

A European Union Capital Markets Union

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A word about EFAMA

EFAMA: the representative association for the European investment management industry

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26 Countries:

22 EU Members, and
Liechtenstein
Norway
Switzerland
Turkey

61 Corporate Members
24 Associate Members

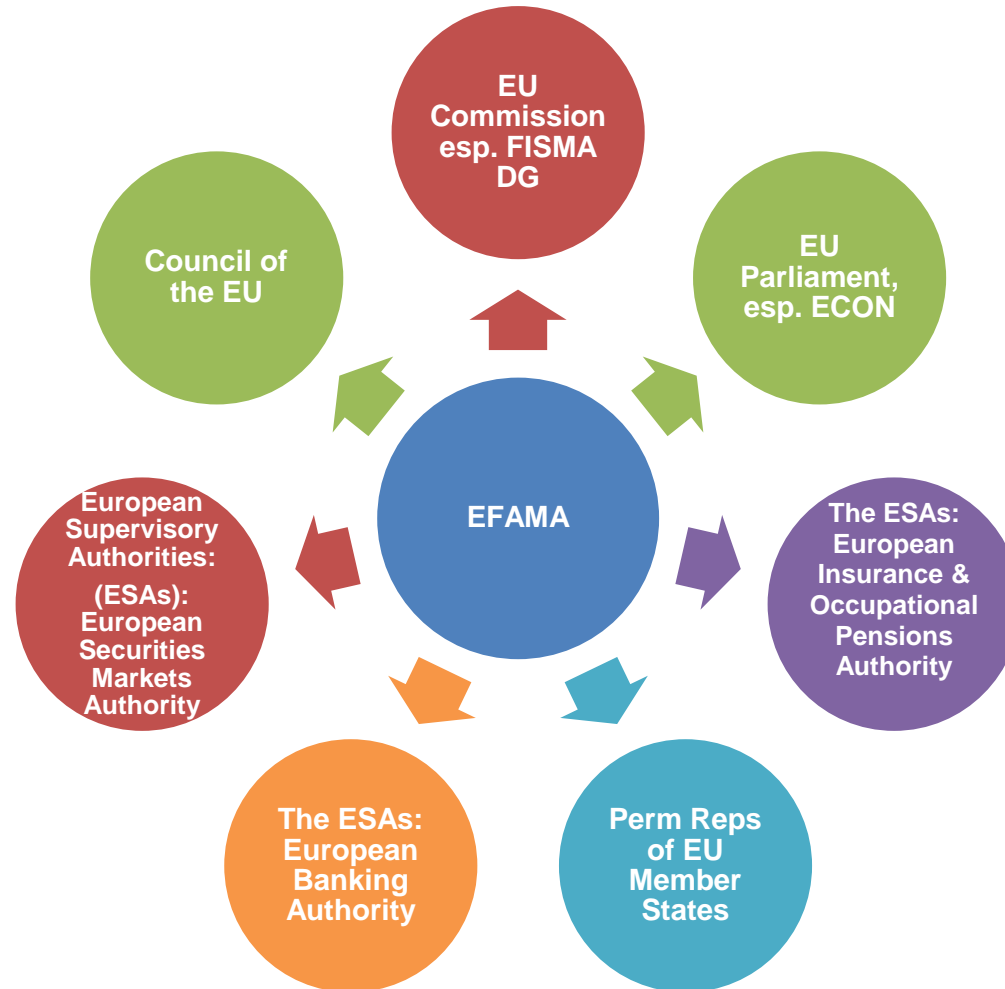
→ **Investment Management:**
EUR 21 trillion of which EUR 12.6
trillion through 56,000 investment
funds (*end Q4 2015*)

