25

Investing and Financing Recommendations

for the forthcoming

Capital Markets Union

Report for the French Minister of Finance and Public Accounts

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Introduction

This report was drafted at the request of Michel SAPIN, French Minister of finance and public accounts and has benefited from the views of public authorities and markets participants. It is a contribution to the ongoing debate on the development of a Capital Markets Union ("**CMU**") in the European Union.

On 18 February 2015, the European Commission published a Green Paper to consult on what the building blocks for a fully functioning CMU should be. As a starting point the European Commission's objective is to develop EU capital markets that are integrated, efficient and cost effective. This being said the fundamental objective of the CMU needs to be more strongly stated in order to better justify subsequent choices by EU policy makers.

It transpired from the interviews and studies carried out in the course of the preparation of this report that the key objective of the CMU should be to reinforce or create, on an EU wide basis, trusted mechanisms that allow savings to be invested where innovation emerges, companies grow and new jobs are created. In other words, the first pillar of a CMU should be an **Investing Union.**

This proper allocation of capital can be achieved by further diversifying market-led funding sources to finance EU economies, companies and entrepreneurs, in addition to existing banking sources, which are currently dominant but not fluid enough. This would also require making flows of capital more fluid within the EU financial system and EU market intermediaries and infrastructures more robust and competitive. In short, the second pillar of a CMU should be a **Financing Union**.

According to market participants a successful CMU, combining an Investing Union and a Financing Union, should be articulated around the following 4 key policy priorities:

- removing negative incentives that are limiting investments (notably long term investments) and disrupting the efficient allocation of capital within the Single Market;
- enhancing capital markets' transparency and increasing EU cross border investor confidence;
- widening market-led access to finance; and
- favouring liquidity and ensuring a fluid capital flows between investors, the banking system and funding needs.

Of course, without a strong political will and the high level commitment from the EU institutions, none of this will happen. To drive the process, the EU should set a clear ambition that can be easily communicated to EU citizens.

The ambition could be that by 2025, the EU should be:

- financed by an integrated and liquid capital market providing 40% of funding needs;
- the most attractive funding and listing place in the world for the innovative economy;
- the world financial center for long term and infrastructure investment;
- the provider of leading market benchmarks, financing processes and indices successfully implemented in the euro area; and
- the domestic market of a powerful financial industry competing on an equal footing with global players.

The set of 25 strategic recommendations included in this report suggest a way forward to reach this ambition.

I – An Investing Union

If the objective of the Investing Union pillar of the CMU is to create an investment friendly environment channeling, on an EU wide basis, investments to the most productive place, the EU should make cross-border allocation of assets by institutional investors easier, retail investor choice wider and less cumbersome, and third-country investor access more reciprocal. In addition to a well-designed investor friendly environment, investors need to understand and trust the financial system they invest in. For that to happen, the EU could further enhance market transparency and the consistent supervision of the EU capital market as a whole.

a) Increasing EU investment capabilities

1. Removing the negative incentives inhibiting Institutional investors' investments

Institutional investors (such as insurance companies, pension funds, investment managers and banks) are the most significant long term investors in the capital markets. The asset allocation and investment strategy of institutional investors, in terms of maturity and risk, are structurally determined by their liability structure. The prudential frameworks applicable to those institutional investors are designed to ensure an appropriate adequacy between their assets and their liabilities.

The most recent institutional investors' prudential framework adopted by the Union will be applicable to insurance companies (Solvency II Directive[1]) from 1 January 2016. A significant number of EU insurance companies have anticipated this date and have already shifted assets significantly within their investment portfolios at the detriment of certain assets classes such as new long term infrastructure investment (in debt and equity), listed and non-listed shares of SMEs and Mid-size issuers, private debt and securitisation vehicles. The triggering factor for such asset allocation changes are the over prudent new capital requirements applicable to each of these asset classes. In short, the Solvency II prudential framework creates undue negative incentives to long-term investment and risk-taking which are not justified in terms of financial stability.

If the objective of the Union is to favor long term investments and growth, an absolute key priority is to revisit several Solvency II capital requirements technical calibrations applicable to the following asset classes:

- **Infrastructures**: following a call for advice by the European Commission, EIOPA published a new discussion paper on 27 March 2015[2] with the objective of defining specific capital requirements for infrastructure projects. This initiative should be warmly welcomed. A practical aspect is that for long term debt investment, the

[1] Directive 2009/138/EC
[2] EIOPA, Discussion paper on Infrastructure Investment by Insurers, 27 March 2015

prudential focus should rather be on counterparty risk than on volatility risk given the buy-and-hold strategy applied by insurance companies for these kinds of assets. At the very least, the specific risk profile of infrastructure projects, especially in terms of Loss Given Default (thanks to low default rates and high recovery rates) should be taken into account by adjusting the calibration. In addition, the volatility risk should be capped up to a certain duration in order not to unduly penalize long-term investment projects. As regards equity investment in infrastructure projects, a prudential treatment under the "strategic investment" regime would be appropriate as again, volatility is of little relevance. In addition to changes in the capital requirements applicable to insurance companies, a more appropriate calibration bank's prudential requirements for investment and financing of infrastructure projects would also increase investment flow;

- **Non-listed shares (SMEs, start-ups)**: holdings of share eligible under the Solvency II "strategic investment" regime benefit from a specific kind of capital requirement reflecting their long-term nature (exemption of spread risk). In practice, however, the eligibility criteria are difficult to meet for holdings of non-listed shares. This is unwarranted from an economic perspective as these shares are not subject to volatility risk. A way forward could be to extend the definition of "strategic investment" within the Solvency II Commission delegated regulation (EU) 2015/35 in order to better cover non-listed shares;

- **Private debt**: issuance of private debt has become a successful fund raising method in the form of Private Placement. The European Commission has identified this as a short-term priority, but generic spread risk parameters remain applicable to an insurer's investment in private debt according to the Commission delegated regulation (EU) 2015/35. It would be appropriate to consider whether better recovery rates for private debt in the spread risk parameters and a stronger focus on default / counterparty risk is not justified given the illiquid nature of secondary market of such bonds and the buy-and-hold nature of these investments;

- **Securitisation vehicles**: as a matter of principle, in order to reflect risk transfer embedded in the securitisation process, the capital requirements applicable to high quality senior securitisation should not exceed the capital requirements that would result from the underlying exposures. Recent progress in this field should be welcomed but additional work is necessary to fine-tune an appropriate prudential treatment of high quality mezzanine tranches so as to unlock insurer's investments in securitisation vehicles. Current criteria for High Quality Securitisation included in Solvency II should be revised and aligned by applying the principle-based approach proposed for banks.

