

CMU Policy Update

July-August

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HIGHLIGHTS

- ECB & ESAs: ESMA publishes public consultation on prospectus reform – 6 July
- Council: EU Member States agree on principles of the CMU mid-term review – 11 July
- European Commission: sustainable finance expert group publishes interim report and recommendations – 13 July
- European Commission: two new public consultations launched on investor dispute resolution and post-trade markets – 31 July/23 August

European Commission

Sustainable Finance Expert Group publishes interim report – 13 July

The so-called High-Level Expert Group on sustainable finance (HLEG) has published its interim [report](#) and initial recommendations. The report considers how sustainability, and processes and incentives of the financial system correlate. It looks, for example, at the following:

- **disclosures** and how non-financial information should be dealt with. The non-financial information (NFI) Directive is a great starting point, but requires further improvement. The work conducted by the Task force on Climate-related Financial Disclosures (TCFD) should also be considered, according to HLEG. This work focuses on voluntary disclosures of climate-related financial information, including risks and opportunities
- a possibility of imposing mandatory quarterly reporting was dropped. Therefore, further examination of corporate reporting practices is envisioned
- accounting frameworks and how sustainability can be integrated without creating obstacles to long-term investment. At this stage, a recommendation is to integrate sustainability aspects into accounting

standards, undertake analysis and seek practitioner feedback on whether or not accounting frameworks can actually harm long-term direction and investments in some sectors

- The interim report provides a set of recommendations, such as the following:
- develop a classification system for sustainable assets
- establish a European standard and label for green bonds and other sustainable assets
- clarify that fiduciary duty encompasses sustainability - the responsibility of directors and investors to manage long-term sustainability risks should be enriched
- strengthen ESG reporting requirements
- introduce a 'sustainability test' for EU financial legislation
- create 'Sustainable Infrastructure Europe' to channel finance into sustainable projects
- enhance the role of the ESAs in assessing ESG-related risks
- unlock investments in energy efficiency through relevant accounting rules

In terms of next steps, HLEG will publish a final report and recommendations in December 2017. As part of the process, HLEG also published a [questionnaire](#) on which interested stakeholders may provide their feedback to the interim report. The deadline for responding to the questionnaire is 20 September. The Commission will publish next year its own Action Plan for sustainable finance, on the basis of HLEG's recommendations.

Finally, the Commission also organised a [public hearing](#) on the interim report in July. During the hearing, relevant stakeholders gathered together to discuss and debate the report's findings and recommendations.

Public consultation on the prevention and amicable resolution of disputes between investors and public authorities – 31 July

The European Commission has launched a [public consultation](#) on dispute resolution between investors and public authorities. The consultation will inform an impact assessment that the Commission is currently preparing in order to explore whether an adequate framework for the prevention and amicable resolution of investment disputes should be set up. The consultation seeks, in particular, to collect evidence on whether there is a need for a EU framework, what its main desirable characteristics could be, and whether there is a need to enhance clarity about the rights of EU investors in the single market. The deadline for responding to the consultation is 3 November.

Public consultation on post-trade in a Capital Market Union: dismantling barriers and strategy for the future – 23 August

The European Commission has launched a [public consultation](#) on post-trading in the CMU context. The purpose of the consultation is to gather stakeholder input on the current state of post-trade markets, the main trends and challenges faced by post-trade services providers and their users, and to determine the existence and scale of remaining or new barriers, the risks associated with such barriers and the best ways to address them. The deadline for responding to the consultation is 15 November.

European Parliament

European Parliament approves inter-institutional agreements on securitisation and venture capital – 11 July

The ECON Committee of the European Parliament has approved two inter-institutional agreements: on ‘simple, transparent and standardised (STS)’ securitisation and on venture capital and social entrepreneurship funds. The agreements were reached between the Parliament’s and Council’s negotiators on 30 May – for further details, please refer to the [CMU Policy Update](#) from May. Both legislative files are scheduled to enter into force in 2018.

Plenary debate on retail financial services, first signs of disagreement – 30 August

The European Parliament Plenary has held a debate on the Commission’s [Action Plan](#) for retail financial services (see [here](#) for the Action Plan’s Annex). The MEP **Olle Ludvigsson (S&D/SWE)** is in charge of preparing the Parliament’s position on the matter – for further details on Mr. Ludvigsson’s draft report, please consult the [CMU Policy Update](#) from May.

During the Plenary debate, the first signs of disagreements between the MEPs emerged. One of these relate to proposed changes to Directives covering insurance distribution, mortgages and consumer credit, all of which Mr. Ludvigsson supports. Both the EPP (centre-Right) and ECR (Euro-sceptic nationalists) Groups expressed their disagreement with the proposed changes to the Directives, however. **Alain Cadec (EPP/FRA)** questioned the need for reforming legislation that has only recently been transposed or is in the process of being transposed by member states.

On other matters, Sophie in’t Veld (ALDE/NLD) expressed concern over investments moving to China and the US, and felt that the discussion had not sufficiently focused on this dimension. Marisa Matias (GUE-NGL/POR), for her part, drew attention to the potential social consequences of new technologies and called for a more prudent approach. In terms of next steps, the ECON Committee will vote on Mr. Ludvigsson’s report on 9 October.