EFAMA LAND



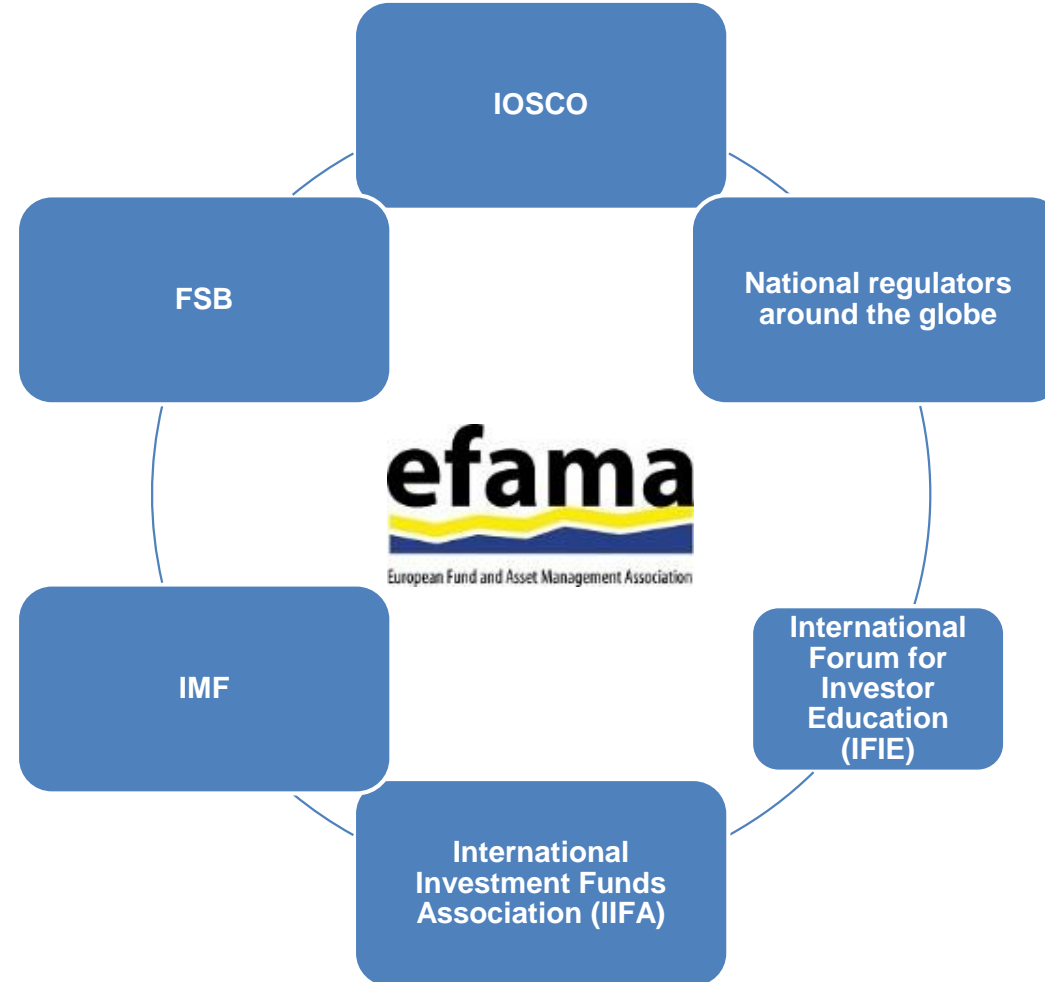
EFAMA's "Partners in Dialogue" - Europe

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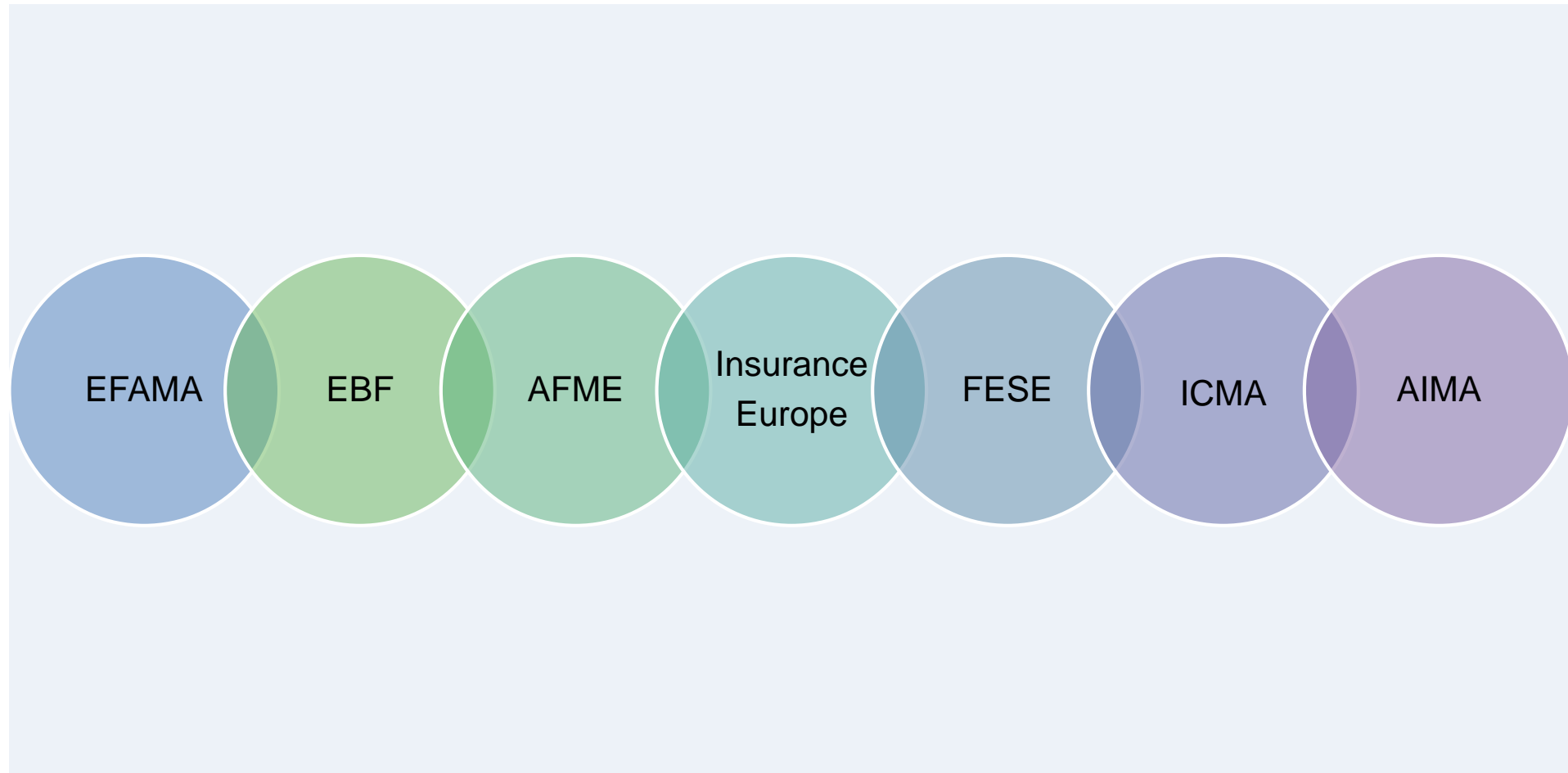
EFAMA's International "Partners in Dialogue"