Without these regulatory adjustments, the efforts to promote long term investment will remain largely fruitless, as insurance companies will remain discouraged to invest in such asset classes. In particular, European Long Term Investment Funds[3] ("ELTIFs"), created to favor long term investment (especially in infrastructure and Mid-size companies), will remain

[3] The ELTIF Regulation was adopted on 20 April 2015 by the Council.

an empty box as long as the prudential treatment of the underlying exposures is not adjusted[4].

Recommendation N°1: Revisit the Solvency II capital requirements for insurance companies. Review in particular the Commission Delegated Regulation (EU) 2015/35 to favor investments in infrastructures including European Long Term Investment Funds (ELTIFs), non-listed shares, private debt and securitisation vehicles. Equally, consider reviewing the capital requirements applying to banks' infrastructure investing and financing activities.

2. Diversifying retail investors' choice

The EU does not suffer from a lack of savings. Every year, European households save on average around 20% of EU GDP[5]. However, these savings are insufficiently invested in long term and riskier financial instruments. Inadequate fiscal incentives, a preference for bank deposits and in some cases a cultural aversion to risk are the most common explanatory factors for the bias towards short term and safe investments. The choices of retail investors directly determine the asset allocation policies of institutional investors managing funds on their behalf.

Saving tax convergence. Considering the reluctance of Member States to give up their national taxation sovereignty, a convergence of the national saving tax regimes in Europe remains a distant objective. This being said, progress towards a more investment-friendly savings tax environment can be achieved by each Member State. For example, the EU could promote a "most-favored tax clause" for ELTIFs retail investments that would incentivize households to invest in ELTIFs given their associated liquidity constraints and risk profile.

Employee savings and shareholdings: towards a retail Alternative Investment Fund (AIF) with an EU Passport. Lack of sufficient financial education is one obstacle to additional retail investor appetite for riskier and longer-term investments. In France, employee savings schemes have proven their efficiency to overcome this obstacle. Due to the overly rigid diversification rules and liquidity requirements of UCITS, employees saving schemes or shareholding funds are not created within this framework[6] and as a result do not benefit

[4] The Commission is considering developing a prudential treatment of ELTIFs without "look-through" provision, where the capital requirement associated with ELTIFs is not directly linked with the underlying exposures of the ELTIF. They are however doubts among market participants that such approach would be more favorable than the usual "look-through" approach.
[5] However, they are significant differences across Member states, see for example N. Valla et al. (2015), "A holistic approach to ECB asset purchases, the Investment Plan and CMU", CEPII
[6] In France, employee savings are invested through "Fonds commun de placement d'entreprise", that belong to the AIF category.

from an EU passport[7]. This makes it harder for companies operating in several Member States to propose standardized savings schemes and shareholding funds to all their employees. The Union could therefore consider establishing tailor-made EU-wide employee savings and shareholdings[8] schemes building on the ELTIF model (i.e. a retail AIF with EU passport).

Investment product distribution. Developments in digital technologies have led to the emergence of new channels of distribution for retail investment products, through easily accessible IT platforms based on an "*execution-only*" model. Individual investors are not provided with any specific advice nor have access to a financial advisor but can access a variety of non-complex investment products via Internet. Such market development is promising because it widens investment choice to retail investors. But this direct investment access should not be done at the detriment of advice-based distribution channels that can better handle the adequate matching between wider investment opportunities and the risk appetite of each individual investor.

Recommendation N°2: Promote European Long Term Investment Funds (ELTIFs) through a favorable tax treatment by Member States and an extensive use of such vehicle to implement the Investment Plan.

Recommendation N°3: Consider new forms of retail Alternative Investment Funds (AIF) with EU passport for employee savings schemes, building on the European Long Term Investment Fund (ELTIF) example.

3. Removing barriers to cross-border investment within the EU

EU laws have sought to facilitate cross-border investments within the Single Market. In practice, however, investors and investment management firms continue to face obstacles to the fluid flow of investments. Barriers to cross-border investment within the EU are twofold.

The first barrier relates to divergent implementation, application and enforcement of the common legal framework by the national competent authorities and to different marketing rules in the Member States.

The second barrier relates to a lack of harmonisation of company, insolvency and securities laws. In theory, the harmonisation of national legal frameworks in these areas would

[7] Indeed, UCITS funds benefit from a retail passport in the EU but it is not the case for AIFs with the exception of ELTIFs that benefit from a retail passport although they are AIFs.

[8] In the meantime, ESMA could recognize through a technical standard of the AIFM Directive the specificity of shareholding funds, and in particular the possibility for firms to propose to all their employees in the EU to invest in these funds once they have been registered with the home regulator of the fund manager.

significantly improve the ability of investors to take reasoned investment decisions irrespective of the applicable law. This would considerably contribute to a truly integrated CMU.

The Union has started work in these 3 areas (company, insolvency and securities law) but progress is slow. Harmonisation remains a long term objective as the benefits are not immediately palpable by all market participants (in particular SMEs and Mid-size companies for which the cost of changing their legal framework and proceedings outweighs the benefits).

Some progress is nevertheless achievable regarding insolvency rules applicable to credit institutions of participating Members States to the Banking Union and contributing to the Single Resolution Mechanism (SRM). Indeed, according to the "*No Creditor Worse Off*" principle, the resolution of a credit institution shall respect the rank of creditors under normal insolvency proceedings. A proper harmonisation of insolvency rules for credit institutions, covering especially the rank of a bank's creditors, is thus necessary to ensure a harmonized implementation of the resolution framework created by the BRRD directive[9] and therefore a sufficient degree of predictability for investors within the Union[10].

Recommendation n°4: Start work to harmonize insolvency laws applicable to credit institutions from participating Member States to the Banking Union and contributing to the Single Resolution Mechanism (SRM).

4. Attracting non-UE global investors

The Union has been successful in creating investment vehicles with global reach. Thanks to their well-recognised and understood key features, UCITS, created in 1985[11], have gained significant interest from global investors (in particular from Asia). Of course, for a truly global reach, attracting international investors requires that the EU investment management industry is granted access, under fair conditions, to third-country markets. In a context of increasing global financial markets competition, opening access to the Single Market to third country players fosters competition and is an incentive to innovation but reciprocal market access is a precondition to efficient global asset allocation and diversification.

Accessing third countries investors. Unfortunately, access to some leading international financial markets (notably the United States) is still in practice denied to EU investment managers. The EU should advocate more strongly for the reciprocity of access in bilateral

[9] Directive 2014/59/EU

[10] The need for such harmonisation was evidenced by a recent German legislative proposal (*SRM-Anpassungsgesetz*, released on 10 March by the German government) according to which senior unsecured securities of a bank would become subordinated to the bank's other senior unsecured liabilities in insolvency.

[11] Directive 85/611/EEC

negotiations to favor the global reach of the high quality EU investment management industry.

