

## CMU Policy Update

### April

#### HIGHLIGHTS

- European Parliament approves Prospectus Regulation – 5 April
- ESMA publishes its response to the CMU mid-term review, outlines details of its work on prospectus Level II
- European Commission proposes new amendments proposed to derivatives rules – 4 May

### European Commission

#### Commission proposes amendments to derivatives rules – 4 May

The European Commission has proposed to [amend](#) the **European Market Infrastructure Regulation (EMIR)**. The proposed targeted reforms aim to improve the functioning of the **derivatives market** in the EU. The proposal provides for simpler and more proportionate rules for over-the-counter derivatives to reduce costs and regulatory burdens for market participants without compromising financial stability. Some key changes include:

- Streamlining **reporting requirements** for all counterparties. For example, transactions between a financial counterparty and a small **non-financial counterparty (NFC)** will be reported by the financial counterparty on behalf of both counterparties. Moreover, reporting on historic transactions will no longer be required. In addition, the proposal aims to improve the quality of reported information
- Under the current rules, NFCs must clear all derivatives if they exceed the **clearing threshold** for one class of derivatives. The Commission is now proposing that NFCs clear only the asset classes for which they have breached the clearing threshold
- The proposal introduces a clearing threshold for small **financial counterparties**, such as small banks or funds. This clearing threshold is based on the volume of **over-the-counter (OTC)** derivatives transactions.

While all financial counterparties are required to report and collateralise OTC derivative transactions, only counterparties exceeding that threshold would be required to clear centrally

In terms of **next steps**, the proposal will now go to the European Parliament and the Council for consideration. Both institutions will formulate positions on the proposal, after which they will have to negotiate for a compromise in the so-called trilogues.

## European Parliament

### European Parliament votes on Prospectus Regulation – 5 April

The European Parliament Plenary has voted on and provided its final approval to the [compromise text](#) on **Prospectus Regulation**. The final text was adopted with 517 votes in favour, 109 against and 71 abstentions. The compromise text includes, amongst other elements, the so-called **EU Growth Prospectus** which provides for an alleviated prospectus regime for SMEs, companies listed on SME Growth Markets and issuers seeking to raise smaller amounts of financing - up to **€20 million over a twelve-month period**. These prospectuses would be eligible for the **EU passporting regime**, enabling them to be offered to the investors across the EU. In terms of **next steps**, the Commission can now finalise the procedure and the Regulation proposal will become EU law. ESMA will be tasked to propose the technical details of what was agreed at the political level – including the disclosure requirements and formats of the alleviated prospectus regimes. It will launch a public consultation on the matter probably on 6 July.

### ECON Committee votes on FinTech report – 25 April

ECON Committee has voted on the European Parliament's own-initiative [report](#) on **FinTech**. The report has been drafted by the MEP **Cora Van Nieuwenhuizen (ALDE/NLD)**. The conclusion that emerged from the vote is that the FinTech sector is still in too early a stage to be regulated. Moreover, all care should be taken so that existing legislation does not hinder FinTech's development. The report will subsequently be voted on in Plenary, on 16 May. The report is non-legislative and as such does not commit the Commission to any particular course of action. However, the report will establish the Parliament's position on FinTech, which is currently consulted on by the European Commission and subject to possible EU-level action in the months to come.

## ECB & ESAs

### ESMA publishes response to CMU mid-term review, outlines details of its work on prospectus level II – 6 April

The **European Securities and Markets Authority (ESMA)** has published its [response](#) to the Commission consultation on the CMU **mid-term review**. Information and transparency emerge as the major elements in what ESMA believes are the necessary additional steps for better integrated capital markets in Europe. ESMA calls, in particular, for a common **data strategy** for all relevant authorities, with the ultimate objective of reducing compliance costs for reporting entities. ESMA moreover highlights the need for more efficient data collection, and the management and use of common standards in the reporting requirements specified by different financial authorities.

Of additional interest, the consultation response outlines ESMA's approach for developing the technical details of the **Prospectus Regulation**, and in particular the alleviated **EU Growth Prospectus** tailored for SMEs. ESMA seeks

to create a tailored disclosure regime by avoiding the inclusion of elements that it would consider excessively onerous for smaller companies and by speaking to investors in such companies in order to establish the type of information that they seek when investing. ESMA claims, moreover, that there is still scope for further disclosure alleviations at Level II. ESMA will devise its proposals by assessing on an item by item basis the various requirements with the view of establishing what is absolutely necessary for the investment decision.