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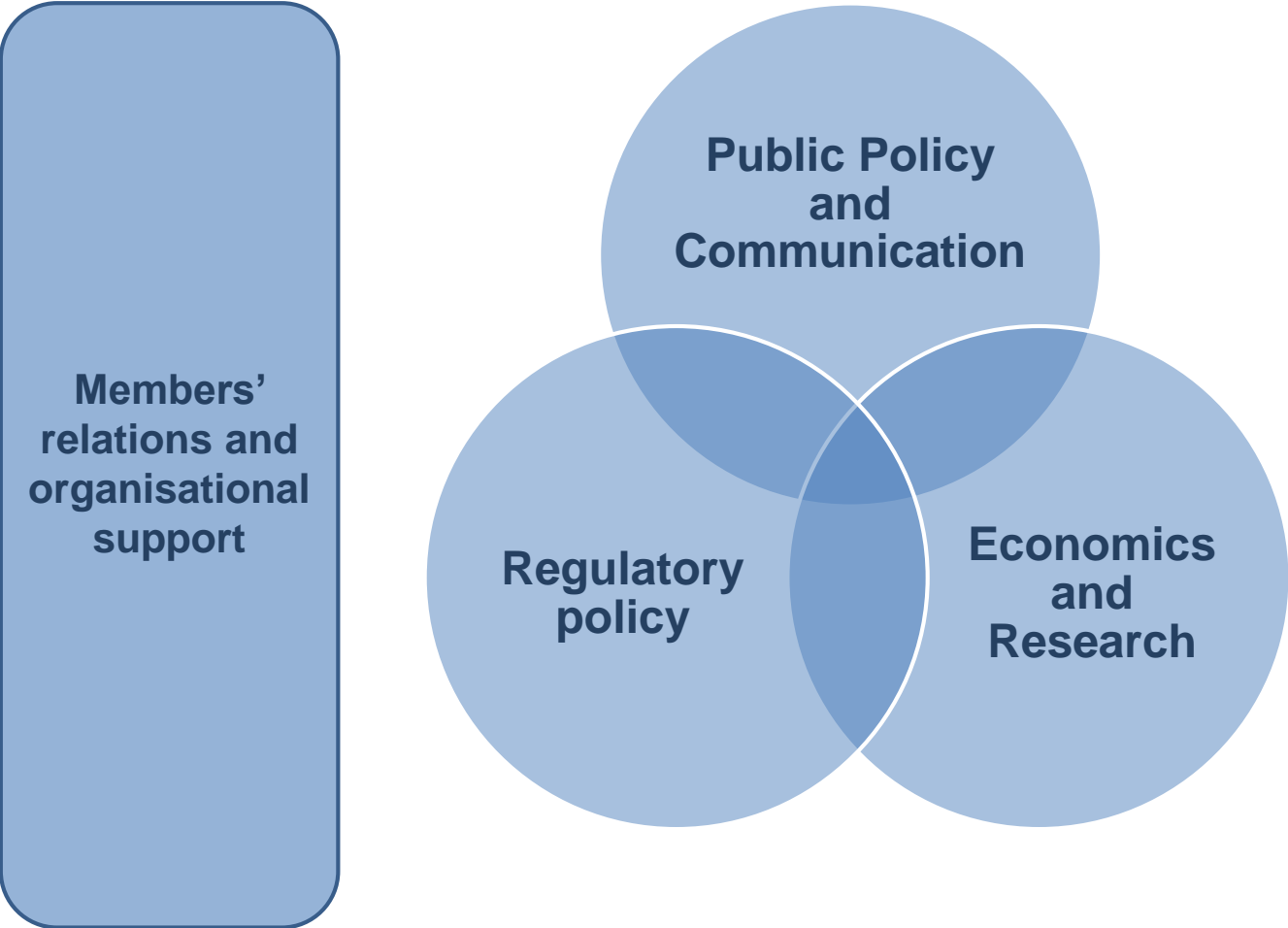