Third-country market players accessing the Single Market. Letting third-country market players access the Single Market without being subject to equivalent rules creates a risk for EU investors and a breach in the Single Market's level playing field. Accordingly, international and bilateral action by the EU should be based on the principle of reciprocity of access, mutual recognition of the supervisory frameworks and equivalence of rules. This is valid for:

- framework bilateral trade agreements (in particular the Transatlantic Trade and Investment Partnership - TTIP);
- on-going and forthcoming negotiations envisaged by various EU laws (third-country passport included in the Directive for Alternative Investment Fund Managers, equivalence decisions for central counterparties, etc.);
- evaluation of the effectiveness of third-country regimes when existing directives and regulations are reviewed.

Recommendation N°5: Request the inclusion of financial services in the Transatlantic Trade and Investment Partnership (TTIP) negotiations based on the mutual recognition principle and request reciprocity of access in all bilateral negotiations.

Recommendation N°6: When considering third-country market players access, apply equivalence of rules tests to preserve a level playing field within the Single Market.

Recommendation N°7: Promote globally EU Undertakings for Collective Investment in Transferable Securities ("EU UCITS") as the most secure and efficient retail investment vehicle.

b) Enhancing capital market transparency and increasing EU cross border investor confidence

5. Providing investors and the market at large with more relevant information

Access to meaningful information is a prerequisite for reasoned investment decisions and the proper allocation of capital. The Union has already substantially enhanced and harmonised the information disclosed by listed companies or made available to investors[12].

[12] In particular through the Prospectus and Transparency Directives (Directives 2003/71/EC and 2004/109/EC covering information requirements for listed companies), or the MiFID 2 Directive (Directive 2014/65/EU covering financial research and information relating to the investment services)

This legal framework applies to public offerings and/or issuers having financial instruments admitted to trading on a regulated market.

As a result, access to information about large and sophisticated listed companies ("Blue chips") is abundant and of good quality within the Single Market but this is not the case for other kinds of companies. If the Union wishes to widen the access to market-led finance to a higher number of companies it should consider several improvements to capture the interest of investors. It should in particular:

- **Favour the voluntary disclosure of standardised raw financial information (periodic audited financial statements, etc.) by non-listed Small companies, Start-ups and Midsize companies.** Disclosure obligations for these companies currently vary from one Member State to another. Financial information disclosed is published under local GAAPs and sometimes available on IT platforms collecting and centralizing such information. In France, for example, raw accounting information about companies can be found on a single website[13]. A way to favor this kind of disclosure is to develop centralised and formatted databases for financial information posted on a voluntary basis by companies contemplating raising funds through the capital markets (crowdfunding, Private Placements…). This would facilitate the processing of such information by potential investors or financial intermediaries ;

- **Encourage SME and Mid-size companies credit scoring**. In general, ratings by a credit rating agency represent a disproportionate cost for SMEs. In some Member States, like France, Central Banks have developed large credit scoring databases (FIBEN managed by the *Banque de France*), mainly for monetary policy purposes. Users of FIBEN can benefit from high-quality SME and Mid-size company credit scores that reduce their due diligence costs and provide them with comparable risk analysis. However, this kind of public-led database does not exist in all Member States. It should also be noted that crowdfunding platforms have developed digital processes computing quantitative financial information and producing credit scores based on raw accounting or tax information uploaded by the companies themselves. At this juncture, there is no obvious EU wide public policy solution to create a single scoring process of non-listed SMEs and Mid-size companies across the Union. Initiatives by the private sector, or by central banks on a voluntary basis, seem to be the best approach;

- **Review the Prospectus Directive.** The launch of a revision of the Prospectus Directive is most welcomed. Several major improvements should be contemplated during the revision process (see recommendation N°16) in particular: (i) Prospectuses, as well as their summary, have grown in size and complexity making access to meaningful information harder to access and more costly for investors – a way to overcome this trend would be to impose a quantitative limit on the size of the summary, as it is the case in the United States (5 or 10 pages) with basic quantitative information; (ii) the proportionate regime for companies with reduced market capitalization was inadequately designed by simply "cherry-picking" requirements from the full regime (in practice, this has resulted in a lower level of meaningful information without

[13] www.infogreffe.fr

reducing the administrative burden for issuers) – a way to define a truly well-proportioned Prospectus is described under section 7; (iii) a truly simplified regime could also be put in place for secondary issuances, using as an example the US regime for "*well known seasoned issuers*".

- **Preserve Mid-size listed companies' financial research.** Large companies are very often followed by several financial analysts publishing financial research periodically. For obvious cost reasons this is not the case for listed SMEs and Midcaps. As rightly stated in the Commission staff working document accompanying the Green Paper, "*The lack of investment research and analysis on SMEs partly explains the limited interest of investors. It is expensive to provide good quality independent research, which is necessary to provide added value over the provision of raw data*". It is therefore very hard to understand why the Commission intends to adopt Level 2 measures on inducement regimes under MiFID 2 that would seriously hurt existing financial research on SMEs and be detrimental to investment in small and mid-size companies. These measures[14] should be urgently reviewed to establish a proportionate mechanism for investment firms, asset managers and research providers specialised in SMEs and Midcaps that could take the form of a carve out of research on securities issued by SMEs and Midcaps, or of a quantitative annual threshold under which research would not be considered as an inducement.

Recommendation N°8: Favor market-led initiatives to create and/or develop centralised information and scoring of SMEs and Mid-size companies across the Single Market.

Recommendation N°9: Review urgently the proposed delegated acts of the Markets in Financial instruments Directive II in a manner that preserves financial research about listed SMEs and Midcaps.

6. Protecting investors on an EU wide basis

With the progressive adoption of a significant set of harmonized EU laws and rules over the last five years, the EU has built a Single Rulebook able to create an integrated Single Market for financial services.

In addition to restoring confidence after the financial crisis, the Single Rulebook today provides the basis for a level playing field across the Single Market. But for fair competition to be effective, the agreed common rules should be equally applied and enforced by national competent authorities in the Members States. It is a precondition for safe cross-border investor choice.

[14] The Commission is currently preparing a delegated act on these matters, based on ESMA's technical advice to the Commission on MiFID 2 and MiFIR N°2014/1569.

There is nevertheless a general perception that the Single Rulebook is not applied with the same intensity by national competent authorities and that the interests of their respective market places is protected, or made more attractive, by different supervisory approaches. In other words, the benefits of the significant legal and regulatory harmonisation could be lost without a consistent implementation and enforcement across the Single Market. Such "supervisory arbitrage" would also damage the international attractiveness of a CMU.

The national competent authorities and the European Securities Markets Authority (ESMA) should therefore work operationally and institutionally more closely together to protect investors and to avoid breaches to the level playing field within the Single Market.

