

# AFME Members' Briefing CMU - Taking the next steps

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- Building blocks of the CMU by 2019. Objectives:
  - Single market for capital by removing barriers to cross-border investments
  - Improve access to financing for all businesses around Europe
  - Diversify the funding of the economy and reduce the cost of raising capital
  - Maximise the benefits of capital markets so they can support economic growth and job creation
  - Help SMEs raise finance more easily
- 33 measures – Early wins included:
  - Securitisation / STS framework
  - Prospectus Regulation review
  - EuVECA / EuSEF
  - Infrastructure as an asset class

- By June 2017, the Commission had delivered 20 out of 33 measures
- Key ongoing workstreams include:
  - Securitisation – Level 2
  - Review of the ESAs (incl. role of ESMA)
  - Insolvency Reform
  - Prudential review of investment firms
  - Pan-European Personal Pensions Product
  - Developing capital markets in the CEE region
  - Barriers to listing for SMEs
- Brexit – “CMU more important than ever”

- Sustainable Finance Action Plan
- FinTech Action Plan
- Other proposals:
  - Framework for EU covered bonds
  - Crowdfunding
  - Securities ownership
  - Cross-border distribution of collective investments funds
  - Developing secondary markets for NPLs
- CMU beyond 2019?

- Publications
  - An Agenda for CMU (Nov 2014)
  - Economic gains from insolvency reform (Feb 2016)
  - Securities law reform and close-out netting (Oct 2016)
  - Developing CMU in high potential economies (Nov 2016)
  - AFME BCG Bridging the Growth Gap (July 2016)
  - The shortage of risk capital for Europe's high growth businesses (March 2017)
  - Wrote Global Green Finance Guide (Dec 2017)
- Advocacy & Involvement in CMU Groups
  - Corporate Bond Liquidity Expert Group
  - Insolvency Stakeholder's Group
  - European Post-Trade Forum
  - Vienna Initiative
  - Extensive advocacy and participation in hearings/workshops

# **Sustainable Finance Action Plan**

Edmund Lakin, Manager, Global Markets Policy, HSBC

## European Commission Action Plan: Financing Sustainable Growth

### 1 EU Taxonomy

- Creation of an EU taxonomy for climate change, environmentally and socially sustainable activities.
- Creation of an EU “Technical Expert Group” on sustainable finance

### 2 Green standards and products

- EU Technical Expert Group to produce a report on an EU green bond standard, building on current best practices
- Amendments to the Prospectus Regulation for green bond issuances
- Possible creation of an EU Ecolabel for certain products

### 3 Infrastructure

- Building on ongoing efforts to support advisory for sustainable infrastructure projects

### 4 Financial advice

- Amendment to MiFID II & IDD to ensure sustainability preferences are taken into account in the sustainability assessment

### 5 Sustainability benchmarks

- Amendments to BMR on the transparency of the methodologies and features of benchmarks; and seek to harmonise benchmarks comprising low-carbon issuers.
- Technical expert group will publish a report on the design and methodology of a low-carbon benchmark.

### 6 Sustainability ratings

- Explore mandating CRAs to explicitly integrate sustainability factors into their assessments
- ESMA to assess credit rating market landscape with regards to ESG factors
- EC to undertake comprehensive study on sustainability ratings and research services

### 7 Institutional investors

- Legislation on sustainability duties for institutional investors and asset managers

### 8 Prudential

- EC to explore possibility of recalibrating banks capital requirements for climate and environmental purposes
- EIOPA to provide an opinion on impact of Solvency II on sustainable investments

