FFI RESPONSE TO THE COMMISSION'S GREEN PAPER ON THE CAPITAL MARKETS UNION

The Federation of Finnish Financial Services (FFI) supports the Commission initiative on the Capital Markets Union. The Union should aim at true single market, which would promote efficient allocation of capital, attract more investments from third countries and increase financing possibilities for EU companies, including small and medium sized companies (SMEs).

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KEY POINTS

1. The Finnish market welcomes the EU Capital Markets Union

The Federation of Finnish Financial Services (FFI) supports the Commission initiative on the Capital Markets Union (CMU). The Union should aim at true single market, which would promote efficient allocation of capital, attract more investments from third countries and increase financing possibilities for EU companies, including small and medium sized companies (SMEs).

2. Targeted and evidence-based approach

Financial market operators are currently implementing extensive financial crisis legislation. Recent reviews of EU rulebook on trading and investment services, OTC derivatives, settlements, as well as reviews on asset management sector and investment funds, already provide a robust basis for development of EU capital markets. Markets, however, do need appropriate time to digest and implement all reforms.

In this respect we support the Commission approach to concentrate on targeted proposals. In some areas, such as prospectuses and securitisation, there is a need to proceed without delay. However, in a bigger picture the CMU is mainly a medium or long-term project. This implies that new longer-term initiatives should be based on careful impact assessments. Regulatory approach should be strongly evidence-based, but at the same time we encourage the Commission to explore new means of harmonisation (such as the "29th regime") with an open mind.

3. Creation of streamlined regulatory reporting channels

Recent regulatory agenda has meant several new reporting obligations towards the ECB, ESAs and trade repositories. Very often similar data needs to be reported to several recipients with slightly different intervals and parameters. Current system with growing and overlapping reporting obligations creates additional burden and a possible barrier for capital flow from the companies and financial services providers´ point of view. Different report addressees should agree on the use of same standards as much as possible.

4. The CMU should promote market-led standards and best practices

During recent years the EU has heavily relied on hard-law instruments and notably on directly applicable regulations. In the CMU project the Commission should explore the full potential of market-led standardisation and best practices.

As a concrete example, the FFI notes that Finnish and other Nordic markets have recently developed new model documentation and market standardisation in order to attract more international investors to Nordic bond markets. Local initiatives and EU-level harmonisation should be seen as complementary. In this respect EU policy-makers need to avoid introducing too intrusive measures that would likely have a negative impact on capital flows

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and investment. For instance, emerging SME bond markets require flexibility, and further EU-level regulatory action in this field would likely be counterproductive.

5. Role of banks in SME financing

While we support broadening the means of financing to European companies, it is important to fully understand banks' central role in SME financing. Increased financing from capital markets is an option mainly for high-growth innovative SMEs. Vast majority of European SMEs are not able to tap directly into financial markets, and remain dependent on bank financing.

As a result, the CMU should not undermine the role of banks and other credit institutions in financing economy. Banks will have a crucial role in SME financing also in the future and broadening sources of market-based finance should be seen as an important additional element in medium and longer term. In addition, banks also have a role as an intermediary for those SMEs that are able to access the market, e.g. as market makers for bonds.

6. CMU as a catalyst for digitalisation

Digitalisation and rapid technological development will change the whole EU financial sector significantly in the coming years. The EU should have a strong forward-looking digital agenda and the CMU should act as a catalyst for digitalization of financial services. All new legislative initiatives should consistently facilitate smooth provision of financial services and relevant client information online. Current requirements to provide information on paper or similar format should be critically reviewed in the upcoming periodical reviews.

7. Global standard setting bodies, competition and the European Union

The regulatory landscape of financial services is increasingly global. Financial and capital markets regulation is often drafted by global standard setting bodies such as Basel Committee on Banking Supervision and IOSCO. Therefore it is important that the EU has a strong and proactive global regulatory agenda. Consistent implementation of global standards on the EU-level is of key relevance. Neither EU nor EU28 Member States should apply "gold-plating" policy further to global standards as this might negatively affect the competitiveness of EU financial sector.

8. Cancellation of counterproductive initiatives

Finally, the Commission should also review current draft legislation that could have highly detrimental effect on the development of EU capital markets. This is notably the case for dossiers such as Financial Transaction Tax (FTT) and structural separation of banking activities. These should be immediately removed from the agenda.

DETAILED COMMENTS

1) Beyond the five priority areas identified for short term action, what other areas should be prioritised?