Single Reporting Entry Point. From an operational stand point one of the supervisory tools to better supervise financial markets in the EU has been to expand transaction reporting or disclosure obligations, to markets that were not previously captured by supervisors[15]. This has translated into an additional massive production of transaction reports. Currently, the EU has decided that such information should be collected and processed by national competent authorities or by for profit market infrastructures competing against each other[16]. The initial result shows that national supervisors are not necessarily receiving the information they need to carry out efficiently their supervisory tasks. Enhanced competition and diversification of trading venues has multiplied cross border trades and clearing of transactions. But such freedom to provide services has not been complemented by an efficient EU wide reporting system that would allow national supervisor to access the information to properly supervise the entities they are responsible for or, where necessary, to enforce the EU law. In addition, the cost of the necessary IT infrastructures is still borne by the national authorities and in most cases replicated 28 times. A way forward could be for the European Securities Markets Authority (ESMA) to act as a central reporting entry point processing the reported market data in a manner that allows each national supervisor to find the supervisory information it needs. This kind of operational role given to ESMA would not require a legal change or a transfer of power. In addition, it would have the merit of mutualising IT costs, better matching transaction reports and helping supervisory convergence.

Supervisory Consistency. One of the key tasks given to ESMA is also to ensure supervisory consistency across the Union. A number of powers were granted to ESMA to play this role[17] (colleges of supervisors, common supervisory culture, peer reviews, mediation, opinions or recommendations to national authorities, breaches of Union law, action in emergency situations,...) but ESMA has made very limited use of its capacity to monitor consistent application of the Single Rulebook by national supervisors. A myriad of minor legal obstacles and a governance structure lacking the voice of the EU interest are the two main factors explaining such a timid approach by ESMA.

The Banking Union that resulted in the transfer of competences to the ECB for the prudential supervision of major credit institutions cannot be replicated as such for the securities markets. The diversity of supervisory functions and tasks carried out by securities

[15] For example, under EMIR (Regulation (EU) n° 648/2012), all derivatives transactions have to be reported to databases called “trade repositories”, to which supervisors have access.
[16] For the purposes of EMIR, 6 trade repositories have been authorized by ESMA.
[17] These powers are defined in Regulation (EU) n° 1095/2010

supervisors would require numerous detailed "subsidiarity tests" before a decision to transfer competences to a supranational body is made. Such work can only be done progressively every time an EU directive or regulation is evaluated by the Union. This being said, without needing a transfer of power to ESMA, its supervisory consistency role can be made more efficient by reducing the number of legal obstacles inhibiting the use of its supervisory consistency tools and by adapting the governance of its Supervisory Board. In particular, ESMA could have a governance structure including an Executive Board composed of the Chairperson and some full time members sitting on the Board of Supervisors and voting on supervisory consistency matters but not on regulatory issues requiring Qualified Majority Voting. Executive Board members should probably be selected according to their experience, which would not necessarily include an active regulatory or supervisory role. They would reinforce the Chairperson's ability to handle supervisory consistency matters and express the interest of the EU and the CMU as a whole.

Recommendation N°10: Delegate to ESMA the operational establishment of a Single Reporting Entry Point (SREP) where national competent authorities would access all relevant supervisory information.

Recommendation N°11: Remove the legal obstacles to an efficient use of the existing supervisory consistency powers by ESMA.

Recommendation N°12: Adapt the governance structure of ESMA to reinforce its ability to handle supervisory consistency issues.

II – A Financing Union

On the 9 March 2015 the European Central Bank (ECB) started a massive asset purchase program aiming at increasing liquidity in the market and alleviating credit pressures. EU financial markets will therefore not suffer from a lack of liquidity in the near future. But this liquidity is not structural and will come to an end in a few years' time. In preparation for that, one of the key objectives of the Financing Union pillar of the CMU should be to widen the access to market-led finance and create the conditions for a structural market liquidity based on a fluid financing and re-financing system and a robust financial industry with sufficient critical mass.

a) Widening access to market-led finance

7. Opening an EU wide access to finance to Small companies, Start-ups and Mid-size companies

Large issuers benefit from a straight forward access to capital markets made easy by long-standing harmonised EU laws and rules covering various capital markets funding sources (listed bonds and equity and other combined financial instruments).

As rightly stressed in the European Commission's Green Paper, for a number of reasons, such easy access to market-led finance is not the day to day reality for Small companies, Start-ups and Mid-size companies. They rely heavily on banking sources[18] which are by nature focused on debt funding. In consideration of the fact that these companies have the highest growth potential, the Union should therefore have an ambitious response to this unbalanced access to finance. Accordingly, improving and diversifying market-led access to finance, and especially equity-based finance, for Small companies, Start-ups and Mid-size companies should be at the very heart of a Financing Union.

To do so the European Commission could propose a Finance Access Regulation (FAR) in the form of a standalone EU legislative proposal that would create a continuum of market-led funding sources for all sizes of companies when combined with the Prospectus Directive. To start with, a proposed FAR could at least include an EU passport for lending and equity crowdfunding platforms and a common definition of Mid-size companies and Midcaps for finance access purposes.

Crowdfunding. It is clear that Small companies will continue to use the banking system as their main financing source. Alongside to that, crowdfunding has recently emerged as an alternative funding source in some Member States. Crowdfunding platforms currently play a

[18] On average, banks provide around 80% of corporates' debt financing in the EU (see W. Wright (2014), "Driving growth: making the case for bigger and better capital markets in Europe"). This figure is even higher for small and mid-size companies.

growing role both in equity and debt financing of Small companies (and in particular equity funding for Start-ups). These new players collect investment from the "crowd" (retail investors investing small amounts) and are even now attracting institutional investors and investment funds willing to diversify their portfolios. So far crowdfunding platforms are only active on their domestic market but being digital platforms using social network approaches they could easily propose investment opportunities and funding on an EU wide basis. Crowdfunders are already asking for an easier Single Market access to overcome complex and multiple national legislations to raise money and invest. A common European statute for crowdfunding platforms benefiting from an EU passport would therefore have a real economic impact. A proposed FAR, opening the Single Market to crowdfunding platforms and widening access to finance to Small companies and Start-ups, would have to set the minimum core rules for an EU passport. But this should be done cautiously and without damaging the flexibility that governs this new form of finance. As an example, the regulatory regime applicable to crowdfunding platforms should be tailor-made and created from scratch (and not conceived as an exemption to the MiFID 2 and as a simplified subset of the Prospectus Directive).

