



BANKING AND FINANCE

Public consultation on the Capital Markets Union mid-term review 2017

Fields marked with * are mandatory.

Introduction

Purpose of this consultation

The Commission aims to publish the Mid-term Review of the [Capital Markets Union \(CMU\) Action Plan](#) in June 2017. The Mid-term Review aims to:

- take stock of progress on the implementation of the CMU Action Plan;
- reframe actions in the light of work undertaken so far and evolving market circumstances;
- complement the CMU Action Plan with new measures which constitute an effective and proportionate response to key challenges.

This consultation provides an opportunity for stakeholders to provide targeted input to revise the CMU Action Plan. The preparation of the CMU Mid-term Review will also draw on relevant submission and findings from the [Commission's Call for Evidence on the EU regulatory framework for financial services](#).

Respondents are invited to provide feedback on the questions raised in this consultation document by 17 March 2017. Respondents are invited to provide evidence-based feedback and specific operational suggestions. The use of the on-line questionnaire is encouraged.

Context of the consultation

The Capital Markets Union (CMU) is a core component of the Commission's Investment Plan for Europe to boost jobs, including youth employment, and growth. It encompasses the reforms of our financial system needed to enable the flow of private capital to fund The EU's pressing investment challenges – in the domains of infrastructure, energy transition, but particularly in financing growing businesses. CMU seeks to better connect savings to investment and to strengthen the EU financial system by enhancing private risk-sharing, providing alternative sources of financing, and increasing options for retail and institutional investors. Removing obstacles to the free flow of capital across borders will strengthen the Economic and Monetary Union by supporting economic convergence and helping to cushion economic shocks in the euro area and beyond, making the EU economy more resilient. This is even more important in the current economic environment.

The CMU Action Plan of September 2015 set out a comprehensive programme of 33 actions to put in place the building blocks for the CMU. Alongside the [Single Market Strategy](#) and [Digital Single Market Strategy](#), CMU sits at the heart of the EU reform agenda for a deeper and fairer Single Market, and remains a flagship priority of this Commission.

The evolving economic and political context in the EU, as well as pronounced differences in the maturity of capital markets across Member States, shows that developing stronger capital markets in the EU is more important than ever. The EU economy needs bigger and better capital markets to help break its reliance on bank lending and diversify its sources of funding. The configuration of EU capital markets is faced with significant change in the years ahead. However, whatever the precise configuration of those markets, it is clear that the EU must remain strongly focussed on developing capital market finance as a complement to a restored banking system, and to ensure that, as capital markets deepen, the capacity to supervise and manage risks keeps pace. The work on setting the broad policy framework and creating the right enabling conditions for capital markets to finance the real economy should continue.

This is why on 14 September 2016 the Commission adopted a [Communication to reaffirm its commitment to the CMU](#). This Communication calls for an acceleration of the reforms and reviews priorities. The Commission firmly believes that, to reap the benefits of the first CMU commitments, there is a need to speed up the legislative process, starting with the long overdue securitisation package and the implementing measures of the Prospectus Regulation.

The CMU pipeline is delivering. Some 15 initiatives have been completed by the Commission, which corresponds to almost one-half of the CMU Action Plan. Several more will be completed in the coming months. As we approach the end of the delivery of the first wave of CMU-building, it is appropriate to take stock of what has been done, its effectiveness in addressing policy challenges, and how to build on these foundations.

The aim of this consultation document is to seek feedback on how the current programme can be updated and completed so that it represents a strong policy framework for the development of capital markets, building on the initiatives that the Commission has presented so far. To support the discussion, this document provides an up-to-date overview of the state of implementation of the CMU Action Plan.

The document retains the structure of the CMU Action Plan which identifies six policy areas on which CMU building should focus. Under each heading, the consultation paper identifies outstanding issues and challenges, having briefly recalled the drivers for policy action and the work done so far.

Respondents are invited to provide concise and operational suggestions on measures that can be enhanced and on complementary actions to deliver the policy goals.

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-cmu-mid-term-review@ec.europa.eu.

