

MEMO# 29909

May 13, 2016

European Commission's First Status Report on the Capital Markets Union

[29909]

May 13, 2016

TO: EQUITY MARKETS ADVISORY COMMITTEE No. 17-16
FIXED-INCOME ADVISORY COMMITTEE No. 14-16
ICI GLOBAL CAPITAL MARKETS UNION TASK FORCE
ICI GLOBAL REGULATED FUNDS COMMITTEE No. 32-16
ICI GLOBAL RETIREMENT SAVINGS COMMITTEE
ICI GLOBAL TAX COMMITTEE No. 9-16
ICI GLOBAL STEERING COMMITTEE No. 11-16
ICI GLOBAL TRADING & MARKETS COMMITTEE No. 19-16
INTERNATIONAL COMMITTEE No. 27-16
INTERNATIONAL OPERATIONS ADVISORY COMMITTEE No. 14-16 RE: EUROPEAN COMMISSION'S FIRST STATUS REPORT ON THE CAPITAL MARKETS UNION

On 25 April 2016, the European Commission (“the Commission”) published its first status report [\[1\]](#) (“the report”) on the Capital Markets Union (CMU) initiative. The report was previewed [\[2\]](#) and presented [\[3\]](#) in speeches by Jonathan Hill, and was accompanied by the publication of a European Financial Stability and Integration Review, focusing on the CMU initiative. [\[4\]](#)

First CMU Status Report

The report represents the Commission’s first stocktake on progress against its CMU Action Plan. [\[5\]](#) The report is divided into three sections: section 1 reports on the actions adopted since the adoption of the CMU Action Plan; section 2 describes the key initiatives scheduled over the rest of 2016; and section 3 reports on the preparation of other CMU actions and closely related measures which will be delivered in 2017-18. The Annex to the report provides an overview of the progress achieved against each aspect of the CMU Action Plan.

Section 1 - Steps taken since the adoption of the CMU Action Plan

The Commission lists the measures it has taken to deepen Europe’s capital markets since the publication of the CMU Action Plan in September 2015. The measures of particular relevance to regulated funds and asset managers include:

- A proposed regulatory framework for Simple, Transparent and Standardised

securitisations; [\[6\]](#)

- Reforms to the Prospectus Directive;
- The publication of a Green Paper on Retail Financial Services; [\[7\]](#) and
- The launch of a call for evidence to examine the cumulative impact of financial reform; [\[8\]](#)

Section 2 - Key initiatives planned by end-2016

The Commission lists initiatives from the CMU Action Plan that are envisaged before the end of 2016. The initiatives of particular relevance to regulated funds and asset managers include:

- A public consultation on regulatory and administrative barriers to cross-border distribution of investment funds, scheduled to be launched in May 2016; [\[9\]](#)
- A public consultation to evaluate the case for a policy framework to establish a voluntary market for European personal pensions, scheduled for publication before the summer; [\[10\]](#)
- An assessment of the need for a coordinated approach to loan origination by funds and the case for a future EU framework, following the publication of an opinion on loan-originating funds published by ESMA in April 2016; and
- The examination by Commission led expert group of national barriers to the free movement of capital, including withholding tax procedures;

Section 3 - Preparation of other CMU actions in 2017 and 2018

The Commission outlines the preparatory work that is being undertaken for some of the actions that are planned for adoption in 2017 and 2018. The actions of particular relevance to regulated funds and asset managers include:

- Promoting identified best practices for, and identifying barriers to the development of, private placements of corporate debt in the EU;
- Comprehensively reviewing the functioning of corporate bond markets to look at ways to widen access to these markets and deepen liquidity;
- Comprehensively assessing European markets for retail investment products, including analysis of actual net performance and fees of long-term retail and pension products;
- Reviewing progress in removing barriers in the post-trade environment; and
- Conducting a review of the EU macro-prudential policy framework, including an assessment of possible risks to financial stability arising from market-based finance.

