

FEATURED

Closing the funding gap: Competition at the heart of the single market

ECMI Annual Conference | 17 October 2013 | National Bank of Belgium



With over 450 registrations from across Europe, the 2013 ECMI Annual Conference brought together once again international experts in capital markets from industry, policy-making and academia for a full-day discussion in Brussels on October 17th. This year's conference explained how competition in the single market can help to fill the funding gap. The conference was structured around three panel sessions: The first session tackled the issue of competition among member states and the crucial problem of finding a balance between competitiveness and federalism in the Eurozone. The second session analysed the status of competition among financial market operators assessing the progress of the pan-European capital markets project. The third session focused on the hot topic of competition among funding sources and the role of capital markets in the promotion of innovation and economic growth. Please [click here](#) for a full report and to download presentations from speakers.

KEYNOTE SPEAKERS



Thomas Westphal



Andrea Beltratti



Joaquín Almunia



David Evans



Colin Mayer



Julian Callow

KEY TAKEAWAYS

Session 1.

Despite the Eurozone begins to see the light at the end of the tunnel, uncertainty remains on the speed of institutional reforms, such as banking union and greater harmonisation of fiscal policies. More symmetry is needed for the implementation of structural reforms by core countries and to ensure a mechanism of governance that does not create distortive incentives.

Session 2.

The financial market is a competitive setting that exhibits characteristics similar to multi-sided platforms. Therefore, it should be subject to ongoing supervision from competition authorities, while financial stability concerns are less significant than some years ago. European capital markets infrastructures would need to find a way to succeed in a more competitive environment globally, perhaps by promoting a truly pan-European market architecture.

Session 3.

Governance is an essential aspect to ensure greater and better access to finance to corporates. Capital markets are testing several new tools to revive funding for fundamental parts of the economy, such as small and medium enterprises. The dilemma of promoting the risk-taking needed for growth while deleveraging and de-risking the financial system remains a tough objective to achieve for policy-makers in the aftermath of the crisis.

RECENT PUBLICATIONS

Why a more accurate EU definition of SMEs matters!

ECMI Commentary | 15 November 2013 | By Federico Infelise, Diego Valiante

As part of the European Union's commitment to deliver greater access to finance for small- and medium-sized enterprises (SMEs), EU policy-makers will have to deal with a fragmented market landscape and responses by individual member states to address failures. On the basis of some early evidence, this Commentary calls for a rethinking on the part of the EU of its definition of an SME, which currently does not take into account the internal market dimension. A more accurate definition, reflecting the internal market and the stages of evolution of a firm and its financing needs, would allow better benchmarking and a comparison of policy responses that often claim to address market failures in SME finance.

[Click here to download the commentary.](#)

RECENT EVENTS

Price Formation in Commodities Markets: *The World After Financialisation*

ECMI conference | Brussels | 30 September 2013

The final launch of the ECMI-CEPS Task Force Report titled 'Price Formation in Commodities Market: *Financialisation and Beyond*' was held in Brussels on September 30th during a full day-conference. The conference was introduced by the author of the report, Diego Valiante, who presented the main finding of this new landmark report; the event continued with two panel-sessions focused on commodities markets fundamentals and fundamentals drivers of long term price formation (session 1) and on commodities market structure (session 2).



Barbara Lewis, Ann Berg, Jaakko Kooroshy and Diego Valiante

The ECMI Task Force Report analyses the interaction between physical and futures commodities markets and the price formation mechanisms in 11 different commodities markets (crude oil, natural gas, iron ore, aluminium, copper, wheat, corn, soybean oil, sugar, cocoa and coffee). After more than one year of data gathering and qualitative desk research, the report sheds light on a broad set of policy concerns by looking at long-term drivers of price formation in futures and physical commodities markets.

The findings of the report have been presented also in three other high-level meetings: on June 29th at a closed-door seminar of the IOSCO Committee on Commodity Derivatives Markets, in Frankfurt, on September 28th in Geneva at the FIA Burgenstock Derivatives Conference, and on October 10th at the conference "Commodities Pricing: What Next for Global Resource Markets" organised by Chatham House in London. [Click here for downloads of presentations from the conference in Brussels and for the report.](#)

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Launch of Task Force Report on Long-term Investing and Retirement Savings

Brussels | 18 September 2013

The Task Force report "Saving for Retirement and Investing for Growth" urges policy-makers to place households, as end-investors and beneficiaries, at the heart of the debate on the long-term financing of the European economy, and to act decisively to deliver more inclusive, efficient and resilient retail investment markets. The report, contributed by CEPS Research Fellow Mirzha de Manuel, comes after the successful completion of a year-long research project and a number of task Force meetings to discuss long-term investing and retirement savings, with the participation of a various experts under the Chairmanship of Allan Polack (CEO of Nordea Asset Management). Speaking at the launch of the report in Brussels, Nadia Calviño, Deputy Director General of DG MARKT, European Commission, and Patrick Hoedjes, Director of Operations of EIOPA, endorsed the report and its recommendations for their depth and comprehensiveness, which make a valuable contribution to the policy process, notably on pan-European personal pensions, retail long-term investment



Nadia Calviño, Karel Lannoo, Mirzha de Manuel

funds and the prudential framework for insurers and pension funds. The report was also presented at the 2013 IOSCO conference on September 19th in Luxembourg, at the AFME conference Financing Growth in London on 24 September, to a specialised press with Carmignac in Paris on 6 November and at the Eiopa 2013 Conference in Frankfurt on 20 November. [Click here](#) for more information about the report and to download presentation from the launch event in Brussels.

