
Press release

AFME responds to Commission's CMU mid-term review

17 March 2017

AFME has today submitted its response to the European Commission's public consultation on the capital markets union mid-term review 2017 providing clear policy recommendations to pursue in the second half of the Commission's term.

Simon Lewis, Chief Executive of AFME, said: *"The case for CMU remains strong and compelling to increase financing to the wider economy. The development of well-functioning cross border capital markets is crucial to support high growth companies, as well as to provide investors with reasonable returns in times of low interest rates."*

"The CMU project is well underway and Vice President Dombrovskis and his team have undertaken significant efforts to establish the right conditions for developing Europe's capital markets. But there is still much work to be done. It is important to keep up the pace in this second wave of the project to ensure the timely and successful delivery of CMU, which will remain essential well beyond the term of the current Commission."

In its response, AFME outlines three overarching objectives for the second half of the Commission's term:

- **address Europe's shortage of risk capital:** the Commission and co-legislators should prioritise actions that would make risk capital more widely available, particularly for Europe's high growth businesses;
- **maintain and promote well-functioning secondary markets:** policymakers should continue to focus on preserving and enhancing market liquidity, particularly by considering the impact of market conduct regulations and CRR II rules on the functioning of wholesale markets;
- **deliver on the actions already in train:** the Commission published its CMU Action Plan in 2015 which already contains many important initiatives that should help to develop Europe's capital markets. It is important that all actions are delivered on and Member States need to act swiftly to address the barriers identified.

Based on these objectives, AFME suggests ten policy priorities:

1. the importance of supporting **alternative forms of financing** in the pre-IPO phase;
2. support **SME growth markets** further to provide a source of finance for growth companies;
3. the need to focus on **less developed capital markets** and how CMU can help to develop them, recognising the role that regional markets can play in this context;
4. **the need to focus on sustainable finance and infrastructure as key asset classes** to support long-term economic growth;
5. the importance of progressing the **regulatory review** agenda to make sure that the regulatory framework supports capital markets, both those which are established and others which are less developed. Regulatory consistency and coherent calibration is fundamentally important in ensuring that wholesale markets fulfil their role in matching investors and investment opportunities globally;
6. the need for further national **pension reforms**;
7. well-functioning **secondary debt markets** for existing markets such as investment grade corporate bonds, and enhancements for less liquid or illiquid markets, for example ABS and NPLs;
8. the importance of maintaining a **robust secondary market infrastructure** to facilitate capital raising and trading, including having appropriate best execution and reporting requirements;

9. addressing the **withholding tax** barriers currently in place and consider the options for going beyond the recommendations that have already been made to Member States;
10. the **global context** of CMU by arguing in favour of open capital markets which operate with a sensible equivalence framework, all supported by **well-functioning ESAs**.

AFME remains strongly committed to CMU and looks forward to working together with legislators to make sure that the building blocks of a successful CMU are being put in place by 2019.

The full response can be found on the AFME [website](#)

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About AFME:

1. AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. 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.
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