Common definition of mid-size companies and Midcaps. The current EU definition of SMEs is widely used in numerous pieces of the EU law and should remain as such. This being said, since 2011, EU legislators have introduced new definitions of Midcaps in the Prospectus Directive (SMEs and companies with reduced market capitalization), the MiFID 2 Directive (Growth Markets) and the ELTIF Regulation (Eligibility criteria) with the idea that a more proportionated regulatory regime should apply to those companies. The recognition in the EU Law that mid-size, young or less complex companies should benefit from a proportionate regime is most welcome. But unfortunately different definitions have been chosen for each of these legislations[19]. The EU is therefore missing a common definition of Mid-size companies wishing to float and a definition of Midcaps. This creates an unnecessary and burdensome complexity for market players (including for commercial bank activities) and calls for the introduction of an EU-wide definition of Mid-size companies for finance access purposes. The existing French definition for intermediate-sized enterprises is a well-functioning example. As regards the definition of Midcaps, it could at least be aligned on the ELTIF Regulation definition (500 million euros market capitalization).

Private Placement. For debt financing, the EU could also promote the existing private placement markets for Mid-size companies successfully developed in several Members States. In those Member States, issuers, investors and intermediaries have agreed on common standards and documentation facilitating investor due diligences and reducing the cost of private bond issuances. Building on the Euro Private Placement (Euro-PP) experience, the Pan-European Private Placement Joint Committee has published, on 11 February 2015, a market guide setting out a practical single framework for private placement markets[20] . Due to the very flexible way it works and the consensual manner investors and issuers interact, any legislative initiative to embed private placements into EU law would most likely to be counterproductive. It is highly preferable to keep the current flexible approach and leave to market forces the functioning of the private placement in the Single Market.

[19] The Prospectus Directive refers to a threshold of 100 million euros of market capitalization, the MiFID2 Directive to a 200 million euros threshold and the ELTIF Regulation to a 500 million threshold.

[20] ICMA (2015, "Pan-European Corporate Private Placement Market Guide"

Private equity, risk and venture capital. Equity financing is crucial for Small companies, Start-ups and Mid-size companies during their fast growing phase because they lack sufficient and stable cash-flows and are not able to self-finance their investments.

Deepening EU private equity markets, which are largely underdeveloped in comparison with the US[21] would diversify the sources of equity funding for businesses. A prerequisite is to remove the negative incentives inhibiting institutional investors' investments in private equity funds by taking into account the low volatility of such investments[22]. In addition, the application of the AIFM Directive[23] to private equity funds creates obstacles to the development of a pan European market. In particular, the EU funds managers whose assets are below the threshold set in the AIFM Directive are not permitted to market their funds to institutional investors in another Member State via an EU passport. This is the reason why the national private regimes have a particular importance for small funds managers. Without needing to embed this in EU law, a practical approach by national authorities covering the two following points would be helpful:

- A convergent private placement regime for closed-ended funds (such as private equity funds) could be developed to allow fund managers to raise funds on a simple and flexible way and to attract more easily third-country investors;
- A common practical understanding of pre-marketing rules could also be developed for fund managers. The marketing of private equity funds is generally preceded by a pre-marketing phase during which fund managers, in close relationship with potential investors (that will invest for at least several years in the funds), define the features of the funds and establish the legal documentation. Member States have divergent rules to frame such pre-marketing phase and this constitutes an obstacle to the development of cross-border funds.

Prospectus Directive Review. To facilitate further financing across the Union, the current initiative of the European Commission to launch a review of the Prospectus Directive should be welcomed. In particular inserting additional exemptions to the obligation to complete a prospectus, applicable to all kinds of companies, without diminishing investor information and protection, should definitely be explored. In addition, the Prospectus Directive should be reviewed to facilitate Mid-size companies' access to public equity markets by reducing their administrative burden and providing investors with more meaningful information. To start with, the Prospectus Directive could refer to a common and uniform EU definition of Mid-size companies and Midcaps. For those companies, disclosure requirements should be made proportionate. The point is not to delete certain minor disclosure requirements but to effectively consider what information is meaningful to the investor having regard to the age, the size, the complexity and the ownership structure of those companies. Accordingly, a number of requirements should be subject to a materiality test which could lead to making

[21] In the US, private equity markets are double in size - see W. Wright (2014).

[22] The Commission Delegated Regulation (UE) N° 2015/35 complementing Solvency II has reduced insurance companies' capital requirements for type 1 shares (including unleveraged closed-ended AIF, among which private equity funds) from 49% to 39% (ie the capital requirements applicable for listed shares). However, market participants considers that, taking into account the low volatility of private equity investment, a further reduction to approximately 25% would be more appropriate.

[23] Directive 2011/61/EU

some of them irrelevant and therefore be waved for such companies[24]. The same approach could be adopted for financial reporting standards. Finally, the EU should also consider whether the threshold triggering the obligation to complete a Prospectus (5 million euros) is not too low. Creating additional fund raising ability for smaller companies with limited risk would be to the benefit of the Single Market.

Recommendation N°13: Propose a Finance Access Regulation (FAR) allowing young and innovative Small companies, Start-ups and Mid-size companies to benefit from tailor-made EU access to finance. The FAR should cover at least the creation of an UE passport for lending and equity crowdfunding platforms and a uniform and stable definition of Mid-size companies and Midcaps for finance access purposes.

Recommendation N°14: Promote the EU wide use of Private Placement for private debt financing.

Recommendation N°15: Remove obstacles to the development of pan-European private equity funds; in particular, adapt the capital requirements applicable to insurance companies' investment in type 1 shares, and promote a practical and convergent approach by national authorities of pre-marketing rules for closed-ended funds and private placement regimes.

Recommendation N°16: Propose a revision of the Prospectus Directive to: (i) without hampering investor information, insert additional exemptions to the obligation to complete a prospectus; (ii) refer to a common and uniform EU definition of Mid-size companies and Midcaps; (iii) redesign the disclosure requirement of Mid-size companies and Midcaps having regard to their age, their size, their complexity and their ownership structure; (iv) set a higher threshold triggering the obligation to complete an prospectus.

8. Increasing market liquidity

For financial stability purposes after the crisis the EU has increased banking capital requirements to force credit institutions to even better manage their risks. This has been unanimously understood and accepted. But the general view of market participants is that the cumulative effect of numerous additional requirements creates a too strong a pressure on banks' balance sheet. This inhibits their ability to fully play their role of financing of the economy through direct intermediated financing or through indirect capital market-disintermediated financing. Credit institutions being active participants in capital markets, these constraints have a direct effect on market liquidity as they act as incentives to retreat

[24] Without excluding that for some requirements the specificities of Mid-size companies could lead to more demanding information.

from those activities. It is well known that to ensure efficient capital allocation and price formation capital markets must be liquid. In the absence of active institutions to provide liquidity the whole chain leading to productive investment is disrupted and the whole financial system is at risk. Illiquid markets increase volatility and reduce risk absorption by the financial system[25]. Inefficient price formation affects institutional investors that mark-to-market the value of their portfolios and therefore directly suffer from excessive price volatility.

