

# Feedback on the Capital Markets Union High Level Forum final report

Fields marked with \* are mandatory.

## Introduction

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The High-Level Forum (HLF) on Capital Markets Union (CMU) published on 10 June 2020 its [final report on the EU's Capital Markets Union](#).

It sets out a series of clear recommendations aimed at moving the EU's capital markets forward.

We would like to seek your feedback to each of the recommendations to see whether you agree with what the HLF proposed and welcome any further suggestions you may have.

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**Please note:** In order to ensure a fair and transparent feedback process **only responses received through our online questionnaire will be taken into account**. Should you have a problem completing this questionnaire or if you require particular assistance, please contact [fisma-cmu-hlf@ec.europa.eu](mailto:fisma-cmu-hlf@ec.europa.eu).

More information:

- [on the Capital Markets Union High Level Forum final report](#)
- [on the feedback document](#)
- [on the Capital Markets Union High Level Forum final report](#)
- [on capital markets union](#)
- [on the protection of personal data regime for this consultation](#)

## About you

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\* Language of my contribution

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- Danish
- Dutch
- English
- Estonian
- Finnish
- French
- Gaelic
- German
- Greek
- Hungarian
- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
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- Slovak
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\* I am giving my contribution as

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\* First name

Simone

\* Surname

Miotto

\* Email (this won't be published)

simone.miotto@pensionseurope.eu

\* Organisation name

*255 character(s) maximum*

PensionsEurope

\* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

*255 character(s) maximum*

Check if your organisation is on the [transparency register](#). It's a voluntary database for organisations seeking to influence EU decision-making.

5199259747-21

\* Country of origin

Please add your country of origin, or that of your organisation.

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- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia
- French Southern and Antarctic Lands
- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
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- Grenada
- Macau
- Madagascar
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- Maldives
- Mali
- Malta
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- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
- Mongolia
- Montenegro
- Montserrat
- Morocco
- Mozambique
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- Saudi Arabia
- Senegal
- Serbia
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- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
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- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden

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- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China
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- Guatemala
- Guernsey
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- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
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- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel
- Italy
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- Nepal
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
- Niger
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- Norfolk Island
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\* Field of activity or sector (if applicable):

*at least 1 choice(s)*

- Accounting
- Auditing
- Banking
- Credit rating agencies
- Insurance
- Pension provision

- Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- Social entrepreneurship
- Other
- Not applicable

### \* Publication privacy settings

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

**Anonymous**

Only your type of respondent, country of origin and contribution will be published. All other personal details (name, organisation name and size, transparency register number) will not be published.

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Your personal details (name, organisation name and size, transparency register number, country of origin) will be published with your contribution.

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## Your opinion

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## Recommendation 1: An EU Single Access Point

- Propose legislation for ESMA to establish an EU-wide digital access point (ESAP) that would serve as a database centralising at EU level companies' public financial and non-financial information, as well as other financial product or activity-relevant public information. Access to the ESAP shall be freely accessible to the public.
- Ensure that companies (listed and non-listed) are required to submit all the public information only once through a single reporting channel, which may necessitate streamlining existing multiple reporting channels.
- Conduct work on harmonising the content and, if appropriate, the format of companies' public information to foster better comparability and usability of data. The use of technology as well as templates and standards should not impose additional language requirements causing significant burden.
- ESMA should be entrusted with the task of setting up the IT structure, equipped with adequate funds and resources.

### Do you agree that recommendation 1 is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant



## If you disagree with all or part of recommendation 1, how would you amend it?

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We welcome the recommendation for the establishment of a European Single Access Point (ESAP). New regulatory pressures entail that investors need to have greater access to financial and non-financial information on the companies in which they invest to be able to provide greater transparency on their investments. In particular, the recent regulatory developments in the context of the EU Sustainable Finance agenda requires financial market participants to have access to environmental, social and governance (ESG) data at the level of companies. Unfortunately, the availability of quality, comparable, reliable and public ESG data is currently rather insufficient to comply with the new regulatory requirements due to apply shortly. The setting up of an open source EU Single Access Point would help fill the gap between companies' current reporting and the information financial institutions need to be able to comply with the new regulations on sustainable finance. We welcome the recommendation on the scope of the ESAP and highlight the importance that public information disclosed by non-listed smaller companies should only be included on a voluntary basis to avoid onerous administrative burden. We also welcome the willingness to work on harmonising the content and the format of companies' public information to foster better comparability and usability of data, while limiting the burden this may add on companies. The European Commission should also assess which EU body would be best placed to provide this service. Apart from ESMA, Eurostat could be a good candidate.

