

MEMO# 30643

March 17, 2017

ICI Global Response to the European Commission's Consultation on the CMU Mid-Term Review

[30643]

March 17, 2017 TO: ICI Global EU Capital Markets Union Committee
ICI Global Regulated Funds Committee RE: ICI Global response to the European Commission's consultation on the CMU Mid-Term Review

As previously advised,[\[1\]](#) on 20 January 2017 the European Commission published a consultation on its mid-term review of the Capital Markets Union (CMU) action plan. Attached is the response ICI Global's response to the consultation.

In our response, 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;
- 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;
- 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.

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 Macroprudential 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
Director of Global Funds Policy, ICI Global

[Attachment](#)

endnotes

[1] Memo 30633, Re: Draft ICI Global response to the European Commission’s consultation on the CMU mid-term review, dated 13 March 2017, available from <https://www.iciglobal.org/iciglobal/pubs/memos/memo30633>.

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