

Capital Markets Union

May

HIGHLIGHTS

- Council: Member States approve Prospectus Regulation compromise – 16 May
- Other news: Accountancy Europe responds to Commission consultation on ESAs – 17 May
- Council: Political agreement reached on securitization and venture capital reform – 30 May
- ECB & ESAs: ESMA, EBA and EIOPA respond to Commission consultation on ESAs reform – 30 May

European Parliament

European Parliament votes on FinTech report – 17 May

The European Parliament Plenary has voted on its [report](#) on **FinTech**. The report was adopted with 544 votes in favour, 107 against and 14 abstentions. The report is, broadly speaking, in line with the European Commission's thinking on the matter, calling for greater cooperation between national supervisors and for a 'one-stop-shop' for FinTech service providers and users within the regulatory and supervisory authorities. The report is, moreover, cautious about the introduction of regulation that might hinder further FinTech innovation. The report is drafted by the MEP **Cora Van Nieuwenhuizen (ALDE/NLD)**. It is legally non-binding and does not commit either the Commission or Member States to any particular course of action. However, it does set out the Parliament's thinking on the topic, ahead of expected future initiatives of the Commission on FinTech.

European Parliament publishes draft report on retail financial services – 30 May

The European Parliament's draft [report](#) on **retail financial services** has been published. It is drafted by the MEP **Olle Ludvigsson (S&D/SWE)**. The report expresses concern, in particular, about the fact that retail financial services remain fairly local in the Single Market, with consumers having clear preference for their own national service providers. For this reason, more cross-border competition across borders in the EU must be achieved. Moreover, it calls on the Commission to accelerate its work to promote the mutual recognition and interoperability of **digital identification** techniques. In terms of **next steps**, a vote in the ECON Committee is currently scheduled for 9 October. The report is legally non-binding, and consequently commits neither the Commission or Member States

to any particular course of action. As with the FinTech report, however, this one will establish the Parliament's thinking on the issue, once concrete proposals are on the table.

Council

Member States approve Prospectus Regulation compromise – 16 May

Member States have formally approved the [compromise text](#) to the **Prospectus Regulation**. The European Parliament approved the text on 5 April 2017, following an agreement between Council and Parliament representatives on 7 December 2016. Most provisions will apply 24 months after entry into force. However, **ESMA** will now have to work on the practical details of prospectus disclosure rules. It will launch a public consultation, to this effect, probably on 7 July.

ECOFIN: Member States agree on roadmap to lift national barriers to the free movement of capital – 23 May

The EU Finance Ministers have approved the Commission's [roadmap](#) for addressing obstacles to the **free movement of capital** in the Single Market (for further details on the roadmap, please consult the [CMU Policy Update](#) from February). This amounts to a political endorsement, and as such does not yet commit the Member States to any specific course of action. However, the endorsement does amount to a mandate for the Commission to continue and move ahead with its planned initiatives and work in this respect.

Political agreement reached on securitization and venture capital reform – 30 May

EU Member States and the European Parliament have reached a **political compromise** on two major files: the proposal for **simple, transparent and standardised (STS) securitisations**, as well as on **venture capital** reform. This marks a major point of progress for the Commission's CMU agenda, and in particular as far as the securitisation proposal is concerned. This file has been under intense negotiations for months, a delay driven in particular by fears in the European Parliament that the proposal might have pro-cyclical impacts.

On [securitisation](#), one of the main political issues resolved relates to a so-called **risk retention requirement**. This refers to the interest in the securitisation that originators, sponsors or original lenders of securitisations need to retain themselves. The requirement will ensure that securitised products are not created solely for the purpose of distribution to investors. The negotiators agreed to set the risk retention requirement at 5%, in line with the Council's negotiating position. The institutions also agreed on the creation of a data repository system for securitisation transactions in order to increase market transparency, and a light-touch authorisation process for **third parties** that assist in verifying compliance with STS securitisation requirements. The aim is to prevent **conflicts of interest**. In terms of **next steps**, further technical talks will take place to finalise the text. The Permanent Representatives

Committee (COREPER) of the Council of Ministers is expected to endorse the agreement ahead of the European Parliament's plenary vote, which is currently expected for **23 October**.

With regard to [venture capital](#) reform, the Parliament and the Council agreed to:

- extend the range of managers eligible to market and manage European venture capital funds (EuVECA) and European social entrepreneurship funds (EuSEF) to larger fund managers – meaning those with assets under management of more than €500 million
- expand the ability of EuVECA funds to invest in unlisted companies with up to 499 employees (small mid-caps) and SMEs listed on SME growth markets
- decrease the costs by explicitly prohibiting fees imposed by competent authorities of host Member States where no supervisory activity is performed

In terms of **next steps**, the agreement will be submitted to EU ambassadors for endorsement on behalf of the Council. The Parliament and the Council will then be called on to adopt the regulation without further discussion. The European Parliament is currently scheduled to vote on the compromise on **11 September**.

ECB & ESAs

ESMA, EBA and EIOPA respond to Commission consultation on ESAs reform – 30 May

The three European Supervisory Authorities – ESMA, EBA and EIOPA – have submitted their respective responses to the Commission consultation on reforming their functioning, governance and funding.

In its [response](#), **ESMA** notably expresses its readiness for assuming new supervisory tasks, provided that they are complemented with the allocation of appropriate resources. It calls, for example, for a greater role in the endorsement process for **IFRS** by imposing a formal mandatory requirement for ESMA to provide advice related to the European **public good** and financial stability to the Commission. In such a case, the **European Financial Reporting Advisory Group (EFRAG)** would provide purely technical advice. This should also allow ESMA to be able to provide its advice formally to the co-legislators in case of disagreement with EFRAG advice. And finally, ESMA is calling for EU-level enforcement powers in the area of **auditing**. In addition, ESMA's internal stakeholder group – the **Securities and Markets Stakeholder Group (SMSG)** – has also published its own [response](#).