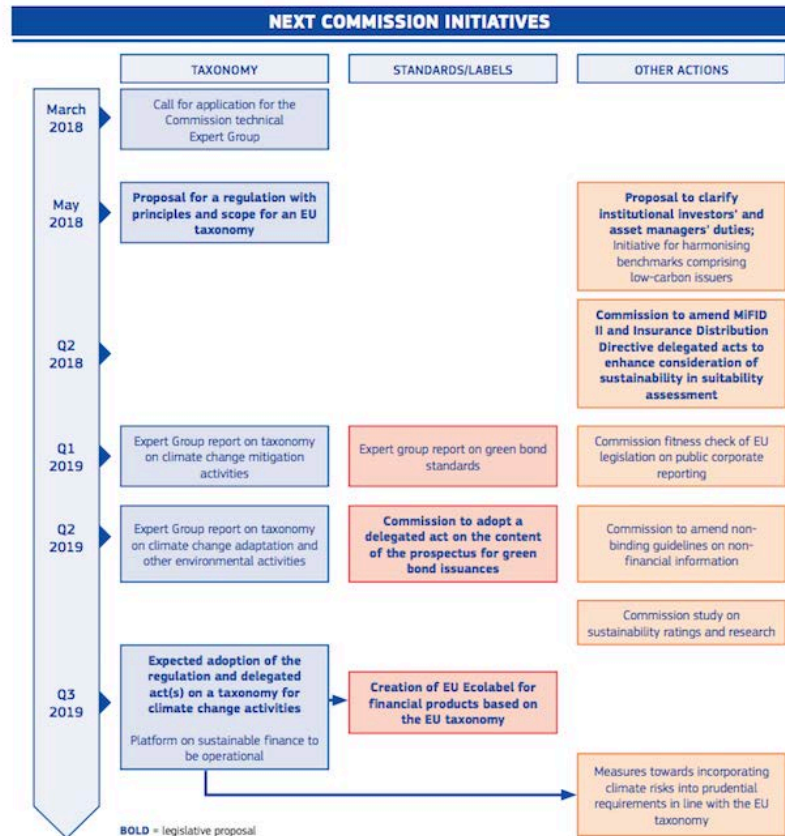
### 9 Disclosure

- EU fitness check of EU legislation on public corporate reporting
- Non-financial reporting directive to be amended to include TCFD

### 10 Corporate governance

- EC to assess need to require corporate boards to develop and disclose a sustainability strategy, and clarify directors duties
- ESAs to investigate undue short term pressure in markets

## European Commission Sustainable Finance Initiatives





# **FinTech Action Plan**

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# The Commission's focus on FinTech

*FinTech is the term used to describe the impact of new technologies on the financial services industry. It includes a variety of products, applications, processes and business models that have transformed the traditional way of providing banking and financial services.*

- In March 2017 the commission launched a consultation on '***FinTech: A more competitive and innovative European financial Sector***'
- In March 2018 the European Commission adopted an **action plan on FinTech that includes 23 measures** (1 legislative – Crowdfunding – and 23 exploratory)
- The plan is part of the European Commission's efforts to: build a **Capital markets union**; a **true single market for consumer financial services**; and is also part of the drive for a **Digital single market**.



# The EC FinTech Action Plan to 2019

## *A more competitive and innovative financial market*

### 1 Encourage innovative business models

- Easier and more uniform **licensing rules** for FinTech activities
- New EU rules to enable **crowdfunding**
- Align **standards**
- Supervisors has 'innovation facilitators'
- '**Regulatory sandboxes**' to apply rules to FinTech firms in flexible and proportionate way

### 2 Stronger cyber resilience

- **Facilitate information sharing** on cyber threats among market participants
- Higher supervisory convergence and enforcement of **IT risk management**
- Increased EU coordination in **cyber threat testing**

### 3 Support uptake of new technologies

- Assess whether current **EU rules are adapted to new technologies**
- Clarify rules to facilitate use of **cloud services**
- EU initiative to **promote blockchain**
- New '**EU FinTech Lab**' to increase knowledge among EU national authorities

# Selected next steps and expected outcomes

**2018 Q1 -2**

**2018 Q3 -4**

**2019 Q1 -2**

- **Q2 2018:** Launch of EU FinTech Lab
- **Q2 2018:** Setup of Expert Group on Regulatory obstacles to financial innovation
- **Q2 2018:** Public-Private workshop to identify barriers to information sharing on cyber threats among FS actors

- **Q4 2018:** Report on challenges and opportunities of crypto
- **Q4 2018 :** Coordinated approaches on standards for FinTech
- **Q4 2018:** Best practices with recommendations for regulatory sandboxes
- **Q4 2018:** ESAs evaluation of costs and benefits for cyber threat testing

- **Q1 2019:** ESAs to map existing supervisory practices across FS for ICT security
- **Q1 2019:** ESAs to map licensing approaches for FinTech
- **Q1 2019:** ESAs to explore need for Guidelines on cloud outsourcing
- **Q2 2019:** Expert group report on fitness of EU FS regulation for innovation



# The focus for AFME

- **Strong intent that technology, cyber and innovation will be among the main drivers of the future EU policy agenda**
  - *Directionally clear but mostly exploratory*
  - *Greater emphasis on the European Supervisory Authorities*
  - *The foundation for the next executive and legislature in 2019*
- AFME Technology and Operations areas of focus for 2018 are: Cloud, AI, DLT and Sandboxes
- We continue to support a collaborative approach that is technology neutral and risk and principle based



# Q&A



The Association for Financial Markets in Europe advocates stable, competitive and sustainable European financial markets that support economic growth and benefit society.

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