EFAMA & "Peer" European associations

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EFAMA Secretariat organisation



EFAMA Working Groups

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Regulatory Working Groups and Task Forces

- Alternative Investments WG
- Benchmarks Task Force
- Corporate Governance WG
- Asset Protection WG
- Derivatives and SFT WG
- US Regulation WG
- ETFs WG
- ELTIF Task Force
- Market Infrastructures & Trading WG
- Accounting WG
- International Distribution WG
- Distribution & Investor Protection WG
- Financial Stability & Prudential Requirements WG
- Responsible Investment WG
- Risk Management WG
- Securitisation Task Force
- Reporting and Settlement WG
- UCITS WG
- Supervision WG

Tax Working Groups

- Tax Committee
- Financial Transaction Tax Task Force
- VAT WG
- Tax information Reporting WG
- BEPS Task Force

Economics and Research Working Groups

- Statistics WG
- Long-Term Savings and Pension WG
- Solvency II Task Force
- Investor Education WG
- Money Market Fund WG
- Fund Processing Standardization Group
- Fund Processing Passport WG
- European Fund Classification Forum
- Closet Index Funds Task Force

- Public Policy Platform

A word about the European Union Institutions

Keywords on the institutional setting of the EU

European institutions

- European and national dimension
- Over 80% of member states' laws stem from European law

Legislation

- Powers
- Processes
- Analysis of consequences
- Stakeholders

Instruments

- legislative
- non-legislative

Information

- On which to base the position-building process and overall interest representation mission

Keywords on the EU rule-making

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European Commission

- European interest
- Initiates legislative process
- Green Paper, White Paper, Directives, Regulations
- Commissioner, Cabinet (political)
- Directorates General – the “services” (administration)

European Parliament

- European interest – but national electorate
- Co-legislator
- Members of the European Parliament (MEP): rapporteurs + shadows (EP negotiating team)
- Amendments and compromises
- Committees, plenary

Council

- National interest
- Co-legislator
- Experts - ministries
- Amendments and compromises
- Working groups (technical experts), ECOFIN Council (political)

An agreement achieved in “trilogues” ends in practice the EU legislative process

European legislative process – in short

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A word about the EU Capital Markets Union and other priorities for the European asset management industry

Overarching themes for the European asset management industry 2016-2017

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To continue to build **investor confidence**, support **investor-centric legislation** and promote **investor education**

To **promote the financing** of the economy and actively help build up a well-functioning CMU