Report Annex - list of actions: progress and next steps

The annex to the report provides an overview of the progress achieved for the CMU actions. The actions of particular relevance to regulated funds and asset managers are set out in the table below.

Action Progress and next steps Financing for innovation, start-ups and non-listed companies Promote innovative forms of corporate financing Develop a coordinated approach to loan origination by funds and asses the case for a future EU framework (Q4 2106) ESMA opinion received in April 2016 Strengthen access to public markets Proposal to modernise the Prospectus Directive (Q4 2015) European Parliament ECON committee to be voted mid-June Council general approach expected by the summer 2016

Review EU corporate bond markets, focusing on how market liquidity can be improved (2017) Call for tender for a study published in March 2016
Publish call for applications for an expert task force

Investing for long-term, infrastructure and sustainable investment Support infrastructure investment Adjust Solvency II calibrations for insurers' investment in infrastructure and European Long Term Investment Funds (Q3 2015) Completed: amendments for infrastructure projects and ELTIFs entered into force on 2 April 2016
Assessment of infrastructure corporates ongoing

Ensure consistency of EU financial services rulebook Call for evidence on the cumulative impact of the financial reform (Q3 2015) Public hearing in May 2016
Announce follow-up by summer 2016

Fostering retail and institutional investment Increase choice and competition for retail consumers Green Paper on retail financial services and insurance (Q4 2015)
Public hearing held on 2 March 2016

Follow-up to be announced

Help retail investors to get a better deal EU retail investment product markets assessment (2018) Preparatory work ongoing Support saving for retirement Assessment of the case for a policy framework to establish European persona pensions (Q4 2016)
EIOPA advice expected in May 2016

Public consultation document under preparation

Call for tender for a study under preparation

Expand opportunities for institutional investors and fund managers Assessment of the prudential treatment of private equity and privately placed debt in Solvency II (2018) Preparatory work ongoing Consultation on the main barriers to the cross-border distribution of investment funds (Q2 2016) Launch public consultation in May 2016 Leveraging banking capacity to support the wider economy Build EU securitisation markets Proposal on simple, transparent and standardised (STS) securitisations and revision of the capital calibrations for banks (Q3 2015)
Agreement by the Council on a general approach on 8 December 2015

Opinion from the European Parliament awaited

Support bank financing of the wider economy Consultation on an EU-wide framework for covered bonds and similar structures for SME loans (Q3 2015)
Public consultation completed

Consider next steps

Facilitating cross-border investment Remove national barriers to cross-border investment Report on national barriers to the free movement of capital (Q4 2016) Expert group of Member States' representatives established and meetings ongoing Improve market infrastructure for cross-border investing Targeted action on securities ownership rules and third-party effects of assignment of claims (2017) Call for tender for a study under preparation Review progress in removing remaining Giovannini barriers (2017) Expert group (European Post-Trade Forum) established and meetings ongoing Foster convergence

of insolvency proceedings Legislative initiative on business insolvency, addressing the most important barriers to the free flow of capital (Q4 2016) Public consultation underway Remove cross-border tax barriers Best practice and code of conduct for relief-at-source from withholding taxes procedures (2017) Discussions held at the expert group on barriers to the free movement of capital

T2S Harmonisation Steering Group of the ECB has run a survey on the impact of withholding tax relief procedures

Study on discriminatory tax obstacles to cross-border investment by pension funds and life insurers (2017) Terms of reference under preparation Strengthen supervisory convergence and capital market capacity building Strategy on supervisory convergence to improve the functioning of the single market for capital (ongoing) First annual Supervisory Convergence Work Programme 2016 of ESMA published in February 2016 White Paper on ESAs' funding and governance (Q2 2016) Preparatory work ongoing Develop a strategy for providing technical assistance to Member States to support capital markets' capacity (Q3 2016) The European Parliament and the Council to adopt the SRSP Regulation

Work with Member States to identify priority areas for technical assistance

Enhance capacity to preserve financial stability Review of the EU macroprudential framework (2017) Preparatory work ongoing

Next Steps

The Commission plans to update its status report every six months.