In short, having deep and liquid markets is necessary for a well-functioning CMU and is also a key financing and financial stability objective. The EU must find the right mix between additional capital requirements and stable and liquid capital markets. The current situation must be rebalanced as it will not serve a well-functioning CMU and can even create financial instability. The structural liquidity of EU capital markets should be a core objective of the Financing Union pillar of the CMU.

Market making. From a capital markets liquidity perspective, preserving active market making is clearly the highest priority. The current EU regulatory agenda is threatening the market making activity by banks and market liquidity , in an already challenging context[26]. If translated as such into EU law, some prudential rules and capital requirements designed at international level by the Basel Committee would seriously damage market making activities within the Single Market. This risk has been identified by the European Commission and echoed in a recent statement by Lord Hill[27] according to whom: "(…) *as with our capital and liquidity rules, the EU should not be afraid to implement the international standards in a way that makes sense for Europe and Europe's diverse financial landscape*". In addition to the Banking Structure Reform (see section 11), the two regulatory requirements on capital and funding that threaten EU market making activities are:

- the **Leverage Ratio** that creates a negative pressure on the stock of securities held by market makers[28] but also on the repurchase agreement ("repo") market. The impact on the latter is of particular importance since market makers extensively use the repo market to borrow or lend the securities they need. The review of the CRR/CRDIV Delegated Act on Leverage Ratio in 2016[29] will provide a unique opportunity to better take into account the market making activities by, for example, allowing a better netting of repo market transactions ;

- the forthcoming **Net Stable Funding Ratio** on funding requirements could also negatively impact market making activities[30] if the Basel Committee proposal is adopted in EU without significant recalibration. When designing its own proposal in

[25] See for example Internation Monetary Fund (2015), "Global Financial Stability Report"
[26] According to Royal Bank of Scotland (see "The Credit Liquidity Trap", 2014), the market liquidity of the corporate bond market diminished by 70% since 2008.
[27] Lord Hill (2015), "A strong and stable banking system at the heart of Europe's recovery*",* speech at the 6th Convention on Cooperative Banks in Europe
[28] Such stock, called "inventories", allows market makers to sell securities in the market where needed. In the absence of inventories, market makers have to borrow securities in the market (through the repo market) before selling them.
[29] Commission Delegated Regulation of 10/10/2014 amending Regulation (EU) N° 575/2013 with regard to the leverage ratio
[30] Oliver Wyman (2015), "Impact of NFSR on capital markets; considerations for implementation"

2016, the Commission should carefully identify any potential effect on market making activities and calibrate the ratio in a manner that favors such activity and a well-functioning market.

Corporate bond market liquidity. EU primary debt markets are easily accessible by large issuers but they suffer from secondary market inefficiencies and in particular a lack of transparency and liquidity. Improvements can be made on both sides of the market. On the one hand, an exhaustive and reconciled post-trade transparency would allow issuers to place new issuances with more accurate spreads, although such enhanced transparency should take into account the specificity of bond trading and avoid unintended consequences on liquidity. On the other hand, a greater harmonisation of bond issuance and placing condition would create pools of liquidity. Defining more harmonised market standards about key bond issuance characteristics would favor liquidity and better price formation. The price to pay by issuers to get this additional liquidity are less freedom to tailor their bond issuance according to market circumstances and to be progressively directed into a predefined issuing calendar. A detailed impact assessment would allow determining whether, for issuers, the benefits resulting from a higher liquidity exceed the costs related with less issuance flexibility.

Several initiatives contributing to greater structural liquidity in the corporate bond market should be promoted, in particular:

- the harmonisation of bond issuance specificities (maturity, coupon date - as well as the use of fungible bonds) that could concentrate trading volumes on fewer and more standardized issuance and increase liquidity;
- the corporate bonds electronic trading platforms developed by market participants and supported by market makers. Such initiatives would reduce market fragmentation;
- the repo clearing services offered by some EU central counterparties to help netting positions. Central clearing allows market participants to net their multilateral exposures through the novation process by which the CCP becomes the buyer to every seller and the seller to every buyer. Such netting would alleviate market makers' capital requirements and contribute to a better repo market functioning. Developing repo central clearing services requires a cautious approach regarding the CCP's risk management framework so as to avoid increasing the systemic risk of such market infrastructures.

Recommendation n°17: Preserve and favor market marking activities when reviewing the leverage ratio and implementing the Net Stable Funding Ratio in the EU. As a practical tool for market making activities, promote a well-functioning repo market.

Recommendation n°18: To favor corporate bond market liquidity, support consensual market led initiatives relating to the standardization of bond issuances, the development of electronic trading platforms and the functioning of the repo market.

b) Relying on competitive financial system and solid EU financial intermediaries and market infrastructures

9. Avoiding market fragmentation

Pursuing the objective of a more integrated capital markets in the EU requires to carefully reconsider some current initiatives or situations that constitute material obstacles to the cross-border flow of liquidity and transactions.

European Financial Transaction Tax. In particular, the proposed European Financial Transaction Tax, elaborated by 11 Member States under the Treaty's reinforced cooperation process contradicts directly the key objective of an integrated CMU. It will significantly distort competition within the European financial system and disrupt proper allocation of capital. Flow of investment will not reach the most productive place and transaction will not necessarily occur where the best service is provided. Unless Members States are able to create a financial transaction tax that would not delocalise investments and transactions, one can only echo the preference for a tax applicable in the 28 Member States. The European think-tank Bruegel[31] is even more straightforward when saying that: "*Member states should instead focus their energies on harmonized taxation of savings […] as well as other initiatives that could stimulate investment and market development*".

Fragmentation of liquidity. National ring-fencing of liquidities within EU financial groups composed of credit institutions is an additional fragmentation factor. Indeed, some national banking authorities consider that deposits guaranteed under their national rules shall not be used to fund banking activities within the same banking group in other Member States. In other words, banking groups are prevented from allocating their resources where liquidity is needed. Such types of restrictions damages the fluid capital flows within the Single Market. Similarly, in the implementation of the banks' eligible resources to a potential bail-in (as required under the international "Total Loss Absorption Capacity" framework designed by the Financial Stability Board and the EU "Minimum Requirement for own funds and Eligible Liabilities" (MREL) included in the BRRD Directive), there is a risk that national authorities requires EU wide banking groups to position sufficient amount of bail-inable liabilities at the level of each national subsidiary. This would hamper the optimal allocation of banks' resources. Such fragmentation constitutes a particular paradox for Member States participating to the Banking Union.

Recommendation N°19: Any financial transaction tax should not delocalize investments and transactions nor artificially fragment the CMU and should be applicable in the 28 Member States.

Recommendation N°20: Remove national obstacles to fluid flow of liquidity within cross border banking groups in the EU (in particular, ring fencing of deposits).

