

ICMA preliminary thoughts on the Report of the High Level Forum on the Capital Markets Union

The International Capital Market Association (ICMA) welcomes the [Final Report of the High Level Forum on the Capital Markets Union](#) which sets out a clear vision of a true single European capital market for everyone and a comprehensive suite of detailed recommendations in order to achieve this. The Report comes at an important time, as the European Union embarks on a difficult road to recovery following the COVID-19 pandemic, while also adjusting to the UK's departure from the EU. The consequences of climate change and the risks related to pension sustainability also remain ever extant. The CMU provides an opportunity to tackle all of these challenges head-on and to forge a more integrated capital market that works for all of the EU's citizens, while remaining an attractive and competitive market globally.

The objectives underlying the CMU are mirrored in ICMA's mission statement: to promote resilient and well-functioning international debt capital markets. Such markets are necessary for economic growth, and benefit market participants and their clients alike. Accordingly, ICMA shares the vision of the HLF and supports many of its recommendations.

ICMA looks forward to engaging on the wide range of detailed suggestions set out in the HLF report and sets out some preliminary, high-level reactions on some of the key recommendations below. ICMA also notes that the further development of the CMU is an opportunity to re-consider any remaining examples of national rules within the EU which hinder the efficiency of cross-border capital markets.

Sustainable finance: The EU has put in motion its sustainable finance action plan (e.g. Taxonomy Regulation, Low Carbon Benchmark Regulation, Sustainable Finance Disclosure Regulation), which should also be fully taken into account in the objectives and the implementation of the CMU. Going forward, enhancing **ESG disclosures by issuers (NFRD review)** in an appropriate manner and integrating sustainability information into a future ESAP will be instrumental to complement these measures. In the context of the upcoming **EU Ecolabel for investment funds and the EU Green Bond Standard**, we also strongly believe that policymakers can and should allow – and even encourage – a diversity of sustainable products, providing a range of different approaches to sustainable investment to suit an array of asset owner needs and motivations. Some flexibility will be needed to allow for new products, which may achieve sustainability goals by different routes and meet different needs and preferences from investors.

Banks' withdrawal from market making activity: ICMA is encouraged by the recommendations to recalibrate the application of **Basel III** measures with respect to market-making, as well as ensuring a globally level playing field. ICMA has continuously advocated such measures to support depth and liquidity in Europe's secondary sovereign and [corporate bond markets](#), as well as to enhance efficiencies in its repo and collateral markets. However, ICMA is surprised and disappointed that the HLF undermines the value of this recommendation by ignoring the impacts of the proposed **CSDR mandatory buy-in regime**, which is likely to be even more restrictive with respect to banks' and non-banks' capacity to make markets than any of the prudential regulatory provisions addressed in the Report.

Encouraging retail investment: ICMA would agree with the recommendation for measures to improve financial literacy and engagement, along with the suggestion for a new certification regime for financial advisors. In addition, ICMA has long advocated a review of the **Packaged Retail and Insurance-based Investment Products Regulation (PRIIPs)**, and is pleased to see this recommended in the Report. The

scope and purpose of the PRIIPs regime should also be reviewed, in addition to the disclosure requirements.

Encouraging long-term investments: ICMA supports the call for a review of the European Long Term Investment Funds (ELTIF) regulation in order to facilitate take-up of ELTIFs. ICMA believes that the need for investment into long-term assets has not decreased and that ELTIF could still be instrumental for investment into small and medium-sized companies and infrastructures if several amendments were introduced, as previously [recommended](#) by ICMA's Asset Management and Investors Council (AMIC). While not discussed in the report, we are concerned that the **Pan-European Personal Pension** product could unfortunately be a missed opportunity if the restrictive fee cap creates a major supply hurdle.

Securitisation (STS): ICMA welcomes the proposal to recalibrate insurers' and banks capital charges in order to boost this important market. Only a limited volume of STS securitisation transactions have so far taken place since the entry into application of the Securitisation Regulation, and this has not contributed significantly to a revival of European securitisation markets (especially that for ABCP). ICMA's members active in this market attribute the moderate take-up to the capital charges associated with the STS regime (in **Solvency II** and **CRR**), more than the STS regime itself.

European Single Access Point for company data (ESAP): ICMA recognizes the advantages of an EU-wide digital access platform for companies' public financial and non-financial information. In introducing the ESAP, careful consideration would need to be given to the cost/benefit analysis associated with any new requirements for companies to adopt new or more extensive use of machine-readable data in the short-term (e.g. in disclosures under the Prospectus Regulation).

Building stronger and more efficient market infrastructure: ICMA is pleased to see that the HLF considered the potential benefits of an EU consolidated tape as a tool for reliable access to consolidated data for all traded assets. There is broad agreement among ICMA members that a trustworthy, affordable, and centralised EU bond consolidated tape would improve transparency, assist price discovery, and provide market insights for end-investors. ICMA further believes that this would be an important development in encouraging retail investment in EU financial markets. However, it is a missed opportunity that the Report does not provide a Recommendation to address the comprehensive coverage and data quality issues identified by the HLF, particularly as [workable solutions](#) have already been put forward to the European Commission by an ICMA industry Task Force.

Legal certainty and clear rules for the use of crypto/digital assets: In line with ICMA's [response](#) to the EC's consultation on an EU framework for markets in crypto-assets, ICMA is supportive of a technology neutral approach as well as a "substance over form" approach. From an international debt capital markets perspective, Eurobonds represented in physical, book-entry or other digital form in a conventional or DLT-based system are expected to be covered equally by, and comply with, requirements in existing regulations irrespective of the underlying technology.

ICMA, with its broad and diverse membership, looks forward to supporting the next stages of CMU2.0 and the realization of the vision set out in the HLF's Report. In doing so, ICMA will continue to engage with all relevant stakeholders on many of the recommendations and reforms outlined in the Report, as well as a number of other initiatives not mentioned, with the objective of establishing a truly single resilient and well-functioning EU capital market. As mentioned in the Report, ICMA firmly believes that sustainability will be at the heart of this endeavour, ensuring a Capital Markets Union that serves the interests of all.