As noted above, the Commission plans to launch a public consultation in the next few weeks, to gather views on how the passporting rules for the cross-border distribution of investment funds can be improved. [\[11\]](#)

Giles Swan
Director of Global Funds Policy - ICI Global

endnotes

[\[1\]](#) Commission Staff Working Document: Capital Markets Union: First Status Report, European Commission, 25 April 2016, available from http://ec.europa.eu/finance/capital-markets-union/docs/cmu-first-status-report_en.pdf

[\[2\]](#) Keynote Speech by Commissioner Jonathan Hill at the EUROFI High Level Seminar, 21 April 2016, available from http://europa.eu/rapid/press-release_SPEECH-16-1527_en.htm

[\[3\]](#) Keynote Speech by Commissioner Jonathan Hill at the Joint ECB-European Commission Conference, 25 April 2016, available from http://europa.eu/rapid/press-release_SPEECH-16-1561_en.htm

[\[4\]](#) European Financial Stability and Integration Review, A focus on Capital Markets Union, European Commission, 25 April 2016, available from http://ec.europa.eu/finance/financial-analysis/docs/efsir/160425-efsir-2016_en.pdf

[\[5\]](#) Memo 29392 Re: European Commission Action Plan – Building a Capital Markets Union, 1 October 2015, available from

<https://www.iciglobal.org/vgn-ext-templating/v/index.jsp?vnextoid=665a266116420510VgnVCM100000650210acRCRD&vnextchannel=4d1b1e9fd9c3b410VgnVCM1000001c0210acRCRD&vnextfmt=global>

[6] ICI Global responded to the Commission's original consultation in May 2015, see Memo 28981 Re: Response to EC Consultation on An EU Framework for Simple, Transparent and Standardised Securitisation, 14 May 2015, available from <https://www.iciglobal.org/iciglobal/pubs/memos/memo28981>

[7] ICI Global responded to the Green Paper, see Memo 29774 Re: ICI Global Response to European Commission Green Paper on Retail Financial Services, available from <https://www.iciglobal.org/portal/site/ICI/menuitem.9ad35c6866c5fcca09ce3110b52001ca/?vnextoid=465b287262583510VgnVCM100000650210acRCRD&vnextchannel=4d1b1e9fd9c3b410VgnVCM1000001c0210acRCRD&vnextfmt=global>

[8] ICI Global responded to the Call for Evidence, see Memo 29677 Re: Response to European Commission Call for Evidence on the EU Regulatory Framework for Financial Services, 29 January 2016, available from <https://www.iciglobal.org/portal/site/ICI/menuitem.9ad35c6866c5fcca09ce3110b52001ca/?vnextoid=7852ded598982510VgnVCM100000650210acRCRD&vnextchannel=4d1b1e9fd9c3b410VgnVCM1000001c0210acRCRD&vnextfmt=global>

[9] ICI Global has called for steps to reduce the setup and cross-border marketing costs of regulated funds, including UCITS, in its submissions to the Commission on the CMU.

[10] ICI Global has called for a framework for European personal pensions in many of its submissions to the Commission and has also submitted responses to consultations published by EIOPA, including most recently a consultation published in February, see Memo 29890 Re: ICI Global Responses to EIOPA Consultation on Personal Pensions, available from <https://www.iciglobal.org/portal/site/ICI/menuitem.9ad35c6866c5fcca09ce3110b52001ca/?vnextoid=67aec7e181c74510VgnVCM100000650210acRCRD&vnextchannel=4d1b1e9fd9c3b410VgnVCM1000001c0210acRCRD&vnextfmt=global>

[11] http://europa.eu/rapid/press-release_IP-16-1562_en.htm