[31] N. Veron and G. Wolff (2015), "Capital Markets Union: a vision for the long term"

10. Making capital flows within the financial system more fluid

Securitisation and untranched securities. The EU needs a competitive financing and re-financing system for fluid flow of capital between the investors, the banking system and the funding needs. This can be achieved by revitalizing simple, transparent and standardized securitisation and other forms of untranched securities**.** Whilst keeping in mind the triggering factors of the financial crisis, and in particular the absence of adequate risk retention by banks that were issuing securitization vehicles, a renewed EU securitisation framework could: (i) alleviate the balance sheet pressure of banks that have the required information and expertise to originate mortgage or corporate loans; (ii) allow institutional investor to hold long-term assets as they often do not have the capacity to constitute corporate loans (including SMEs) portfolios by themselves; and, (iii) help corporates to benefit from better credit conditions.

Securitisation is a privileged mean to achieve this optimal allocation of risks and roles within a well-functioning and deep-reaching financial system. The European Commission has started a consultation to establish simple, transparent and standardised securitisation with the intention to put forward a legislative proposal. The consultation document[32] provides with a detailed and compelling case on the benefits of securitization. Of course the EU securitisation market will flourish only if there is a demand (from institutional investors such as insurers) and a supply (from banks). This requires that prudential parameters for both banks and insurers are set at the right level and measures to overcome information asymmetries. The purchase program of the ECB, offering significant liquidity to the market, should not serve as an excuse to slow down this initiative. All the contrary, EU policy makers should resist the "illusion of liquidity" and build as soon as possible a structural financing and re-financing framework. A unanimous view in the market is that the European Commission should issue its legislative proposal before year end and that the co-legislators should adopt the legislative securitisation framework in the course of 2016.

When considering the building blocks of its securitisation proposal the European Commission should adopt a wide approach as regards the processes and vehicles allowing banks to outsource risks. Currently, securitisations are legally defined as tranched securities but securities that finance pools of loans can be built in different ways and remain consistent with risk retention requirements. The proposal of the European Commission should therefore allow for that flexibility in the design of the capital requirements associated with the different processes. Such capital requirements should basically, on aggregate, reflect the quality of the underlying exposures that were securitized.

ECB Eligible Securities. In its refinancing capacity, the ECB can have a greater hand-on involvement. The ECB purchase program and collateral framework can significantly help diversifying funding sources in the real economy and sustain growth. The contribution currently made by the ECB through its collateral policy and its purchase program is helpful for the development of the securitisation markets. Some considers that this contribution could also be extended (directly or indirectly with appropriate measures) to equity, private

[32] European Commission (2015), "An EU framework for simple, transparent and standardised securitization"

and venture capital and private debt, and even see here a powerful tool to achieve a "holistic strategy" aligning the key policy objectives of the CMU, the Investment Plan and the ECB asset purchase program[33]. This can be done by making the instruments used in the Investment Plan receive appropriate regulatory treatment and be eligible to the ECB purchase program and collateral framework.

As an example of how a kind of untranched securitisation and the eligibility by the ECB can be combined to ease the flow of capital within the financial system, in France, several credit institutions have created a common securitisation vehicle called Euro Secured Notes Issuer ("ESNI")[34]. Participating banks use ESNI as a pooling vehicle for part of their corporate loans, including SMEs loans that can be selected on the basis of banks internal models or of the scoring tool of the *Banque de France*. This initiative offers several benefits: (i) from a set of corporate loans that are in practice not discountable as collateral on markets, it creates a pool of securities that banks can use largely in the course of their market operations in a context where collateral needs are growing due to recent regulations (EMIR, CRDIV), (ii) from a monetary policy perspective, it would facilitate the refinancing of corporate loans at central banks (if ESNI's issuance are eligible by the ECB) (iii) as a result, it contributes to lower financing costs for corporates and SMEs.

Recommendation n°21: Propose as soon as possible an EU framework for simple, transparent and standardized securitisation, and other forms of untranched securities, with appropriate capital requirements for both banks and investors.

Recommendation n°22: Consider extending the eligibility criteria of the ECB repurchase program and collateral framework to other private sector asset classes and in particular Investment Plan instruments (including European Long Term Investment Funds - ELTIFs).

Recommendation n°23: Promote Euro Secured Notes Issuer (ESNI) as an EU wide securitisation vehicle to create pools of collateral facilitating market transactions by banks. Extend the ECB eligibility criteria to covers ESNIs issuances.

11. Combining preserved universal banks, specialized market players and solid market infrastructures.

It goes without saying that offer and demand do not meet spontaneously. To allow capital to reach the most productive place on an EU wide basis the EU financial system needs a solid, sophisticated, well-skilled and competitive financial industry combining a rich variety of market players and market infrastructures with critical mass. In short, a well-functioning CMU is not achievable without being properly equipped. One of the key ambitions of the EU should therefore be to be the domestic market of a powerful and diversified financial

[33] N. Valla et al. (2015), "A holistic approach to ECB asset purchases, the Investment Plan and CMU", CEPII
[34] At this juncture ESNI issuances are not marketed to institutional investors and do not outsource risks from its sponsor's balance sheets.

industry competing on an equal footing with the other global players[35]. It is the backbone of the Financing Union Pillar of the CMU.

Universal Banks. The initial step to achieve that objective is to preserve what works well. This is particularly true for banks for which the current proposed Bank Structural Reform has the potential of breaking the universal banking model -that has proved to be efficient, during the financial crisis. Rather than reducing the size of banks, the EU should promote the emergence of significant size universal banks able to invest in the highly skilled staff and sophisticated processes necessary to fully play their investment and financing role. Since the financial crisis, an extensive debate took place about the "too big to fail" dilemma and the risk of seeing once more taxpayers saving the whole financial system. But all measures taken in the last five years should not be looked at one by one, they pertain to a holistic response to the excessive risk taking by banks that in itself significantly mitigates the risk of a "too big to fail" dilemma and its systemic consequences. In addition, it would come as an extraordinary historical paradox that seven years after the collapse of a pure US investment bank (Lehman Brothers) the EU reaches the conclusion that it is worth breaking down the EU universal banks that resisted the crisis.

This being said, the EU financial systems is (and should be) diverse and composed of all the variety of market players needed for its efficient functioning and allow for the emergence of new players bringing innovative disruptions.

EU Market infrastructures architecture. The current architecture of market infrastructures within the Single Market is the result of the progressive adoption of dedicated legislation over two decades harmonizing the various layers of the securities chain. Each layer was conceived and modernized independently without a strategic thinking embracing the full chain. With one exception, every time a market infrastructure was under discussion, the guiding principle has been to open to competition the provision of services by each infrastructure. The assumption being that running such activity is a profitable business even if offered by several operators.

