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## **The AMF continues to contribute to the European Commission's project aiming at building a Capital Markets Union**

The European Commission has recently unveiled its roadmap to build a Capital Markets Union. It contains a detailed action plan as well as legislative proposals: one to relaunch high-quality securitisation and the other to promote long-term investment in infrastructure projects. In addition, the Commission has launched two consultations, on venture capital funds and on covered bonds respectively. The AMF intends to contribute to this initiative.

### **Message from Guillaume Eliet, Managing Director of the AMF**



We welcome the Commission's goal of increasing and diversifying funding sources for European businesses. We also support the approach chosen – including additional thematic consultations and an assessment of the current system before launching new legislative initiatives – which we found both constructive and pragmatic.

During our exchange of views with Lord Hill in May 2015, we called for reforms to simplify the prospectus regime, promote high-quality securitisation, and to take account of new forms of distribution. The AMF has undertaken studies in each of these

areas, and we are eager to contribute to the work of the European institutions on these topics. In our view, it is crucial that the necessary progress in supporting the role financial markets play in financing the European economy and growth be carried out to the benefit of investors and market integrity.

## The EU Commission's action plan

### Four major principles

The action plan sets out the measures that will be taken in the coming years to build the Capital Markets Union (CMU) by 2019. It is based on the following four major principles:

- **Creating more opportunities for investors:** the CMU should help mobilise capital in Europe and channel it to companies, including SMEs, and infrastructure projects that need it to expand and create jobs. It should give households better options to meet their retirement goals.
- **Connecting financing to the real economy:** the CMU is a classic single market project for the benefit of all 28 Member States. Member States have a lot to gain from channeling capital and investment into their projects.
- **Fostering a stronger and more resilient financial system:** Opening up a wider range of funding sources and more long-term investment, ensuring that EU citizens and companies are no longer as vulnerable to financial shocks as they were during the crisis.
- **Deepening financial integration and increasing competition:** the CMU should lead to more cross-border risk-sharing and more liquid markets which will deepen financial integration, lower costs and increase European competitiveness.

### Legislative proposals

#### New rules on securitisation

The Commission has published two legislative proposals:

- **A Securitisation Regulation** that will lay down due diligence rules for investors, risk retention and transparency rules for originators and sponsors with criteria for identifying Simple, Transparent and Standardised securitisations.
- **A proposal to amend the Capital Requirements Regulation (CRR)** to make the capital treatment of securitisations for banks more risk-sensitive.



An amendment to the Solvency II implementing measures

This amendment concerns **investment in infrastructure projects**.

‘Qualifying infrastructure investments’ will now form a distinct asset category under Solvency II and will benefit from an appropriate risk calibration, lower than that which would otherwise apply. This reduced calibration will ultimately lead to a lower capital charge. Investments in **European Long-Term Investment Funds (ELTIFs)** will benefit from the same capital charges as equities traded on regulated markets, lower than that for other equities, bringing them in line with investments in European Venture Capital Funds and European Social Entrepreneurship Funds.

Equities traded on multilateral trading facilities (MTFs) will also benefit from the same calibration as equities traded on regulated markets.

A transitional measure for equity investments will be extended to unlisted equities, so that insurers will not suddenly withdraw from equity investments. There is also clarification on how insurers should apply the transitional measure to equities held in managed funds.

## Public consultations

Public consultation on venture capital (EuVECA and EuSEF Regulations)

This consultation is aimed **at improving the take-up of these investment funds**. These specialist funds have been available since 2013 but only a small number of funds set up as EuVECA and EuSEF have so far been launched.

Public consultation on covered bonds

This consultation is aimed at evaluating signs of weaknesses and vulnerabilities in national covered bond markets as a result of the crisis, with a view to **assessing the convenience of a possible future integrated European covered bond framework** that could help improve funding conditions throughout the Union and facilitate cross-border investment.

The cumulative impact of financial legislation

The Commission is looking for empirical evidence and concrete feedback on:

— rules affecting the ability of the economy to finance itself and grow,

— unnecessary regulatory burdens,

- interactions, inconsistencies and gaps, and
- rules giving rise to undesirable consequences.

The outcome of this consultation is expected to provide a clearer understanding of the interaction of the individual rules and cumulative impact of the legislation as a whole, including potential overlaps, inconsistencies and gaps. It will also help inform the individual reviews and provide a basis for concrete and coherent action where required.

## Upcoming initiatives

In addition to the above and by end 2015, the Commission will:

- **make changes to the Prospectus Directive** with a view to making it easier for small and medium-sized companies to raise capital, and
- **publish a Green Paper on retail financial services** with a view to bringing about increased competition and greater consumer choice in retail financial services and insurance at cross-border level.

Starting in 2016, and in subsequent years, the Commission wants to:

- facilitate access to financing,
- increase investment, and
- break down barriers that are blocking cross-border investments.

## The next steps for the European Commission




## Read more

- ✎ The securitisation proposal:
- ✎ The proposed amendments to Solvency II implementing rules:
- ✎ The public consultation on venture capital funds:
- ✎ The public consultation on covered bonds:
- ✎ The call for evidence on the cumulative impact of reforms implemented in recent years:
- ✎ AMF's responses to the Commission's consultation

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