UPCOMING EVENTS

The missing pieces of the SME financing story

[ECMI Half-Day Conference | 4 December 2013](#)

After the financial crisis, supporting SMEs financing needs has become the new *mantra* in the European policy debate about how to restore growth in Europe. A wide number of national and European public institutions have put in place different programs aimed at narrowing the funding gap of SMEs; at the same time several market-based initiatives have been developed in order to provide these companies with alternative financing tools to reduce the traditional dependence of SMEs on bank-loans. This ECMI half-day conference will bring together international experts and market representatives to discuss current strategies and policy actions for SMEs access to finance.

On this occasion a new ECMI commentary on the EU definition of SME and a research report, mapping initiatives for SMEs in the top 5 EU countries, will be presented, together with a research project aimed at the production of a fact-based report on the capital structure of a well-defined set of SMEs. [Please click here](#) for more information and to register for the event.

What future for socially responsible investing?

How capital markets can save life and generate returns for investors: The Vaccine Bonds initiative

[ECMI-CEPS Lunch-time event | 15 January 2014](#)

Socially responsible investments (SRIs) have become an important complement to traditional government aid for global health and development. In the effort to balance a more long-term horizon with wider contextual factors, such as global health and environment, SRIs in recent years have been shaping up in different ways. Among those, impact investment is an innovative approach that uses investment products to address social issues directly, by funding projects that help reduce poverty, improve access to healthcare and support solutions for other major societal issues while achieving financial returns for investors.

This panel discussion will discuss the different models and the future of SRIs. Among those, the discussion will focus on the innovative model of Vaccine Bonds issued by the International Finance Facility for Immunisation (IFFIm), which complements traditional government aid by raising billions of dollars to support GAVI immunisation programmes in the poorest countries. To register for the event, [please click here](#).

UPCOMING RESEARCH

Supporting SMEs access to finance: mapping the initiatives in five European countries

[Forthcoming ECMI Report](#)

With the outbreak of the financial crisis improving access to finance of SMEs has become a priority in the political agenda of every European government. Since then many different institutions at any possible government level have put in place a diversified range of proposals targeting the closure of the so-called *SME financing-gap*. This report gives a snapshot on which specific programs were available at *national level* at the end of 2012 in support of SME access to finance in the five biggest EU economies (Germany, France, UK, Italy and Spain). By performing a mapping of the initiatives following

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two main breakdowns (*public/market-based* supported initiatives and *debt/equity* targeting initiatives) this report tries to clarify, among a complicated web of political proclaims and proposals never implemented, which financing tools are actually available for SMEs, who is supporting those programs and the size of the resources that has actually been allocated to the fulfilment of this important objective.

Main findings:

- The acknowledgement that serious market failures are preventing an optimal SME financing allowed for a wide range of *public interventions* in all the five countries analysed.
- The largest majority of public interventions aimed at the *subsidisation of bank-loans* through the offer of loans at off-market rates or through public guarantees on SME loans. In the short-run, public subsidisation of bank loans is a cost-effective policy as it provides immediate support to SMEs and it is easily deliverable through already existing market infrastructures.
- On a long-run prospective, the focus on bank-loans does not help the development of those alternative financing channels that would reduce the critical over-reliance of SMEs on credit markets.
- National government resources deployed in favour of SMEs access to finance, accounting for 1% to 3.4% of the value added of the respective SMEs national sector, should be considered overall limited.
- Market-based solutions (alternatives investment markets for bonds and shares, venture capital funds, securitisation) are struggling to emerge and, at the moment, do not seem to be able to have a big impact on SMEs financing. Representing both an alternative to bank-loans and, in the long-run, a potential zero-cost solution for tax payers shifting part of the public resources to the support of these initiatives seems to be desirable.
- A common, more granular and better specified definition of SMEs would allow for a more efficient allocation of public resources. The actual EU SME definition is too loose and is not able to identify homogeneous pools of firms characterised by common capital structures and common financing needs. A more effective definition will be indeed needed in order to build policies able to maximise the potential of the wide SMEs sector and to develop more targeted strategies.

New ECMI research project on SME financing

January 2014 - Summer 2014

To further develop its recent research activity on theme of *SME access to finance* ECMI is launching a new research project aimed at the collection of data to better understand the capital structure of SMEs. The ultimate objective of this proposal is to produce a fact-based report on the capital structure of a well-defined set of SMEs in the 5 biggest European economies (France, Germany, Italy, Spain and UK). A better understanding of the composition of the liabilities side of SMEs can inform current policies and address new potential policy tools to restore a proper and diversified set of funding mechanisms for SMEs.

In the following weeks a CALL FOR SPONSORSHIPS to finance the research project will be published and disseminated to potential sponsors. Interested in sponsorship? Please contact us at ecmi@ceps.eu.

MIRZHA DE MANUEL LEAVES ECMI

After three years at ECMI, Research-Fellow Mirzha de Manuel Aramendía has left to take up the position of Director of Capital Markets Policy at the CFA Institute in Brussels. We will miss his conscientiousness, quick mind and enthusiastic attitude.

During his time at ECMI, Mirzha notably developed two task forces (Rethinking Asset Management and Long-Term Investing and Retirement Savings) whose final reports have gained recognition as important reference works for policy-making in those areas. In his new role, Mirzha will remain deeply engaged in policy-oriented research. We send him best wishes for success in his new position.

From January next year a new researcher will start at ECMI.