More information:

- [on this consultation](#)
- [on the protection of personal data regime for this consultation](#) 

1. Information about you

*Are you replying as:

- a private individual
- an organisation or a company
- a public authority or an international organisation

*Name of the public authority:

Channel Islands Brussels Office

Contact email address:

The information you provide here is for administrative purposes only and will not be published

steve.williams@channelislands.eu

*Type of public authority

- International or European organisation
- Regional or local authority
- Government or Ministry
- Regulatory authority, Supervisory authority or Central bank
- Other public authority

*Where are you based and/or where do you carry out your activity?

Other country

*Please specify your country:

This is a joint response by the governments of Guernsey and Jersey and by the two financial regulators (the Guernsey Financial Services Commission and the Jersey Financial Services Commission). It is being submitted on their behalf by the Channel Islands Brussels Office, which is the joint representative office of the two governments.

*Field of activity or sector (*if applicable*):

at least 1 choice(s)

- Accounting
- Auditing
- Banking
- Other financial services (e.g. advice, brokerage)
- Credit rating agencies
- Insurance
- Pension provision
- Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- Social entrepreneurship
- Other
- Not applicable



Important notice on the publication of responses

*Contributions received are intended for publication on the Commission's website. Do you agree to your contribution being published?

([see specific privacy statement](#) )

- Yes, I agree to my response being published under the name I indicate (*name of your organisation /company/public authority or your name if your reply as an individual*)
- No, I do not want my response to be published

2. Your opinion

A. Financing for innovation, start-ups and non-listed companies

Please [refer to the corresponding section of the consultation document](#)  to read context information before answering the questions.

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Are there additional actions that can contribute to fostering the financing for innovation, start-ups and non-listed companies?

- Yes
- No
- Don't know / no opinion / not relevant

Please propose complementary policy measures, explain their advantages, and illustrate any foreseeable challenges to their implementation.

When CMU was launched in September 2015, much emphasis was placed on opening up the EU to global capital flows. Our main observation, which we have also made in response to the recent CMU consultations, is that since its launch, CMU has evolved into a more inward looking initiative with diminished emphasis on this global dimension.

As leading centres in alternative asset administration the Channel Islands understand that unlocking the supply side is key to development of the capital markets. Providing access to and/or from domiciles where there is a critical mass of providers, skills and expert capital would facilitate the development of market based finance to this key sector.

We appreciate the laudable proposal to develop the EU venture capital (VC) market within the EU to date. However the lack of ready routes from third country managers and capital to European start-ups denies the market an important source of development. The VC market growth as stated in your current consultation remains flat, despite best intentions, and lacks momentum for future development. Opening this market up to third country managers could provide the stimulus it requires.

We therefore again press for the inclusion of third country measures in EU legislation linked to CMU.

B. Making it easier for companies to enter and raise capital on public markets

Please [refer to the corresponding section of the consultation document](#)  to read context information before answering the questions.

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Are there additional actions that can contribute to making it easier for companies to enter and raise capital on public markets?

- Yes
- No
- Don't know / no opinion / not relevant

Please propose complementary policy measures, explain their advantages, and illustrate any foreseeable challenges to their implementation.

Revisions to the risk weightings to better enable insurers to participate in investment in long term and infrastructure assets was a laudable move and we hope it has the desired effect. However, in a similar vein to comments we made about moves to develop VC markets, we feel that a significant omission was the failure to include third country measures in either the ELTIF or the Qualifying Infrastructure Investment class.

A key component of the rationale of the ELTIF was to open up long term investment class to retail investors. We remain unconvinced that such direct investment is to be encouraged. Liquidity matching concerns between the underlying assets and the redemption demands of retail investors is a policy area that has been of key focus to the work of the Financial Stability Board (FSB) and IOSCO. Specifically, this work has sought to address the structural vulnerabilities of the asset management industry to systemic risk. The extension of the asset class to retail investors to us seems to be contrary to the global policy movement.