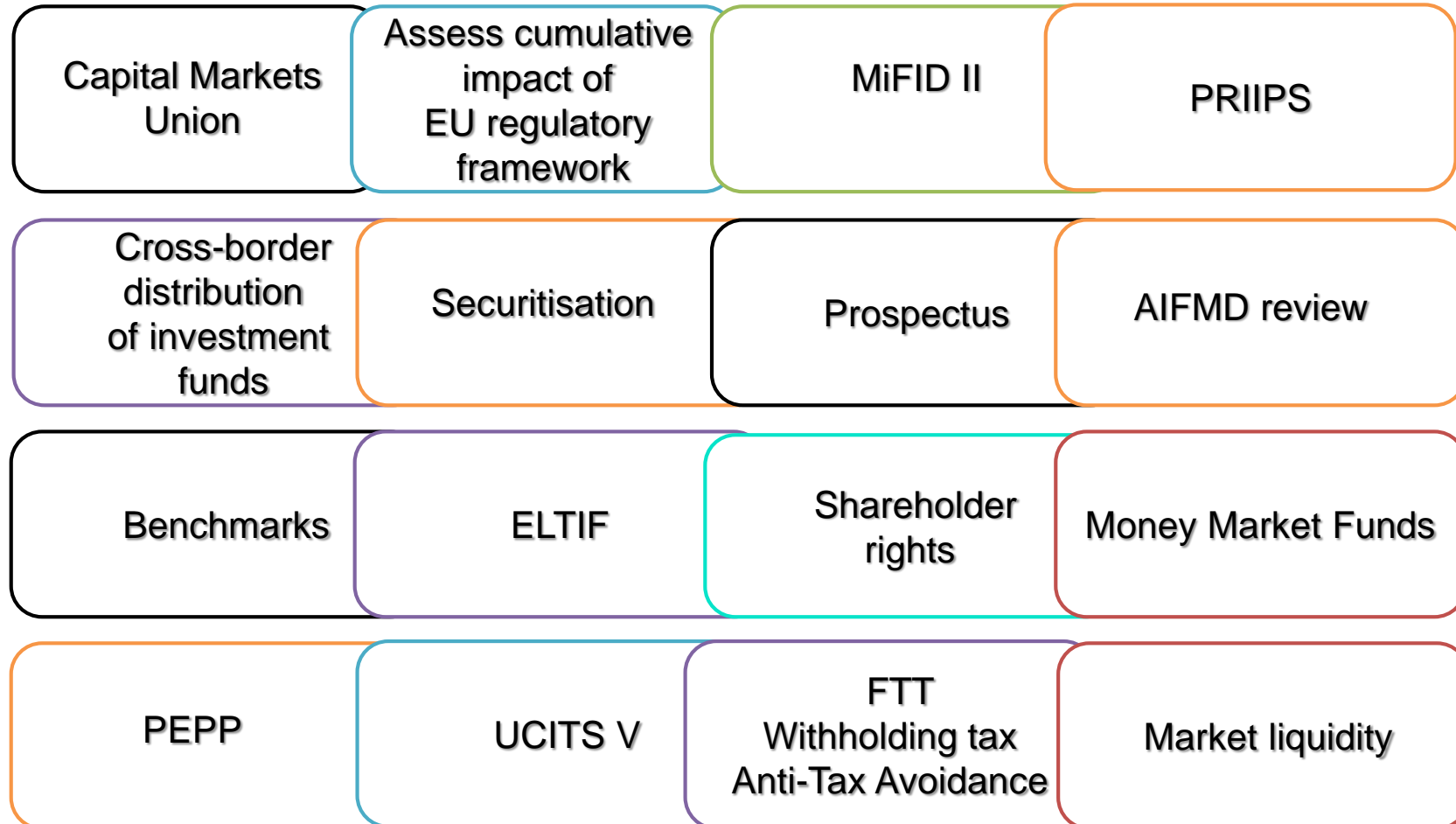
To help develop an **European Personal Pension product** to increase choices for **retirement saving** and trigger a shift of retail savings into capital markets

To build on the **good governance** of the asset management industry and strengthen its **competitiveness** in terms of cost and quality

To increase **global recognition of the UCITS and AIF brand** on a European and worldwide level

EU regulatory landscape for the asset management industry

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European Commission Action Plan on a Capital Markets Union (CMU), Sep 2015

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Opportunities for asset managers in the CMU project

Measures to open up a wider range of funding sources, encourage savings, attract more investment into the EU.

Acknowledgement of the role of the asset management industry.

- Encourage the European passport for investment funds, address remaining barriers ie goldplating
- Work with the industry to develop a single market for pan-European personal pensions
- Support the take-up of European Long-term Investment Funds (ELTIFs) to channel investment in infrastructure and other long-term projects
- Proposals to encourage high quality securitisation and free up bank balance sheets to lend
- ...33 initiatives

Cumulative impact of EU regulatory framework

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European Commission *call for evidence* on the cumulative impact of EU financial legislation

- **First cross-sectoral exercise of its kind**
- **Empirical evidence**
- **Address unnecessary regulatory burdens, goldplating, rules giving rise to unintended consequences**
- **Interactions, inconsistencies, overlaps, gaps**