Better regulation in financial services. – We welcome the introduction of the new post of First Vice-President in charge of Better Regulation. The CMU should be based on robust principles of better regulation. In that sense we deem it appropriate to identify better regulation agenda as a shorter and longer term action. We also note that the Commission REFIT-program (the Regulatory Fitness and Performance Program) is an important exercise to reduce excessive administrative burden. This program should be extended to financial services without delay.

Creation of streamlined regulatory reporting channels. **–** Recent regulatory agenda has had a constant focus on improved data and close-to-real-time reporting. This has meant several new reporting obligations towards the European Central Bank, national central banks, European Supervisory Agencies, local regulators and trade repositories as data intermediaries in exceptional cases. Depending on the scope of these rules (such as CRR, EMIR, proposal for SFTR, ECB regulations) same data needs to be reported to several recipients with slightly different intervals and parameters.

In general, high quality data is crucial in ensuring that emerging risks can be tackled as early as possible without creating systemic risk. Consistent and high quality reports are also crucial for investors when they make their investment decisions.

Current system with growing and overlapping reporting obligations creates additional burden and a possible barrier for capital flow from the companies and financial services providers´ point of view. One stop shop towards at least all EU-level and national supervisors and ECB needed. Different report addressees should agree on similar data fields and the use of same standards as much as possible. Financial services providers are willing to help in this process. Reporting channels should take use of existing IT systems and well-improved digital means.

Review of Solvency II capital requirements for long-term assets such as infrastructure, SME investments and securitisations. – Insurers are Europe's largest institutional investors and, therefore, great contributors to European growth. Consequently, the availability of long-term attractive assets is crucial to further developing their role in the European economy through their investment capacity in the private sector. As a short-term action the Commission should review capital charges for infrastructure, SME investments and securitisations, in order to minimise any disincentives to long-term investment.

2) What further steps around the availability and standardisation of SME credit information could support a deeper market in SME and start-up finance and a wider investor base?

We note that standardisation of SME credit information has a clear link to harmonisation of SME accounting standards. On the other hand we understand that there is a need reduce administrative burden of SMEs. However, lenders and investors need sufficiently detailed information to make informed decisions, and with SMEs they are not able to get it from other sources than prospectuses as they can with larger corporations.

For example in Finland the domestic Credit Bureau currently provides automatically analysis of companies based on their accounting information (such as public information on turnover and operating profit). This is valuable information for lenders. However, there are increasing demands to relax public accounting information in order to reduce SME administrative burden. As a result this might increase manual work in banks and complicate the credit process of smaller companies. When reviewing accounting standards and credit information, it is very important to identify needs of lenders and find a right balance.

We also highlight that relevant credit information should be made available to investors by the SME itself. Banks should not be asked to release information on their customers because of banking secrecy laws and protection of customer's confidential information.

The process of creating SME credit scores is going to be cumbersome and would possibly require a new entity to maintain it across Europe. We would encourage the Commission prioritize the infrastructure around the framework and to keep bank credit models and the SME credit models separate.

3) What support can be given to ELTIFs to encourage their take up?

We have followed the introduction of ELTIF funds with mixed interest. ELTIF kind of funds would allow more long term investments combined with European passport. Therefore we regret the somewhat limited choice and flexibility the final outcome in providing. The ELTIF structure is supposed to serve different kind of investment need from infrastructure to SME financing. On the investor side it should attract both large institutions and retail investors. More flexibility would allow tailoring the funds according the needs. As a member of European Fund and Asset Management Association we refer to their comments in more detail.

6) Should measures be taken to promote greater liquidity in corporate bond markets, such as standardisation? If so, which measures are needed and can these be achieved by the market, or is regulatory action required?

We support the Commission's focus on liquidity in the corporate bond markets. Liquidity and market making are of the upmost importance in this market. However, it is more appropriate to consider market-driven harmonisation or best practices instead of binding EU-level instruments. Local bond markets have specific needs and "one-size-fits-all" approach could complicate growth of SME-bond markets.

We also highlight the importance of MiFID II and MiFIR in SME-financing. In our view development of new bond markets for smaller issuers is at the heart of the CMU. At the same time we are concerned, that wrongly calibrated pre- and post-trade transparency requirements could negatively affect market makers ability to provide liquidity in these emerging

markets. Therefore the Commission should have a consistent policy to avoid any unintended consequences.

7) Is any action by the EU needed to facilitate the development of standardised, transparent and accountable ESG (Environment, Social and Governance) investment, including green bonds, other than supporting the development of guidelines by the market?