PensionsEurope responded to the European Commission's consultation on the review of the Non-Financial Reporting Directive (NFRD) and identified the challenges faced by pension funds in complying with the new ESG disclosure requirements in terms of data availability. PensionsEurope and 5 other EU trade associations addressed a letter to the European Commission to highlight the need for an ESG data register.

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## Recommendation 2: European Long-term Investment Funds (ELTIFs)

The Commission is invited to review the ELTIF Regulation by end 2020, with a view to:

### **Reducing barriers to investments by investors (focus on retail, but including institutional):**

- Align national retail passporting practices for ELTIFs, which currently rely on the AIFMD passporting rules (extended to retail) and are therefore subject to Member State discretion.
- Clarify the ELTIF requirements for the assessment of retail investor's knowledge and experience and align with the requirements in MiFID II.
- Introduce more flexibility for investors to redeem their investment "at a mid-point", while reinforcing, where appropriate, liquidity requirements to address a higher risk of "client runs". However, the aim is not to render ELTIFs open-ended funds.
- Look at structural features that may encourage participation from a wider range of investors, such as lowering the minimum entry ticket or finding ways to encourage the development of listed ELTIFs. On the insurance side, consider ways to encourage the use of the ELTIF in unit-linked insurance products as a way to widen the retail investor base further.

- To promote institutional investor take up, consider explicit recognition of the ELTIF in relevant capital frameworks (e.g. Solvency II for insurers), and provide appropriate flexibility for investment strategies attractive to institutional investors to be housed within the ELTIF framework.

### **Broadening the scope of eligible assets and investments**

- Allow investments in “financial undertakings” where those financial undertakings are in line with the ELTIF’s investment strategy (e.g. FinTech firms in early stage equity investment strategies) and within the limits already set in the ELTIFs regulation
- Allow investment in funds other than ELTIFs, EuVECAs or EuSEFs, as long as their investment strategy binds them to invest in the same underlying asset classes as ELTIFs, EuVECAs or EuSEFs. This would not change the percentage of an ELTIF’s holdings that can be invested in other funds. Any investment in other funds should provide appropriate fee transparency to end investors.
- Clarify some aspects of assets eligibility, in particular, the meaning of “real assets” to make it explicit that investments in small and medium-sized enterprises are eligible.
- Bring the borrowing limits in line with UCITS rules with a specific option for certain ELTIFs available only to institutional investors to exceed this subject to conditions being met around investment strategy, governance, investor base and oversight.

### **Do you agree that recommendation 2 is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don’t know / no opinion / not relevant

### **If you disagree with all or part of recommendation 2, how would you amend it?**

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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## Recommendation 3: Encouraging insurers to provide more financing for capital markets

### Recommendation 3a

In the Solvency II review, while maintaining its risk-based approach:

- Better considering the long-term nature of the insurance business and assessing if the risk of forced selling of assets at adverse market prices is being estimated realistically when reviewing the treatment of equity and debt capital charges;
- Changing the criteria for the current long-term equity capital calibration to address the problem that almost no equity investment would currently qualify;
- Assessing whether the risk margin is too high and volatile for its policy purpose, reducing capacity for investment risk in capital markets;
- Ensuring that insurers' own funds are appropriately valued and are not too volatile, in particular looking at what improvements can be made to the Volatility Adjustment to avoid exaggerating either way the valuation of projected long-term liabilities and reduce artificial volatility;
- Improving the mitigation of pro-cyclical effects that requirements may have on insurers' investment behaviour, and proposing the necessary level 1 legislative changes and making the necessary level 2 legislative changes to give effect to the required policy changes.