The European Asset Management industry's views on the CMU

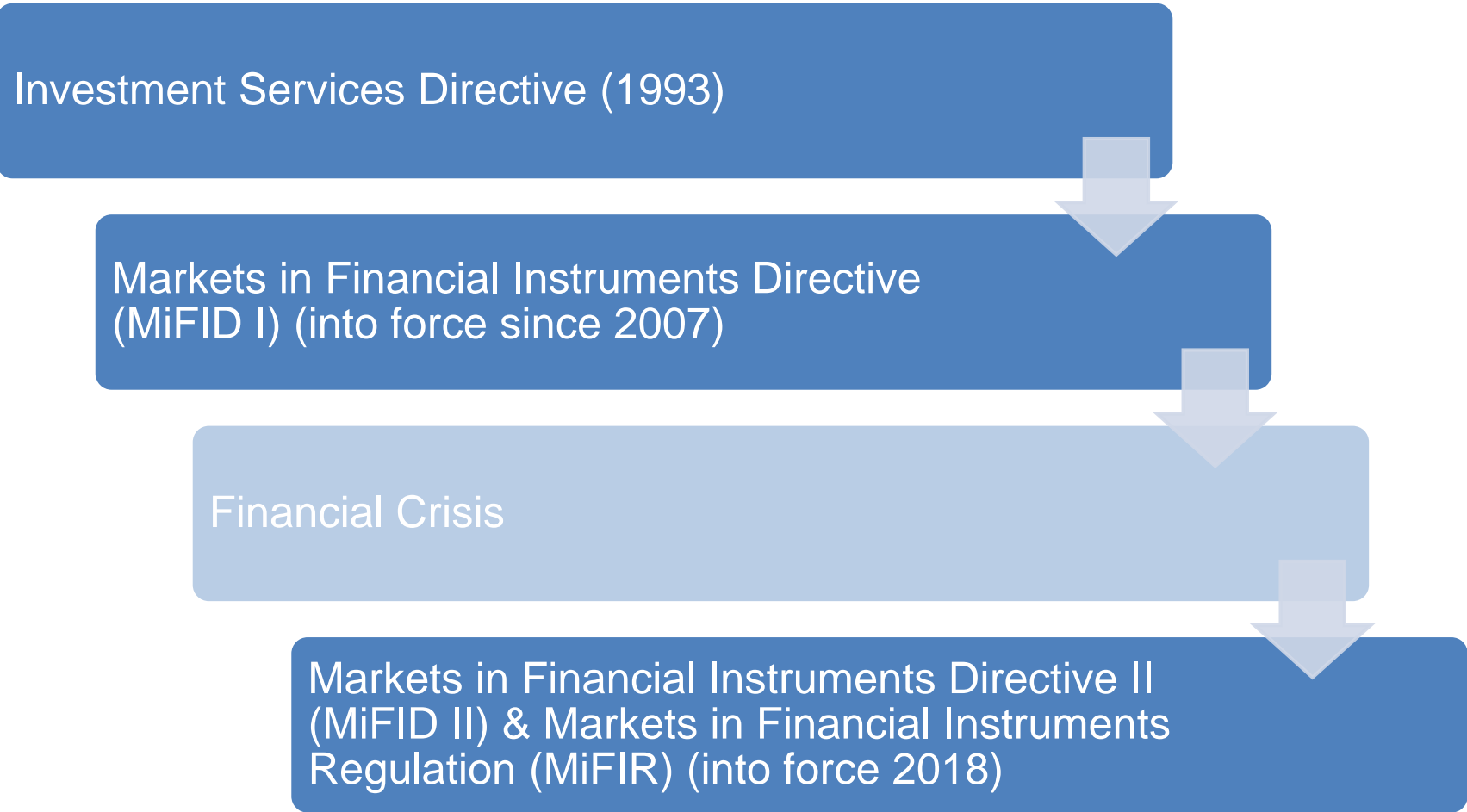
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- Support for the EC's Action Plan - consistent with its aspirations for **more single market**, more capital market union, less cross-border barriers.
- Support for the EC aim to improve the effectiveness of existing **European fund passports**, to lower the regulatory costs of setting up funds and to facilitate the cross-border distribution of investment funds.
- Support for the EC and member states efforts to address barriers stemming from **goldplating** practices, which go against the idea of developing further the European single market.
- Avoid regulatory pieces with **overlapping requirements**, inconsistent with each other, or which create an unlevel playing field among financial sectors.
- Support for the creation of a **Pan-European Personal Pension Product (PEPP)**. It would:
 - widen the opportunity for EU citizens to make provision for their retirement via long-term investments.
 - open the door to scale economies, reducing costs and providing better returns to consumers.
 - encourage EU citizens to save for an adequate retirement income.
 - have the potential to boost the flow of retail savings into capital markets
 - provide long-term funding to the EU economy.
- Support for the priority given to **ELTIFs** as a key vehicle to support infrastructure investment.
 - The “EU label” of this new product has the potential to improve the cross-border investment environment and to unlock and shift capital towards investments in longer term projects.
 - Too soon to assess take up of ELTIFs.
 - Member States need to implement appropriate fiscal incentives - important factor for the market success of ELTIFs.