Adopting ESG-criteria as a part of different investment processes is a growing trend, which we support. However, there are number of methods to implement and execute various ESG methods. The market is evolving rapidly and it is far too early to determine the best possible method. We support market led initiatives which guarantee necessary innovation and competition. Therefore no regulator action is needed.

8) Is there value in developing a common EU level accounting standard for small and medium-sized companies listed on MTFs? Should such a standard become a feature of SME Growth Markets? If so, under which conditions?

We support efforts to reduce the administrative burden of smaller and medium-sized listed companies. We agree that full application of IFRS–standards to SME-listed companies is very burdensome. In the Finnish context the possibility to use national GAAP has been major benefit for MTF-companies. However, we are not supportive of EU level accounting standards for SME Growth Market companies.

We find that it is more important to develop accounting directives in order to reduce the administrative burden. For instance the IASB has published “the IFRS for SMEs” – standard.

9) Are there barriers to the development of appropriately regulated crowdfunding or peer to peer platforms including on a cross border basis? If so, how should they be addressed?

We deem positive the development of different forms of financing, facilitating the access to finance and supporting economic growth by incentivising entrepreneurship.

However, we consider it very important that the different forms of financing are regulated in order to guarantee level playing field and investor protection. Regulation causes costs and without regulation the providers of crowdfunding services would be better off than the regulated providers of finance. Investors participating in crowdfunding ventures are usually non-professional and should have equal protection with other forms of finance. It is important that investment decisions are being made based on sufficiently broad and correct information so that the risks will not be underestimated and thus underpriced.

Authorisation and supervision are the most focal elements in an eventual regulation, but requirements could be set for the size and the annual reports of the funded entity as well as to the liability of the platform provider. Regulation and the required documentation need to be proportional to the size of the loan or the amount of the capital collected.

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A possible malpractice, if it is big enough, would cause major losses to investors and lead to a market disruption. This would, in turn, impede other crowdfunding ventures and possibly cause negative spill over effects to the financial markets in general.

We find it positive that the Commission started a consultation in 2013 with possible harmonized EU rules in mind, as crowdfunding markets are already international.

11) What steps could be taken to reduce the costs to fund managers of setting up and marketing funds across the EU? What barriers are there to funds benefiting from economies of scale?

As regards UCITS funds, we consider the current situation satisfactory. Regarding AIFMD there is still work to do in order to make the process as smooth as possible. Further improvements could be achieved by reducing the room for national interpretations and domestic gold plating especially regarding investor protection rules.

UCITS IV directive facilitated cross border mergers which made it possible to achieve economies of scale. Our members´ experiences in the Nordic countries are positive.

Finally we would like to note, that any further changes should be carefully balanced to cater for both large international managers and small and mid-size national or regional managers. Centralised and cost efficient registration and notification procedures would at best benefit all market participants. On the other hand they entail the risk of becoming more complex and costly than current solutions.

12) Should work on the tailored treatment of infrastructure investments target certain clearly identifiable sub-classes of assets? If so, which of these should the Commission prioritise in future reviews of the prudential rules such as CRDIV/CRR and Solvency II?

Insurers are Europe's largest institutional investors and, therefore, great contributors to European growth. Consequently, the availability of long-term attractive assets is crucial to further developing their role in the European economy through their investment capacity in the private sector. As a short-term action the Commission should review capital charges for infrastructure, SME investments and securitisations, in order to minimise any disincentives to long-term investment. We reiterate our comment on need for short term action here.

13) Would the introduction of a standardised product, or removing the existing obstacles to cross-border access, strengthen the single market in pension provision?

We do not see merits of such a standardised product. Proper development of these markets would require harmonisation of contractual insurance law and tax law which is very demanding exercise. European harmonisation would be a cumbersome project due to different national social security systems and tax treatment of policy-holders. We would rather encourage concentrating efforts in insurance sector on full harmonisation of Solvency II and on more coherent supervision of insurance companies.

14) Would changes to the EuVECA and EuSEF Regulations make it easier for larger EU fund managers to run these types of funds? What other changes if any should be made to increase the number of these types of fund?

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For the time being EuVECA and EuSEF –regimes have generated very little enthusiasm among our members. However, we see that the 500 million limit on these regulations is too restrictive and should be changed.

As a separate issue, we note that the EU regime for regulating non-UCITS investment funds is becoming utterly complex. While you can cover all UCITS within one piece of regulation, you need currently four different legal acts (AIFMD, EuVECA, EuSEF and ELTIF) to cover non-UCITS funds. Managing all these regimes creates unnecessary administrative burden. These different regimes should be simplified.