The result is the following: (i) EU market infrastructures are fragmented; (ii) financial instruments are traded on numerous competing for profit trading venues (regulated markets, multilateral trading facilities and the newly created category of organized trading facilities), (iii) clearing occurs in several competing central counterparties; (iv) settlement is made by various central securities depositories (including 2 international central securities depositories); and, (v) the ECB will soon operate the Target2 Securities platform, allowing all central securities depositories to use the same technical platform, notably for cross-border transactions. In addition, more recently, the EU law requires that all OTC derivatives markets transactions (and, in the coming months, in repurchase agreement and securities lending markets) be reported to few competing Trade Repositories. Finally, a discussion has started on the merits of creating an EU wide consolidated tape aggregating trading information from the various trading venues – choice was made to wait and see if such consolidate tape can operated by for profit entities.

[35] This raises in particular the question of the rules applying to third-country market players (banks, etc.) providing services in the EU, with regard to competition but also to financial stability.

In consistence with the choice made to leaving to competing operators the running of markets infrastructures, the EU has establish the principle of open access to such infrastructures and has tried to promote interoperability mechanisms permitting an EU wide connection between the various kinds of platforms. By comparison, some other jurisdictions have made the choice of treating certain market infrastructures layers as “utility” ; for example, in the US, for certain kinds of financial instruments there is, a mutualized consolidated tape, a unique clearing house, one central securities depository and a single trade repository.

Some market participant advocate for a holistic evaluation of the current EU market infrastructure architecture to measure its overall efficiency and the appropriateness of the “competitive vs utility” choice made for each layer of the securities chain.

Recommendation n°24: Promote a robust and competitive EU financial industry composed of solid universal banks and diverse specialized market players. Revisit the Banking Structural Reform in a manner that contributes to this objective.

Recommendation n°25: Launch a public debate on the current EU market infrastructures architecture to measure its overall efficiency and the appropriateness of the “competitive vs utility” choice made for each layer of the securities chain.

List of Recommendations

Increasing EU investment capabilities	*N°1*	*Revisit the Solvency II capital requirements for insurance companies. Review in particular the Commission Delegated Regulation (EU) 2015/35 to favor investments in infrastructures including European Long Term Investment Funds (ELTIFs), non-listed shares, private debt and securitisation vehicles. Equally, consider reviewing the capital requirements applying to banks' infrastructure investing and financing activities.*
	N°2	*Promote European Long Term Investment Funds (ELTIFs) through a favorable tax treatment by Member States and an extensive use of such vehicle to implement the Investment Plan.*
	N°3	*Consider new forms of retail Alternative investment Funds (AIF) with EU passport for employee savings schemes, building on the European Long Term Investment Funds (ELTIFs) example.*
	N°4	*Start work to harmonize insolvency laws applicable to credit institutions from participating Member States to the Banking Union and contributing to the Single Resolution Mechanism (SRM).*
	N°5	*Request the inclusion of financial services in the Transatlantic Trade and Investment Partnership (TTIP) negotiations based on the mutual recognition principle and request reciprocity of access in all bilateral negotiations.*
	N°6	*When considering third-country market players access, apply equivalence of rules tests to preserve a level playing field within the Single Market.*
	N°7	*Promote globally EU Undertakings for Collective Investment in Transferable Securities ("EU UCITS") as the most secure and efficient retail investment vehicle.*
Enhancing capital markets' transparency and increasing cross border investor confidence	*N°8*	*Favor market-led initiatives to create and/or develop centralised information and scoring of SMEs and Mid-size companies across the Single Market.*
	N°9	*Review urgently the proposed delegated acts of the Markets in Financial instruments Directive II in a manner that preserves financial research about listed SMEs and Midcaps.*
	N°10	*Delegate to ESMA the operational establishment of a Single Reporting Entry Point (SREP) where national competent authorities would access all relevant supervisory information.*

	N°11	*Remove the legal obstacles to an efficient use of the existing supervisory consistency powers by ESMA.*
	N°12	*Adapt the governance structure of ESMA to reinforce its ability to handle supervisory consistency issues.*
Widening market-led access to finance	*N°13*	*Propose a Finance Access Regulation (FAR) allowing young and innovative Small companies, Start-ups and Mid-size companies to benefit from tailor-made EU access to finance. The FAR should cover at least the creation of an UE passport for lending and equity crowdfunding platforms and a uniform and stable definition of Mid-size companies and Midcaps for finance access purposes.*
	N°14	*Promote the EU wide use of Private Placement for private debt financing.*
	N°15	*Remove obstacles to the development of pan-European private equity funds; in particular, adapt the capital requirements applicable to insurance companies' investment in type 1 shares, and promote a practical and convergent approach by national authorities of pre-marketing rules for closed-ended funds and private placement regimes.*
	N°16	*Propose a revision of the Prospectus Directive to: (i) without hampering investor information, insert additional exemptions to the obligation to complete a prospectus; (ii) refer to a common and uniform EU definition of Mid-size companies and Midcaps; (iii) redesign the disclosure requirement of Mid-size companies and Midcaps having regard to their age, their size, their complexity and their ownership structure; (iv) set a higher threshold triggering the obligation to complete an prospectus.*
	N°17	*Preserve and favor market marking activities when reviewing the leverage ratio and implementing the Net Stable Funding Ratio in the EU. As a practical tool for market making activities, promote a well-functioning repo market.*
	N°18	*To favor corporate bond market liquidity, support consensual market led initiatives relating to the standardization of bond issuances, the development of electronic trading platforms, and the functioning of the repo market.*
Relying on a competitive financial system and solid EU financial intermediaries and market infrastructures	*N°19*	*Any financial transaction tax established should not delocalize investments and transactions nor artificially fragment the CMU and should be applicable in the 28 Member States.*
	N°20	*Remove national obstacles to fluid flow of liquidity within cross border banking groups in the EU (in particular, ring fencing of deposits).*
	N°21	*Propose as soon as possible an EU framework for simple, transparent and standardized securitisation and other forms of untranched securities with appropriate capital requirements for both banks and investors.*
	N°22	*Consider extending the eligibility criteria of the ECB repurchase program and collateral framework to other private sector asset classes and in particular Investment Plan instruments (including European Long Term Investment Funds - ELTIFs).*

	N°23	*Promote Euro Secured Notes Issuer (ESNI) as an EU wide securitisation vehicle to create pools of collateral facilitating market transactions by banks. Extend the ECB eligibility criteria to covers ESNIs issuances.*
	N°24	*Promote a robust and competitive EU financial industry composed of solid universal banks and diverse specialized market players. Revisit the Banking Structural Reform in a manner that contributes to this objective.*
	N°25	*Launch a public debate on the current EU market infrastructures architecture to measure its overall efficiency and the appropriateness of the "competitive vs utility" choice made for each layer of the securities chain.*