Council

Council adopts conclusions on CMU mid-term review – 11 July

EU Finance Ministers have approved their [position](#) on the Commission's CMU mid-term review. Although no tangible steps or outcomes will come from these conclusions, they give early political signals as to what the Member States see as the priority areas – and consequently, on which files swift and ambitious progress can be expected.

Of particular interest, the member states:

- look forward to studying Commission's delegated acts on certain key files – including Level II of the Prospectus Regulation
- stand ready to discuss eventual Commission proposals on reforming the ESAs, and re-iterate their commitment to supervisory convergence
- endorse the Commission's commitment to deliver a more proportionate regulatory environment to support SME listing
- Priority should be on enhancing the cost-effective availability of economic, business and financial information on SMEs, and especially on taking stock of existing private sector voluntary initiatives
- welcome the Commission's assessment of a possible EU FinTech framework, and recognise the value of FinTech innovations for financial services and their consumers. In parallel, the Member States warn against “possible emerging risks” stemming from this area
- on sustainable finance, the member states will look forward to possible Commission initiatives in 2018 and call for global EU leadership
- will seek to remove barriers to the free movement of capital across borders

ECB & ESAs

ESMA publishes consultation on prospectus reform – 6 July

ESMA has published its long-awaited [consultation](#) on EU prospectus reform. The consultation consists, in fact, of three separate consultations: one dealing with the base prospectus, the other with the EU Growth Prospectus (EUGP), and the third with prospectus approvals. The purpose of the consultations is to gather stakeholder input for ESMA's future technical advice to the Commission on the specific details of the Prospectus Regulation – including on the disclosure requirements and format of the new prospectuses. In terms of next steps, the deadline for responding to the consultation is 28 September. ESMA aims to deliver its technical advice to the Commission on 31 March 2018.

ESAs advise on Packaged Retail and Insurance-Based Investment Products with environmental or social objectives – 28 July

The three ESAs have submitted their [Technical Advice](#) to the European Commission to set minimum requirements which manufacturers of packaged retail and insurance-based investment products with environmental or social objectives (EOS PRIIPs) should comply with to ensure that they offer products that meet the retail investors' needs. The manufacturer of an EOS PRIIP is required to install specific governance measures to ensure that environmental

or social objectives of the product are met on an ongoing basis. Furthermore, the product has to demonstrate to retail investors the relevance of these objectives.

In their Advice, the ESAs address four areas with regard to PRIIPs with environmental or social objectives and included the following recommendations:

- the PRIIP manufacturer targeting environmental or social objectives has to clearly specify these objectives, together with an appropriate and proportionate strategy on how to achieve them
- the PRIIP manufacturer should disclose to the retail investors the objectives and how these will be achieved
- the PRIIP manufacturer has to install and well document governance and monitoring measures, where the latter need to be proportionate to the objectives and strategy how to achieve the objectives
- the PRIIP manufacturer should conduct regular reviews on the progress made in achieving the specified and disclosed objectives

For each of these four areas, the ESAs specify the required regulatory outcome and an assessment of existing rules. The ESAs conclude that for the time being, the establishment of specific and detailed standalone obligations for PRIIPs targeting specific environmental or social objectives would not be proportionate. Existing sectoral measures offer already, or are already in the process of putting in place, a sufficiently stringent and flexible basis for the regulation of such PRIIPs.

EBA publishes a Discussion Paper on its approach to FinTech - 4 August

EBA has published a [discussion paper](#) on its approach to FinTech. In the paper, EBA sets out the results of the first EU-wide FinTech mapping exercise and its proposals for future work on FinTech. Based on this mapping exercise and existing EBA work, the EBA has identified proposals for future work in six areas:

- authorisation and sandboxing regimes
- the impact on prudential and operational risks for credit institutions, electronic money institutions and payment institutions
- the impact of FinTech on the business models of these institutions
- consumer protection and retail conduct of business issues
- the impact of FinTech on the resolution of financial firms
- and the impact of FinTech on anti-money laundering and countering the financing of terrorism.

The EBA invites views from stakeholders on the discussion paper. The deadline for submitting comments is 6 November, and a public hearing will take place on 4 October.

Other News

FESE publishes latest European Exchange Report – 17 July

The Federation of European Securities Exchanges (FESE) has published its latest annual European exchange [report](#). The report includes key figures of each operator of Regulated Markets, summarised on a one-page statement allowing for easy comparison of their key financial figures. In particular, the report contains the following detailed information:

- company information – contacts information, company details, services, employees, etc.
- trading figures
- financial figures – detailed information on revenues, costs and net income including analysis breakdown of services offered

Events

- 25/09/2017, *How can sustainable finance contribute to the Paris climate goals?*, Bruegel, Brussels. [Source](#)
- 26/09/2017, *Business Insolvency*, Financial Future, Brussels. [Source](#)
- 28/09/2017, *European Banking Summit 2017*, EBF, Brussels. [Source](#)
- 17/10/2017, *The State of European Financial Markets*, ESMA, Paris. [Source](#)
- 07/11/2017, *6th Annual EU Financial Regulation Conference*, QED, Brussels. [Source](#)
- 23/11/2017, *Towards variable union in Europe's capital markets*, CEPS-ECMI, Brussels. [Source](#)