17) How can cross border retail participation in UCITS be increased?

First, we would like to note that direct participation is not the only way retail investors invest in UCITS. Based on national regulation, many markets have different forms of wrappers which channel retail investments into investment funds. We estimate that in our market the total share of retail investors is about 44 %. Cross border participation is about 19 %. This also shows that UCITs are not only retail products but attract different kind of professional investors as well. Nor are UCITS the only investment vehicle for retail investors. Different kind of AIFs are used actively as well.

As the consolidation process which is facilitated by quite recent UCITS IV goes further, the cross border participation is like to grow inevitably.

In order to boost retail participation one should carefully assess the current marketing rules and their national interpretations. They remain patchy which is not supporting cross border investment. The forthcoming MiFID 2 rules are not helpful either. Especially the linkage of execution only services to non-complex products well become a deterrent for cross border investments in non-UCITS funds.

18) How can the ESAs further contribute to ensuring consumer and investor protection?

We support consistent and coherent regulatory approach to EU consumer and investor protection Rules in MiFID, IDD, PRIIPs should be carefully coordinated. We regret that there are still remaining inconsistencies on the level I text. However, these problems should not be solved in ESA guidelines but on level I. We also consider that the ESA-regulations already contain sufficient measures for protecting consumers.

We have also experienced that there is a tendency to raise member state specific problems on the ESA-level. As a result the level of detail of guidance and red tape will increase significantly in the area where subsidiarity principle should apply. In our view regulation should intervene only with large-scale and severe problems. Single issues should be dealt with by means of supervision and, if needed, by utilising the penalties and sanctions contained in EU regulation.

Overall ESAs must stick to its mandate and ESA’s should not seek to de facto broaden their mandate beyond those already contained in the ESA-regulation. There is also a lack of legal certainty in the use of the ‘comply or explain’ mechanism and the wide powers given to ESA’s to issue guidelines and recommendations. Here, FFI would welcome some clarity as this is an important check and balance to ensure ESA accountability.

Warning and interventions by the ESAs must be used with great care, as they have strong signalling effects and could have serious and detrimental effects on consumer confidence in a specific market or a specific provider. So far, there has been limited use of this tool. We believe this is correct, as it should only be used in exceptional circumstances.

19) What policy measures could increase retail investment? What else could be done to empower and protect EU citizens accessing capital markets?

We find that competition and wide investor-choice is the best way to increase retail investment. The law should facilitate wide product-range and it should not channel investments to certain sectors with political motives etc.

In case there are cross-border hindrances for independent distribution channels these should be carefully analysed and consequently addressed based on evidence. We find that proper conduct of business rules and transparent provision of product information increases investor confidence and interest in cross-border services.

Financial education and financial literacy should be promoted in multiple fronts and formats. The FFI has been actively contributing to the theme. See for instance https://www.fkl.fi/en/news/bulletins/Pages/week_of_financial_literacy.aspx

20) Are there national best practices in the development of simple and transparent investment products for consumers which can be shared?

We do not support development of harmonised simple products by means of regulation. In our view the question should be turned other way round. In order to facilitate cross-border investment to SME-products, the EU should lower barriers of entry of services to EU28 countries. There is already a robust regulatory framework covering provision of investment services (MiFID II), Insurance Distribution (IDD) and investment funds. Goal to produce “simple and transparent products” are likely to be counter-productive as these might undermine EU-passport mentioned above. Furthermore for packaged investment products there is PRIIPS, which applies to all products regardless of their form or construction-

21) Are there additional actions in the field of financial services regulation that could be taken ensure that the EU is internationally competitive and an attractive place in which to invest?

A limited number of EU states are currently planning the introduction of a common Financial Transaction Tax (FTT). The final size and mechanism of taxation have not yet been decided. In principle financial institutions would be the taxpayers, but in reality the tax would be paid by the parties that trade on financial instruments subject to the FTT. This means companies, households and investors. It is clear that this kind of a tax would be in direct contradiction with the idea and objectives of a Capital Markets Union. As a result, the preparation of the FTT should be immediately stopped.

In January 2014 the European Commission published a draft regulation on banks’ structural reform (BSR), which prohibits proprietary trading. Banks may also be required to separate their market-making activities, as well as certain other client-driven activities, to specific trading entities.