EIOPA, for its part, [calls](#) for an integrated and holistic approach to prudential and conduct supervision, further refinements in relation to supervisory convergence, and an enhanced approach to equivalence assessments. And finally, **EBA** [points](#) to a possible way forward to confirm its role as guardian of the **Single Rulebook** and to increase its effectiveness in ensuring supervisory convergence across the EU. Finally, it suggests how the EBA's role with regard to supervisory reporting could be strengthened and improved.

Other News

MEP Paul Tang: do not make CMU mid-term review a wasted opportunity – 10 May

The MEP **Paul Tang (S&D/NLD)** has [called](#) on the Commission not to waste the opportunity for meaningful CMU reform offered by the upcoming **mid-term review**. He highlights a number of priority areas, where further and swift action is required. These including addressing the **debt-equity bias**, proper **supervisory convergence** in a post-

Brexit environment, including ecological and social standards in legislative financial files, running carbon stress tests and introducing standardised definitions, developing criteria for **sustainable investment**, and finalising the upcoming EU list of **non-cooperative jurisdictions** in the area of tax (the finalisation of this list is currently scheduled for December 2017).

Invest Europe publishes new statistics on private equity activity in Europe – 6 May

Invest Europe has published new [statistics](#) on Europe's **private equity** activity. The data reveals, notably, that private equity fundraising for investment into companies in Europe has reached its highest level since 2008, as total fundraising reached €74.5 billion. This marks a 37% increase from 2008 to 2015. Moreover, total equity amount invested in European companies remained stable at €53.7 billion, marking the second highest level since 2008.

Civil society organisations publish paper on role of ESMA in sustainable finance – 17 May

A grouping of **civil society** organisations – including **WWF** and **Better Finance** – have published a joint [paper](#) on what they see as the role of **ESMA** in **sustainable finance**. The paper puts forward a set of recommendations in this regard, including to initiate a review to assess oversight by competent authorities on reporting of climate and wider sustainability risk disclosures in issuer annual reports; include climate and wider sustainability information in the draft Regulatory Technical Standards on electronic reporting; include requirements for reporting on climate and wider sustainability risks in the guidelines on risk factors in **prospectuses**; promote **supervisory convergence** for common regulatory and supervisory standards on climate and wider sustainability risk disclosures 5. Issue guidelines to CRAs to incorporate climate and sustainability risks into CRAs' methodologies, and assess risks posed by climate and wider sustainability factors in securities market to include in quarterly Risk Dashboard and bi-annual Trend Risk and Vulnerability report.

Accountancy Europe responds to Commission consultation on ESAs – 17 May

Accountancy Europe has published its [response](#) to the European Commission's public consultation on reforming ESAs. In its response, Accountancy Europe calls on the Commission to assess the pros and cons of different structural reform options for the three European supervisors, and to be mindful of the prevailing political climate. With regard to the endorsement and enforcement of accounting and auditing standards and empowering ESMA in this field, Accountancy Europe maintains that it is not sufficiently clear nor justifiably argued by the Commission.

MEP Questions & Answers

Green bonds – 12 May

The European Commission has replied to a question asked by the MEP **Roberta Metsola (EPP/MAL)** with regard to **green bonds**. In her [question](#), Ms. Metsola requests the Commission for an update on the publication of its guidelines for **non-financial information** as well as other new initiatives which will be taken in order to promote the issuing of green bonds in the EU. In his [reply](#), **Vice-President Dombrovskis** states that the Commission will publish the guidelines in "spring". The Commission will also explore options to increase green bond finance, also in the

context of the High-Level Expert Group on Sustainable Finance (HLEG). HLEG is expected to publish its interim report during June.

Fintech regulatory framework – 12 May

The European Commission has replied to a question asked by the MEP **Eva Maydell (EPP/BUL)** with regard to **FinTech**. In her [question](#), Ms. Maydell asks the Commission whether it will publish a FinTech strategy with a timeline for possible legislative proposals. In his [reply](#), **Vice-President Dombrovskis** states that the Commission will consider possible FinTech follow-up action on the basis of the FinTech public consultation, as well as the recommendations of its own internal FinTech Task Force. The Commission will publish its thinking and findings on the matter during the second half of 2017.

Insolvency proceedings – 16 May

The European Commission has replied to a question asked by the MEP **Jana Žitňanská (ECR/SVK)** with regard to **insolvency proceedings**. In her [question](#), Ms. Žitňanská asks the Commission on what data it bases base its information on the length of bankruptcy proceedings and on the average satisfaction received by creditors (secured and unsecured), given that some experts quote different data; whether the Commission plans to introduce a single European gazette that would clarify and simplify the situation for creditors and authorities in other Member States, and to introduce a single European market for the sale of the assets of legal entities; and whether the Commission plans to harmonise **deadlines** in insolvency proceedings, and plans to introduce other instruments for dealing with the insolvency of legal entities. In her [reply](#), **Commissioner Jourova** confirms that the Commission has used data collected by the **World Bank** Doing Business Report 2016 as well as from Member States. Moreover, the Commission does not intend to introduce in the “short and medium term” a single European gazette on the insolvency proceedings of its Members States. Finally, she confirms that the harmonisation of liquidation procedures at EU level is not the aim of the current insolvency initiative and there is no intention to set up in the “short or medium term” a European market for the sale of the assets of distressed legal entities, or to harmonise insolvency procedures, including procedural deadlines, beyond the scope of the current proposal.

Events

- 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](#)