

MEMO# 30633

March 13, 2017

Draft ICI Global response to the European Commission's consultation on the CMU Mid-Term Review

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TO: ICI Global EU Capital Markets Union Committee

ICI Global Regulated Funds Committee RE: Draft ICI Global response to the European Commission's consultation on the CMU Mid-Term Review

On 20 January 2017, the European Commission ("the Commission") published a consultation[\[1\]](#) on its mid-term review of the Capital Markets Union (CMU) action plan.[\[2\]](#) The Commission is seeking feedback by 17 March 2017[\[3\]](#) and aims to publish a mid-term review report in June 2017. Attached is ICI Global's draft response to the consultation. We welcome member comments on the draft response by close of business on Wednesday 15 March.

Background

The Commission's aims for the mid-term review are 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.

The Commission is seeking comment on the additional actions and complementary policy measures that it should take in the following areas of the CMU Action Plan:

- Financing for innovation, start-ups and non-listed companies (pages 4-7);
- Making it easier for companies to enter and raise capital on public markets (pages 8-10);
- Investing for long-term, infrastructure and sustainable investment (pages 10-12);
- Fostering retail investment and innovation (pages 12-14);
- Strengthening banking capacity to support the wider economy (pages 14-16);
- Facilitating cross-border investment (pages 16-18).

ICI Global's Response

In our draft response to the consultation, we reiterate our support for the Commission's stated objectives for the CMU and urge the Commission to continue to vigorously pursue its work in this area. We highlight the following priority actions for the regulated fund industry:

- Removal of barriers to the cross-border distribution of investment funds, including (i) developing a harmonised cross-border marketing regime for UCITS, (ii) simplifying and converging authorisation and notification requirements and (iii) eliminating other impediments^[4] (see also our response to question F);
- Development of a single pan-EU private placement regime for professional investors that would remove the inefficiency and significant complexity of complying with individual Member State regimes. A pan-EU regime would deepen, integrate and diversify funding sources for the EU's capital markets and build on the Commission's longstanding work^[5] (see also our response to question A);
- Development of a pan-EU personal pension product (PEPP) that supports cross-border pooling, management and administration of assets to help build adequate retirement income and better accommodate a mobile EU workforce^[6] (see also our response to question D);

We encourage the Commission to be mindful that its other policy initiatives impacting participants in the EU's capital markets must be calibrated to reflect the fundamental differences between bank-based financing and market-based financing. We list the following two examples:

- *Review of the EU Macprudential Policy Framework* – we recommend changes to the European Systemic Risk Board (ESRB), including: (i) reconstituting it to give a greater role to securities and insurance regulators; (ii) providing it with responsibility for systemic risk monitoring across the EU financial system; and (iii) “broadening and deepening” its analytical resources to facilitate such monitoring including in non-bank sectors. We believe that, if potential risks to EU financial stability outside the banking sector are identified, it should be up to the relevant European Supervisory Authority (ESMA regarding capital markets and asset management) in coordination with national regulators or up to regulators in each Member State, using their existing toolkits, or developing new regulatory tools, to intervene;
- *Design of a new Prudential Regime for Investment Firms* – we recommend that: (i) a firm's activities be the focus of any prudential requirements; and (ii) prudential requirements calibrated to address risks posed by an asset manager, should mean risks to the firm's balance sheet and not market or other risks associated with the assets of a regulated fund or other clients of the manager.

Next Steps

The Commission will evaluate responses to the consultation and produce a summary feedback statement. The Commission intends to complete the CMU Mid-term Review in June 2017 with a view to taking stock of progress on the implementation of the CMU Action Plan and identifying potential additional measures required to improve the financing of the economy.

Giles Swan
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[Attachment](#)

endnotes

[1] Consultation Document: Capital Markets Union Mid-Term Review 2017, 20 January 2017, available from https://ec.europa.eu/info/sites/info/files/consultation-document_en_0.pdf

[2] Communication from the Commission, Action Plan on Building a Capital Markets Union, 30 September 2015, available from <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52015DC0468>

[3] Responses to the consultation are to be submitted via an online questionnaire, available from <https://ec.europa.eu/eusurvey/runner/cmu-mid-term-review-2017>

[4] See also ICI Global response to the EU Commission's Consultation on Barriers to the Cross-Border Distribution of Funds in the EU, available from <https://www.iciglobal.org/pdf/30285.pdf>.

[5] See ICI Global response to EU Commission's Call for Evidence on the EU Regulatory Framework for Financial Services, available from <https://www.iciglobal.org/pdf/29677.pdf>.

[6] See ICI Global response to the European Commission's Consultation on a potential EU personal pension framework, available from <https://ec.europa.eu/eusurvey/publication/personal-pension-framework-2016-stakeholders?surveylanguage=en>.

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