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13.5.2015

Majuri Tuomas

Structural restrictions would be detrimental to bank customers, especially to corporate customers, because banks' capability to provide diverse and flexible services would weaken. Especially the separation of market making would hinder securities-based corporate funding and raise its costs. This would conflict with the aim to diversify corporate finance which lies at the heart of the Capital Markets Union initiative. The Commission has indirectly admitted (via the exemption proposed to the trading in government bonds) that the restrictions would have detrimental effects on the functioning of capital markets in the EU. Structural restrictions would also give a competitive advantage to those non-EU banks which don't have a similar regime in their home country and make the EU capital markets more dependent on the services provided by these non-EU banks. This is not desirable from EU's point of view. Accordingly, also the BSR initiative should be immediately dropped.

We also emphasise the need to start REFIT programme in the field of financial services. Furthermore regulatory impact assessments do not take into account cumulative impacts. This defect should be rectified without delay.

In the context of "third country" issues, there has been a general tendency to limit access to EU markets or limit oursourcing of activities to third countries. As a result there is a risk that entire functions are relocated to thirds countries.

24) In your view, are there areas where the single rulebook remains insufficiently developed?

Recovery and resolution framework for financial markets infrastructures. – We note that the Commission proposal for a recovery and resolution framework has been in the pipeline for years. The role of especially central counterparties in the capital markets chain has been growing in recent years. These entities have become a possible source for new systemic risk.

To avoid future problems in the function of the capital market infrastructure, solid and predictable framework for recovery and resolution of CCPs and possibly CSDs has to be created. The framework should stress the importance of resolution plans that are drafted in a transparent manner together with the members and supervisors of those infrastructures. Their possibilities to participate in the process will increase the workability of those plans. Additional contributions by others than shareholders of those entities should be avoided to the largest extent.

Prudential regulation (CRD IV) and national options. – Prudential regulation of banks should be based on Single Rulebook. However, Member States have used national options envisaged in the CRD IV in a very extensive manner. In this respect there is not currently a Single rulebook in the EU28.

25) Do you think that the powers of the ESAs to ensure consistent supervision are sufficient? What additional measures relating to EU level supervision would materially contribute to developing a capital markets union?

The roles of all ESAs as regulatory authorities have increased significantly in the past years. In fact, we feel that significant amount of regulatory powers have been shifted from

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EU28 Member States and the European Parliament beyond democratic control. According to our understanding, the drafting of standards and guidelines has been the major time-consumer in the ESAs. Following this regulatory focus, the actions with regard to ensuring the quality and consistency of supervision have not been a priority. This is something we would hope to see the ESAs focus on in the future. In our opinion, consistent supervisory practices will ensure a level playing field between European market participants.

In general, the powers to ensure consistent supervision are correctly in place in the existing ESA regulations. However, due to the heavy regulatory agenda the role of ESAs in ensuring consistent supervision has to our understanding been rather limited. Consistency of supervision could be further improved if there were a single supervisory authority covering financial markets as a whole. Creation of a single supervisory authority could lead to a more consistent and efficient supervision. It could also assist in avoiding overlapping sector-specific rules that might in the long run become obstacles for investments. In addition, creation of a single supervisory authority would improve the possibilities of local supervisors to participate in the work of the ESAs. Thus it could ensure consistent procedures and high quality technical standards that would better take into account the differentiating business models of different entities.

Finally, we are of the opinion that central counterparties should be placed under direct supervision by the ESAs. The role of central counterparties has grown massively in the recent years. It is possible that they can be the new sources for systemic risks. To best ensure the prevention of problems that could harm the capital flow as a whole, critical central counterparties should be placed under direct supervision by the ESAs.

26) Taking into account past experience, are there targeted changes to securities ownership rules that could contribute to more integrated capital markets within the EU?

We agree that the legislation related to investors' rights in securities differs significantly across EU28 Member States and as result investors have difficulties to assess legal risks in cross-border investments. These legal risks have been pointed out in the Second Giovannini Report and analysed in detail by the Commission Legal Certainty Group (LCG). Furthermore the financial crisis revealed significant defects in some EU jurisdictions.

It is right that the launch of TARGET2 Securities removes many operational risks. However, the T2S does not remove legal risks and uncertainties related to cross-border securities holdings. Quite contrary there will be more cross-border issues as securities can be more easily and with lower cost transferred from the issuer-CSD to investor-CSD. It will be much more common that one CSD holds securities from multiple jurisdictions. This will raise more questions related both to conflict-of-laws and substantial law related account entries in multi-tiered securities holding chain.