ESMA will also make certain “structural proposals” in order to ensure that the EU Growth prospectus is a more readable document, giving a clear vision on the **issuers’ strategy and objectives**. In proposing content, ESMA will be mindful of the ability of issuers to reuse prospectus disclosures, such as in **management presentations** and **roadshows**, to ensure both uniformity of disclosure but also to reduce costs and maximise the net proceeds when accessing the capital markets. These are in line with what Accountancy Europe proposed in its [paper](#) on *Simplified Prospectus for SMEs*, published in May 2016.

## Other News

### EESC opinion on EU Regulatory Framework for Financial Services – 10 April

The **European Economic and Social Committee (EESC)** has published its [opinion](#) on the EU regulatory framework for **financial services** as part of the Commission’s Call for Evidence project through which it seeks to find out whether such legislation is overly burdensome, has unintended consequences or conflicting requirements. In its opinion, EESC urges EU Member States not to impose unnecessary burdens and restrictions when transposing EU rules (also known as ‘gold plating’); calls on European decision makers to accelerate the structural reform of the EU banking sector; and reminds that legislation is not always the most appropriate policy response and invites the Commission to opt for non-legislative and market-based solutions whenever possible.

### Bruegel report: examining public policies for the financing of high-growth ventures – 10 April

The Brussels-based think tank **Bruegel** has published a new [report](#) on the financing of start- and scale-ups. The report examines the long-term financing of such companies with particular focus on the US, Europe and Canada. It analyses and assesses public policy solutions for such financing ventures, and puts forward recommendations in this regard.

### New OECD report on access to finance for SMEs – 21 April

The OECD has published a [report](#) on the **financing of SMEs**. The report provides information on debt, equity, asset-based finance, and framework conditions for SME and entrepreneurship finance, complemented with an overview of recent policy measures to support access to finance in 39 countries. According to the report, the financing situation of SMEs and entrepreneurs has generally improved in 2015 and the first half of 2016 in most participating countries, and indicates a more favourable business environment. While alternative sources of financing are gaining

some traction, SMEs nevertheless remain very reliant on **bank lending**, making them vulnerable to credit market conditions and the economic climate.

## Event reports

### Commission public hearing on CMU mid-term review – 11 April

The European Commission has organised a whole-day [event](#) on the **CMU mid-term review**. The main objectives of the event were to:

- Present to stakeholders the main messages that the Commission has taken out of the CMU mid-term review consultation
- Present to stakeholders what priority areas the Commission will be covering next as part of its CMU project
- Gather input from stakeholders on next steps forward for the CMU

A number of themes of interest were covered, including **FinTech**, the upcoming reform of the ESAs, as well as **sustainable finance**. More light was also shed on the upcoming Commission initiative on a **European Personal Pension Product (PPP)**.

The Commission unveiled little new initiatives during the conference, but for example the following points of interest emerged:

- Details on the priorities of the **High-Level Expert Group (HLEG)** on sustainable finance. The Group's Chair notably stated that the Group will assess whether **accounting standards** constitute an obstacle for the development of long-term sustainable finance
- **Stakeholders' positions on the ESAs reform** – there appeared to be a consensus for maintaining all three ESAs, bolstering the powers of ESMA and keeping EBA and EIOPA separate
- **ESMA's Steven Maijoor** called for more powers to ESMA especially in the area of information gathering and supervision
- Further details on the **PPP proposal**, which is expected for June. It will most likely be a second regime co-existing with national ones, and will provide a 'toolkit' of options for adapted applications of a European PPP

The European Commission will publish its conclusions on the CMU mid-term review probably on **7 June**. It will most likely include additional measures that the Commission intends to undertake for capital market integration.

## Events

- 04-05/05/2017, *EU Capital Markets Union: Latest Developments*, ERA, Brussels. [Source](#)
- 16/05/2017, *Mid-term review of the Capital Markets Union with Ugo Bassi*, British Chamber of Commerce, Brussels. [Source](#)
- 19/05/2017, *European Financial Integration*, European Commission and ECB, Brussels. [Source](#)
- 20/06/2017, *CMU Review*, Financial Future, Brussels. [Source](#)
- 21/06/2017, *Capital Markets Union (CMU): Pan-European Personal Pension Product (PEPP)*, EPFSF, Brussels. [Source](#)