A word about MiFID II

Genesis of MiFID II

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Complex EU Legislative Process: the case of MiFID II

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Level-1: *European Parliament & Council* (“co-legislators”)

- Directive (MiFID II)
- Regulation (MiFIR)

Level-2 (Implementing Measures): *European Commission & ESMA*

- Delegated Acts (DAs)
- Regulatory Technical Standards (RTS)
- Implementing Technical Standards (ITS)

Level-3 (Guidelines): *ESMA*

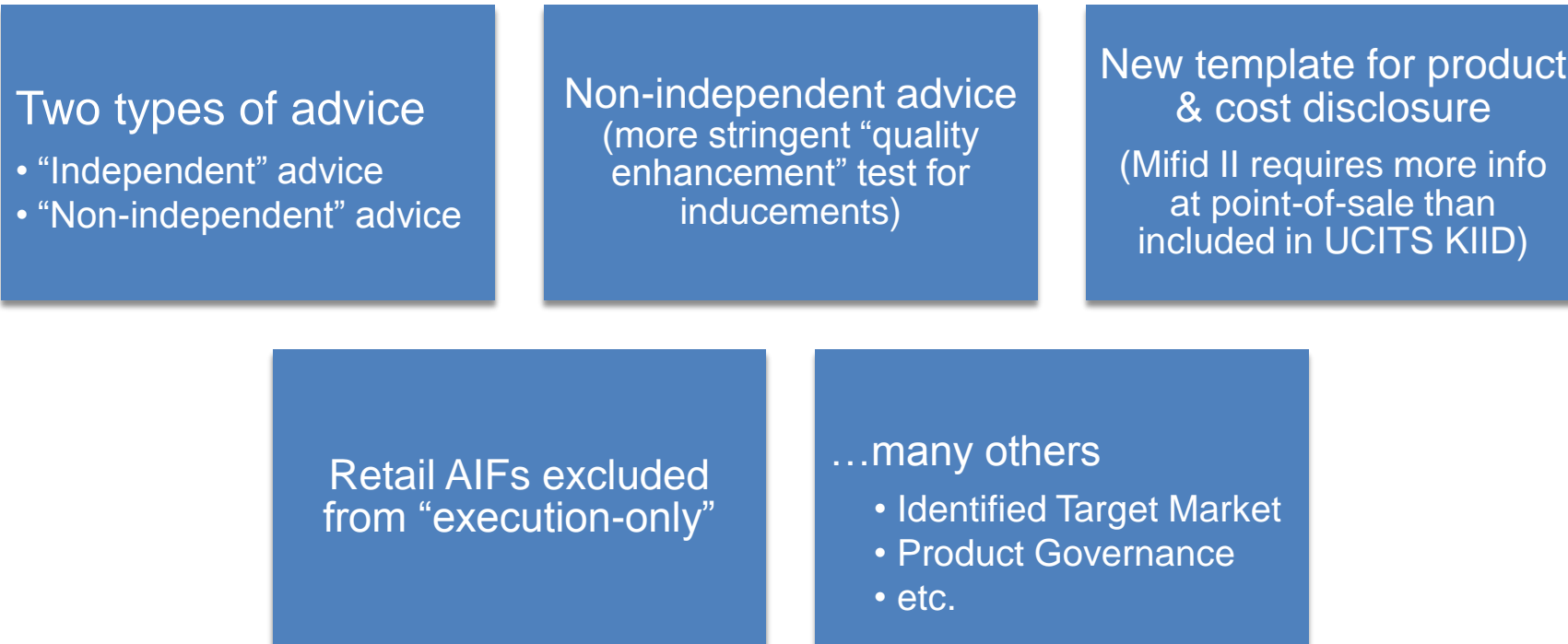
- ESMA’s Guidelines for National Competent Authorities

Level-4 (Q&As): *ESMA*

- ESMA’s Q&As

Some key elements of MiFID II

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“Level 2 implementing measures”: Topic overview (highlights)

