

Press release

AFME welcomes next steps in Capital Markets Union Action Plan

8 March 2018

Commenting on today's announcement from the European Commission, outlining further measures to take forward the Capital Markets Union, Simon Lewis, Chief Executive of AFME, said:

"Today the Commission revealed the latest chapter in its Capital Markets Union Action Plan, which is the most ambitious one so far. Amid significant political change, the case for a CMU is more compelling than ever. For the project to succeed, the CMU must be focused on building EU capital markets in a global marketplace, ensuring that EU markets provide capital to enable businesses to grow."

Specifically, on the FinTech Action Plan, AFME:

- welcomes the fact that the majority of the 23 actions contained in the plan are non-legislative, which will foster an environment that nurtures innovation and help the EU to take advantage of the vast range of opportunities FinTech presents. Encouraging the growing use of FinTech will also support the development of a CMU by enabling users to enhance their business models and reduce costs, thereby benefiting customers;
- agrees that there needs to be a consistent regulatory approach to FinTech, however, AFME stresses that this must be global in its application. Greater coordination is also required for the development of a strong FinTech ecosystem in Europe. In this respect, the role allocated to the European Supervisory Authorities (ESAs) to ensure a more effective coordination of innovation hubs or regulatory sandboxes is very welcome;
- very much welcomes the Commission's commitment to setting up various groups to tackle FinTech challenges. However, given the significant developments in DLT and artificial intelligence already taking place, we would urge the Commission to be more ambitious in its timing and to set up the Expert Group envisaged for Q2 2019 as soon as possible and to ensure the participation of as wide a variety of different stakeholders as possible. This would also ensure the EU is best equipped ahead of G20 meetings where these issues are tabled for discussion;
- welcomes the emphasis on cyber security as a priority. AFME and its global affiliate, the GFMA, have been active in developing [a global harmonised approach to penetration testing](#) and welcome the call for common standards and the need for a global perspective to tackle cyber threats.

Specifically, on the Sustainable Finance Action Plan, AFME:

- welcomes the proposed creation of an EU Sustainable Taxonomy, which will provide the necessary common language to kick-start many of the Action Plan initiatives. Such a workable taxonomy will only emerge from a consensus from a wide range of market professionals. We would strongly recommend the technical expert group to include a strong governance structure with key objectives and a timeline;
- encourages policymakers to promote green standards and labels without constraining the development of this nascent market. We agree that green standards for green financial products should build on current best practices and recognise the valuable work undertaken under the ICMA Green Bond Principles. Any proposal should be fully aligned at international level;

- supports the expansion of the European Investment Advisory Hub's remit to include sustainability considerations. The financing for infrastructure is available, but there is lack of financeable projects. We therefore recommend policymakers define an industrial strategy resulting from other EU policy objectives to identify a financeable pipeline;
- supports the study of the merits to include sustainability factors in prudential requirements. We agree that capital requirements should reflect underlying (credit) risks. Any review of the recalibration of capital requirements should be based on data and subject to public consultation;
- supports the priority action reviewing how reporting relates to climate risks, but would recommend avoiding premature standardisation. We support better voluntary disclosures, focused on materiality, to improve investment decisions through the industry-led FSB TCFD work and the Non-Financial Reporting Directive;
- supports further research and cost-benefit analysis on how Environmental, Social and Governance (ESG) considerations - including climate change - can be integrated into various potential initiatives, such as data gathering.

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About AFME:

AFME (Association for Financial Markets in Europe) advocates for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society. AFME is the voice of all Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues. AFME aims to act as a bridge between market participants and policy makers across Europe, drawing on its strong and long-standing relationships, its technical knowledge and fact-based work. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: www.afme.eu. Follow us on Twitter @AFME_EU