

**REBRANDING CAPITAL MARKETS UNION:
STATUS QUO AND BACK TO THE DRAWING BOARD**
2ND TASK FORCE: CEPS-ECMI

**Session 3. Supervisory framework for
integrated capital markets**

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The information and views set out in this presentation are those of the author and do not necessarily reflect the official opinion of Consob

CMU: THE STATE OF PLAY

1. WHAT HAS TO BE DONE?

- EU covered bonds framework
- EU crowdfunding framework
- Simpler regime for a cross-border distribution of funds
- Pan-European Personal Pension Product (PEPP)

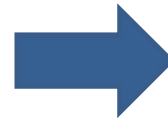
- Review of the ESAs
- Enhancement of the CCPs supervision
- A harmonised recovery and resolution framework for CCPs

- Preventive restructuring, second chance and efficiency of procedures
- Investment firms review
- Simplification of the OTC derivatives market legal regime
- Promotion of SME Growth Markets
- Third-party effects on assignment of claims
- a Common Consolidated Corporate Tax Base (CCCTB)

2. WHY IS IT IMPORTANT?



Making the most of the EU Single Market



More efficient supervision of capital markets




Simpler, clearer and more proportionate rules for financial players

PEPP AND SMEs

- Pan-European Personal Pension Product (PEPP)

- A **Union-wide** personal pension product based on a set of common features
- **Complementary** to state-based public pensions and occupational pensions
- **Objectives:**
 1. creating a single market for personal pensions, channelling additional financing to productive long-term investments
 2. creating simple, transparent pan-European personal pension product to extend the options for retirement savings for the EU citizens
 3. enhancing the cross-border provision and **portability** of personal pension products, increasing the competition among pension product providers



An emblematic example of the Capital Market Union

- Promoting SME Growth Markets

- **Current obstacles** to the development of SME Growth Markets:
 1. Lack of liquidity which lowers shares valuation
 2. Disproportionately high administrative costs on SMEs listing or issuing equity/bonds: e.g. the one-size-fits-all approach taken under harmonising legislations (notably MAR)
- **Solutions** proposed by the EC:
 1. Establishment of a European opt-in regime for liquidity contracts
 2. Mandate SME Growth Markets to apply minimum free float requirements
 3. Amendments to MAR disclosing and record-keeping obligations;
 4. Provision of a transfer prospectus for SMEs when moving to a regulated market



Facilitating the access of SMEs to capital markets is a crucial step in the CMU project.
Are the proposed solutions enough?



ESAs REVIEW: MAIN TOPICS FOR THE TRILOGUE

Direct supervision:

among the items proposed by the EC, discussions have been focusing on: benchmarks (critical and non-EU), data reporting services providers (particularly CTP), certain types of prospectuses (the ECON seems more supportive)

The ECON report envisages the possibility for the ESAs to issue time-limited no-action letters. This tool may be useful for temporary suspension of specific provision in Union law, with an EU-wide application

Management Board vs Executive Board
EC and ECON wish for an independent EB, whilst a number of governments call for a new MB with some independent members

New powers in relation to equivalence decision and ongoing monitoring of third countries

ESMA

Supervisory priorities and supervisory handbooks

Breach of law, binding mediation and peer review: should the power be granted to the EB or to the BoS with a new procedure aimed at smoothening the decision making?

Powers pertaining to delegation, outsourcing and coordination function for cross-border activities: mixed views between the co-legislators

PEER REVIEWS

- Up to now, ESMA conducted 15 peer review processes
- In 5 cases the peer review reports (PRR) were followed by follow-up reports (FR)
- The items subject to review vary: contingency measures, Transparency Directive, Market Abuse (2 PRR + 1 FR), MMF (PRR+FR), UCITS, Prospectuses (2 PRR), Short Selling, Financial Information and MiFID topics (conduct of business and marketing communications (PRR+FR), Best execution (PRR+FR), automated trading, suitability requirements (PRR+FR), compliance function
- The peer review process has been subject to evolution. The initial reports are based on previous mapping exercises started by the CESR and they don't include a real assessment of the information provided by the NCAs
- During the years the assessment of the self-evaluation made by each NCA has become more robust, on-site visits to some NCAs have been performed
- The analyses made by ESMA are becoming more and more detailed, and focused on specific subjects and/or NCAs
- Comparing the items subject to review and the legislative measures adopted in the recent years it seem possible to draw a link between them

...REBRANDING THE CMU PROJECT

- **EU27**
- **Fintech, Regtech, Suptech, as new paradigms**
- **Cyber security as a goal to be pursued in a harmonised way**
- **Rationalisation of the collective investment discipline**
- **Greenery Europe**
- **Going back to the Giovannini barriers**
- **Less (rules) is more (convergence)**