clearing solution has been found. We urge the Commission to provide for a new transitional or indefinite exemption to give more time to explore technical solutions and measures to facilitate them, as CCPs have not yet developed any solutions that would be suitable. Such solutions should "avoid materially adverse effects on pensioners" as set out in EMIR level 1 text. Consequently, it is of utmost importance to ensure that pension funds can post non-cash collateral in both cleared and non-cleared markets. A transitional or indefinite exemption from mandated clearing rules is needed within EMIR while the non-cash VM issue remains unsolved for pension funds.

It is important that pension funds can access the non-cleared markets and post high quality government bond as margin. Currently this is not always possible due to bank capital requirements. Banks are now exerting pressure on pension funds to post VM only in cash for non-cleared derivatives. This has led to a reduction in the number of banks willing to provide liquidity to pension funds on non-cleared derivatives where pension funds post high quality government bonds as margin. We understand that this is a direct reaction of the banks to both the Basel III leverage ratio and NSFR rules. These rules only recognise cash VM posted to offset exposure in both leverage ratio exposure measure and NSFR derivatives asset calculations.

While some banks are still open to providing liquidity for pension funds posting high quality government bond as collateral, we are concerned that it will only be a matter of time before even the few remaining banks stop providing this. As a result, pension funds are facing the same cash VM issues within the non-cleared regime as within the clearing regime. Therefore, the leverage ratio and net stable funding ratio (NSFR) rules must recognise high quality government bond margin with appropriate haircuts to be equivalent to cash margin. While European Commission has amended in the last months the NSFR rules as part of its CRR II package, the leverage ratio rules have not been amended yet to address this issue.

To this end Assoeuropea asks the Commission to amend the leverage ratio within the Capital Requirement Regulation II package as the current rules push banks to request cash as variation margin.

The leverage ratio framework impacts pension funds through the way it recognizes cash in favor to high quality government bonds. Currently, high quality government bonds are not on an equal footing with cash in the leverage ratio rules. This can be harmful for pension funds that use government bonds to obtain short term funding through the repo market, resulting in lower liquidity and higher costs.

A proposal for the recovery and resolution of CCP is currently under way at EU level. Assoeuropea calls for the introduction of a special regime of protection of rights of pension funds in order to avoid possible negative spillover for members in case of CCP default.

D. Fostering retail investment and innovation

Please [refer to the corresponding section of the consultation document](#)  to read context information before answering the questions.

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Are there additional actions that can contribute to fostering retail investment?

- Yes
- No
- Don't know / no opinion / not relevant

Please propose complementary policy measures, explain their advantages, and illustrate any foreseeable challenges to their implementation.

The feasibility of a EU framework for PPPs seems a very complex issue, as “onesize-fits-all” solution does not seem to work. Any EU initiative on a single market for personal pension should adequately face up to the existing national personal pension rules to avoid negative effects for members. PEPP may improve supplementary retirement savings in Member States where there is no or a not well developed personal pension system or a limited workplace pension coverage. It can also be useful when there is poor security for existing personal pension products. Viceversa in countries where the market of personal pensions already provide a high level of care for members it risks to negatively affect the standard of protection currently in place, contradicting the final achievement of EU Institutions of consumer protection. Having this in mind, Assoeuropea agrees with EIOPA’s final advice that a standardised PEPP could be the best way to achieve a single market for personal pensions. However, given the heterogeneity among national regulations and the close links with areas falling under Member States competences (ie. taxation), this solution still faces many challenges to be answered and the proposed solutions so far do not seem to represent an adequate solution. One of the main obstacles is the tax framework as it obeys to national rules. The development of the PanEuropean Personal Pension should be better supported by a convergence of national tax regimes towards a supportive framework like EET regime. Another possible and interesting solution to foster EU personal pensions framework could be represented by an increased cooperation between stakeholders (Member States, providers, consumers) around a common approach to provide PPP. Finally the solution of IRA does not seem to be suitable to achieve the goal of a simple and transparent EU market of PPP, given the concerns on transparency and costs. IRA contrasts with pensions purposes. The flexibility on provision and the fact that investment options are not pre-defined raise concerns on disclosure and transparency and on costs bear by members. The not predefined investment option requests a strong commitment of members in selecting the best option, and it may request a strong advisory, with high costs. IRA contrasts the simplicity of the plan and the provision of a default investment option in order to ease the choice of potential members, contradicting the objectives of carried out by EU institutions with the evaluation of EU framework for PPP.

E. Strengthening banking capacity to support the wider economy

Please [refer to the corresponding section of the consultation document](#)  to read context information before answering the questions.

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Are there additional actions that can contribute to strengthening banking capacity to support the wider economy?

- Yes
- No
- Don't know / no opinion / not relevant

F. Facilitating cross-border investment

Please [refer to the corresponding section of the consultation document](#)  to read context information before answering the questions.

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Are there additional actions that can contribute to fostering long-term, infrastructure and sustainable investment?

- Yes
- No
- Don't know / no opinion / not relevant

Are there additional actions that can contribute to facilitating cross-border investment?

Assoeuropea calls upon the EU Commission and the Member States to abstain from developing a Financial Transaction Tax (FTT) also for Pension Funds, because of the extra costs it would impose on pension scheme members. This implies either lower benefits or increasing contributions by employees or employers (which will also have negative effects on the economy). Moreover the role that Pension funds can play to support real economy could be curbed.

3. Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) here:

Useful links

[Consultation details \(https://ec.europa.eu/info/finance-consultations-2017-cmu-mid-term-review_en\)](https://ec.europa.eu/info/finance-consultations-2017-cmu-mid-term-review_en)

[Consultation document \(http://ec.europa.eu/info/files/consultation-document-capital-markets-union-mid-term-review-2017_en\)](http://ec.europa.eu/info/files/consultation-document-capital-markets-union-mid-term-review-2017_en)

[Specific privacy statement \(https://ec.europa.eu/info/file/70501/download_en?token=bbrpmgal\)](https://ec.europa.eu/info/file/70501/download_en?token=bbrpmgal)

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

Contact

fisma-cmu-mid-term-review@ec.europa.eu