### Do you agree that recommendation 3a is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 3b

Developing mechanisms that bring SMEs and midcap businesses requiring investment to the attention of insurers, through:

- a. Creating a pipeline or platform for those businesses to be identified, supported and brought to the capital markets with sufficient detail on them;
- b. Developing fund types to support investment in those businesses, which attract appropriate capital treatment (such as the Euro PP fund in France, or through amendments to ELTIF regime).

### Do you agree that recommendation 3b is important?

-

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 3c

Pursuing further discussions at the IASB to address the flaws in the accounting treatment of insurers, to ensure that their long-term investment horizons are better reflected. If these issues are not adequately and expeditiously addressed by the IASB, the EU should pursue its own solution to them.

### Do you agree that recommendation 3c is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### If you disagree with all or part of recommendation 3, how would you amend it?

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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## Recommendation 4: Market-making and re-equitisation of the market

### Recommendation 4a: Market-making

When implementing Basel III, the Commission is invited to pay due attention to provisions affecting market making by banks and non-banks:

- When considering the Credit Valuation Adjustments (CVA) exemptions, the Commission is called to take into consideration the impact of a potential removal of the exemptions on the capacity of corporates to hedge their risks at a reasonable price.
- Regarding the implementation of the Fundamental Review of the Trading Book (FRTB), the Commission is invited to monitor upcoming developments in the US to avoid a negative impact on the international level playing field as a result of the Basel III implementation.
- When implementing the standardised approach for counterparty credit risk (SA-CCR), the Commission is called to consider the impact of the US deviation from the Basel standard on the international level playing field.
- The Commission is invited to ensure a pragmatic interpretation of the legislation that would allow reasonable netting of repos and reverse repos, thereby avoiding an excessive impact on the leverage ratio.
- As regards market making by non-banks/investment firms, when developing secondary legislation for the Investment Firm Regulation/ Directive, the Commission, acting on a proposal from the European Banking Authority, should take due account of the role of non-bank proprietary trading firms in the provision of critical liquidity in the market, ensure the level playing field between the same type of investment firms and avoid - as much as possible under level 1 - undue capital requirements for firms without systemic risk to the EU capital markets.

## Do you agree that recommendation 4a is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

## Recommendation 4b: Re-equitisation of the market

When implementing Basel III, the Commission is invited to pay due attention to risk weights applicable to banks' equity investment, especially long long-term SME equity. In addition, it would also be helpful for the Commission, where appropriate, to raise this issue in Basel.

It is recommended that the European Union considers an interpretation of certain definitions in Basel III which would ensure that the European banking industry can provide long term support to EU companies in the form of equity, on terms which are economically efficient and prudentially appropriate (i.e. not covered by the risk weights of 400% applicable to truly speculative unlisted equity exposures), in a manner compatible with the Basel III standards.

In doing so, the European Union should:

- recognise that the term 'venture capital' is not clearly defined, being used for many different purposes with a variety of meanings – and that producing a distinct definition for these purposes, whilst an option, may not be helpful as it would necessarily be imperfect;

- acknowledge that all equity investments, private or public, are subject to price volatility and with the prospect of capital gains, with the result that this dimension does not prima facie distinguish between investments, without more rigorous definition;
- ensure that the 400% risk-weighting is only applied to investments which are genuinely 'speculative' and 'intended for short term resale'; and
- In line within the flexibility provided for by the Basel III standards, apply the appropriate risk-weight (250%) to equity portfolios established by banks as part of a considered, long term investment strategy – the anti-thesis of the characteristics which might deserve a 400% risk-weight - and/or where there is a long term business relationship between the bank or its intermediary and the underlying firm.