A key issue in ensuring market integrity and protection of professional investors (or, as described in MIFID II, 'elective' professionals) is the need to ensure effective and genuine valuations. Expertise in the asset class is thus fundamental to achieving this. We therefore again return to our theme that the lack of third country measures precludes access to market expertise located in third country jurisdictions such as the Channel Islands. In 2013 the Channel Islands administered four times the volume of private equity (PE) assets as that held collectively by all EU based insurers.

These points are of particular relevance and importance in the consideration of any changes to the risk weighting to Private Equity and Private Debt products which is due for review by the Commission during the course of this year. We would be happy to participate in this process to provide the benefit of our market and regulatory expertise in this area.

C. Investing for long term, infrastructure and sustainable investment

Please [refer to the corresponding section of the consultation document](#)  to read context information before answering the questions.

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Are there additional actions that can contribute to fostering long-term, infrastructure and sustainable investment?

- Yes
- No
- Don't know / no opinion / not relevant

D. Fostering retail investment and innovation

Please [refer to the corresponding section of the consultation document](#)  to read context information before answering the questions.

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Are there additional actions that can contribute to fostering retail investment?

- Yes
- No
- Don't know / no opinion / not relevant

Please propose complementary policy measures, explain their advantages, and illustrate any foreseeable challenges to their implementation.

We fully support the EUs efforts to improve retail investor confidence in financial markets. We hope that the development of EU wide pensions products help in this regard to improve the scale of investment in market based products for retirement. This would in itself help improve the efficiency of capital allocation for European investment.

We believe that restoring retail investor faith in capital markets is hampered by placing restrictions on the flow of international capital. These restrictions risk being perceived as a lack of confidence of EU policy makers in global capital markets and thus curtails efforts to improve retail confidence. Global capital markets have helped deliver stronger growth rates than those experienced by the EU since 2008 to many areas of the world.

Thus, as noted in previous answers, we believe opening up CMU to third country participants would be beneficial to the EU retail consumers in the long run through, amongst other things, the signal of confidence in global capital markets that such an action would give.

E. Strengthening banking capacity to support the wider economy

Please [refer to the corresponding section of the consultation document](#)  to read context information before answering the questions.

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Are there additional actions that can contribute to strengthening banking capacity to support the wider economy?

- Yes
- No
- Don't know / no opinion / not relevant

Please propose complementary policy measures, explain their advantages, and illustrate any foreseeable challenges to their implementation.

We again suggest inclusion of third country measures. Similar to the points we have made about market expertise in previous questions, we believe it is essential that supply side considerations are addressed in an attempt to reinvigorate the securitisation market. Providing access to expertise and experience is essential as a catalyst for the development of the market. Where that expertise more readily resides in third countries, it would seem logical to incorporate measures that facilitate such access. The Commission's original STS proposal provided for this and we hope it is retained in the final text.

F. Facilitating cross-border investment

Please [refer to the corresponding section of the consultation document](#)  to read context information before answering the questions.

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Are there additional actions that can contribute to fostering long-term, infrastructure and sustainable investment?

- Yes
- No
- Don't know / no opinion / not relevant

Are there additional actions that can contribute to facilitating cross-border investment?

Our final point is to underline the message that we have attempted to relay in the responses to our other questions. Namely, that removing barriers to cross border investing is as important extra EU as it is intra EU and that greater emphasis needs to be given to the former than has been evident to date with the CMU initiative. We believe that to gain the full benefits of capital market union the EU should become better integrated with global capital markets and flows.

3. Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) here:

Useful links

[Consultation details \(https://ec.europa.eu/info/finance-consultations-2017-cmu-mid-term-review_en\)](https://ec.europa.eu/info/finance-consultations-2017-cmu-mid-term-review_en)

[Consultation document \(http://ec.europa.eu/info/files/consultation-document-capital-markets-union-mid-term-review-2017_en\)](http://ec.europa.eu/info/files/consultation-document-capital-markets-union-mid-term-review-2017_en)

[Specific privacy statement \(https://ec.europa.eu/info/file/70501/download_en?token=bbrpmgal\)](https://ec.europa.eu/info/file/70501/download_en?token=bbrpmgal)

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

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