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Implementing Regulations

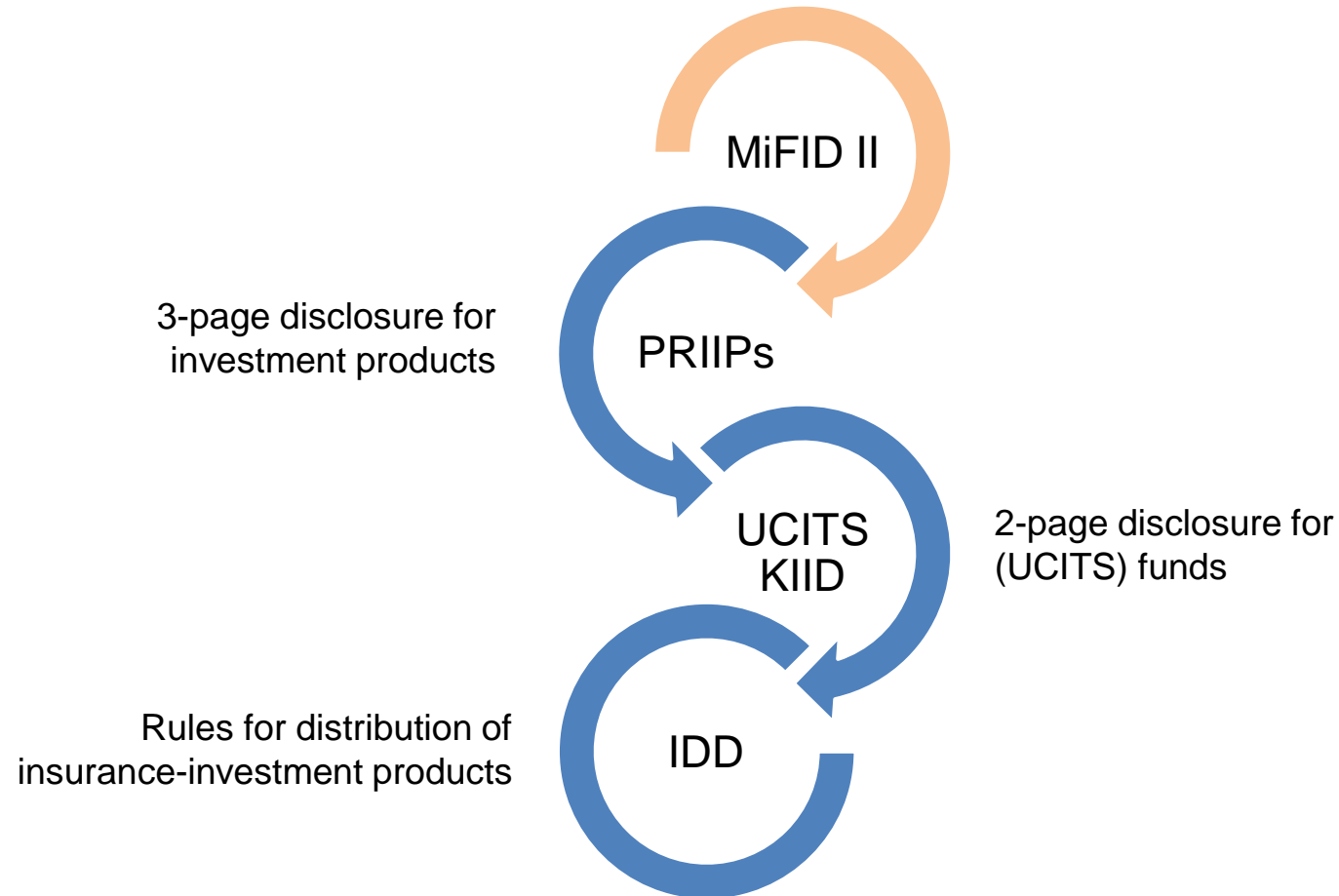
- **Investor Protection & Distribution**
 - Independent and non-independent investment advice
 - Costs & Charges
 - Execution-only
- **Capital Markets**
 - Investment research
 - FX contract
 - Micro-Structural issues
 - Transparency for equities and equities-like
 - Reasonable Commercial basis
 - Best-execution
 - Suspension and removal of financial instruments from trading on a trading venue
 - Notification and provision of information for data reporting services providers (DRSPs)
- **Other**
 - Publication duties for transmitting or placing orders with other entities for execution

Implementing Directive

- **Investor Protection & Distribution**
 - Product governance (i.e. identified target market)
 - Inducements & quality enhancement
- **Capital Markets**
 - Investment research (part of chapter on inducements)
- **Other**
 - Safeguarding of financial instruments and funds

MiFID II - catalyst for fundamental changes in the EU's distribution landscape

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Regulatory changes affecting distribution

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MiFID II

- New: Independent and “non-independent” advice
- More stringent “quality enhancement” test for inducements
- Retail AIFs excluded from “execution-only”

PRIIP KID

- A KID for all packaged retail investment and insurance products
- Level playing field
- New cost disclosure methodology

UCITS KIID

- “KIID 1.1”: MiFID II requires more information at the point-of-sale than included in UCITS KIID
- UCITS KIID to be replaced by the PRIIP KID

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