Further to legal uncertainties, divergences in holding patterns hinder cross-border competition. For example the current Finnish legislation requires that all domestic shareholders investing in Finnish shares must have theirs securities accounts directly on the CSD level. This model provides de facto monopoly for the local CSD and competition envisaged in the CSD-regulation does not materialise. Domestic segregation requirements may hinder smooth functioning of cross-border settlement envisaged in the T2S. These problems are further illustrated by the T2S Harmonisation Steering Group paper on "CSD account segre-

gation rules" (13th of May 2013, https://www.ecb.europa.eu/paym/t2s/progress/pdf/hsg/mtg9/20130521_CSD_account_segregation_rules.pdf?845e80663e9fee3a46c04e76243cd030

As a conclusion we find think that there is a strong case to continue the work on EU Securities Law Legislation. We agree that the dossier is particularly complex and the EU should not aim at harmonisation of fundamental concepts, such as "ownership" or "property". However, there is at least a need to provide operationally common minimum level of legal protection on securities holdings and dispositions in all Member States. This would encourage cross-border investment. The Commission should carefully re-study the existing work based on the LCG work. There should not be discontinuity to the past work and the Commission should engage best available legal and market experts to the work. We remain confident that with a good preparatory work a robust Commission proposal can be achieved.

27) What measures could be taken to improve the cross-border flow of collateral? Should work be undertaken to improve the legal enforceability of collateral and close-out netting arrangements cross-border?

Legal enforceability of collateral and close-out netting arrangements could be increased by implementing the existing Unidroit principles on the operation of close-out netting provisions at EU level.

Recent regulatory agenda has led to high demand for high quality collateral. Collateral scarcity is already causing problems for smaller companies. The overlapping collateral requirements should be carefully analysed. The Commission should actively look for possibilities to increase the flow of collateral. Any bans on re-use of collateral should be avoided as this is a crucial mean for smaller companies to be able to participate in certain transactions. Instead of bans and limitation, the Commission should look for alternative ways to ensure a solid EU model for re-use. This could be done with for example simple ex-ante permissions.

28) What are the main obstacles to integrated capital markets arising from company law, including corporate governance? Are there targeted measures which could contribute to overcoming them?

Some recent EU company law developments are not necessarily beneficial for the CMU. For instance the Shareholders Rights Directive (SHRD) review could raise barriers for listing. The SHRD regulates the relationship between professional investors and asset managers. We feel that there is very limited need to introduce more investor protection to professional investors and all new rules should be carefully assessed. On a positive side we note that the SHDR promotes cross-border participation to annual general meetings and improves proxy voting.

Another area of the Commission policy that could have effects on the CMU is EU Competition policy and competition law. The proposed new regime "Towards more effective EU merger control" COM(2014) 449 final could have unintended consequences on cross-border acquisitions of minority shares of SME companies. The investigation period in these cases is rather long (4-6 months) and this might reduce the interest to for cross-border acquisitions.

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13.5.2015

Majuri Tuomas

29) What specific aspects of insolvency laws would need to be harmonised in order to support the emergence of a pan-European capital market?

We agree with the Commission that diverging national insolvency regimes pose certain challenges for cross-border investors. Acquiring multiple legal opinions from different EU countries is burdensome. However, we note that harmonisation of insolvency laws is a very long-term objective and legally extremely challenging. In this respect Commission recommendations and best practices could be the most pragmatic way forward.

30) What barriers are there around taxation that should be looked at as a matter of priority to contribute to more integrated capital markets within the EU and a more robust funding structure at company level and through which instruments?

There are important tax barriers that should be addressed without delay. These relate especially to domestic withholding tax provisions that have been addressed for instance in Giovannini reports 2001 and 2003. We would encourage the Commission to continue the work based on Tax Barriers Business Advisory Group (T-BAG) recommendations.

31) How can the EU best support the development by the market of new technologies and business models, to the benefit of integrated and efficient capital markets?

CMU as a catalyst for digitalisation. – Digitalisation and rapid technological development will change the whole EU financial sector significantly in the coming years. The EU should have a strong forward-looking digital agenda and the CMU should act as a catalyst for digitalization of financial services. All new legislative initiatives should consistently facilitate smooth provision of financial services and relevant client information online. Current requirements to provide information on paper or similar format should be critically reviewed in the upcoming periodical reviews.

Sufficient phase-ins of new rules support efficient capital market models. – In the recent years, the heavy regulatory agenda has been lacking workable phase-ins. This has led to a situation where companies have had to change their systems and processers very quickly, in order to comply with in time. With sufficient phase-ins, the companies would have the possibility to analyse and develop best technologies and business models instead of implementing only what one needs to comply.