### **Do you agree that recommendation 4b is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### **If you disagree with all or part of recommendation 4, how would you amend it?**

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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## **Recommendation 5: Scaling up the European securitisation market**

### **Recommendation 5a: Unlocking the Significant Risk Transfer Assessment process**

The Commission is invited to review, following a careful analysis, the Significant Risk Transfer Assessment process by better delineating the cases where an ex-ante assessment by the Competent authority is needed, to ensure that the reduction in own funds requirements is justified by a commensurate transfer of credit risk. When

the established regulatory quantitative and qualitative criteria are met and for transactions in line with standard market practices, a systematic ex-ante review should be unnecessary, given the regulatory uncertainty that it may create, and the amount of resources needed especially if the market takes off. The ex-ante assessment by the Competent Authority should be limited to complex transactions.

### **Do you agree that recommendation 5a is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### **Recommendation 5b: Recalibrating capital charges applied to senior tranches, in line with their risk profile, under CRR2**

The Commission is invited, following a careful analysis, to assess the need to further:

- Recalibrate capital charges applied to senior tranches in line with their risk profile and reduce the risk weighted (RW) capital floors especially for originator and sponsor banks.
- Establish adequate and risk-sensitive calculation of the weighted average maturity (WAM) for both cash and synthetic securitisations, both in bond and loan facility legal format, based on well-established conservative market practices;
- Review the loss-given-default (LGD) input floors.
- Encourage further development of the European non-performing exposures (NPE) securitisation market, as a tool to help banks restructure their balance sheets to enable new lending in support of the real economy.

### **Do you agree that recommendation 5b is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### **Recommendation 5c: Recalibrating capital treatment for securitisation tranches under Solvency II**

The Commission is invited to assess, following a careful analysis, the need to further recalibrate capital treatment, for securitisation for insurers under Solvency 2, reducing the gaps between the shocks applied under stress-testing to mezzanine and senior STS tranches as well as the gaps between respective STS and non-STS

tranches based on additional data and common methodology. The stress factors applied to senior STS and non-STS tranches should be realigned where justified with those for equally rated corporate and covered bonds, while the stress factors for senior securitisation tranches must be commensurate with their risk and in principle lesser than those applied to the respective underlying exposures on a stand-alone basis.

### Do you agree that recommendation 5c is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 5d: Reducing the costs of SME financing

The Commission is invited to promote SME financing (via securitisation) and underwriting activities, by:

- Including in the scope of the European Single Access Point (ESAP) credit information on EU companies that can be accessed by investors; and
- Continuing efforts to improve credit underwriting standards and NPL reduction.

### Do you agree that recommendation 5d is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 5e: Applying equivalent treatment to cash and synthetic securitisations of all asset classes, and including their STS execution

The Commission is invited to assess the need to further (i) expand the scope of STS synthetic securitisations and (ii) apply the same regulatory treatment to Synthetic and Cash securitisation including the preferential capital treatment.

### Do you agree that recommendation 5e is important?

- 1 - Not important at all
- 2 - Rather not important
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- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

#### **Recommendation 5f: Upgrading eligibility of senior STS and non-STs tranches in the LCR ratio**

The Commission is invited to assess the need to further amend the eligibility criteria for the LCR ratio (HQLA) and more specifically to consider:

- upgrading HQLA-Level eligibility of large senior tranches of STS securitisations, and
- maintaining former eligibility for HQLA Level 2B of senior securitisation tranches that do not meet the higher requirements for upper HQLA level (e.g. STS designation, issue size, very high CQS, etc.).

#### **Do you agree that recommendation 5f is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

#### **Recommendation 5g: Differentiating between disclosure and due diligence requirements for public and private securitisations**

The Commission is invited to differentiate between disclosure and due diligence requirements for public and private securitisations, and more specifically to:

- differentiate disclosure requirements for public securitisations and for private bilateral cash and synthetic securitisations;
- establish the principle of proportionality in the application of disclosure and due diligence requirements; and
- allow for long-term use of ND (no data available) fields and for a transition period for the reduction of ND fields, where this is practically possible to achieve.

#### **Do you agree that recommendation 5g is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important

- 5 - Very important
- Don't know / no opinion / not relevant

## If you disagree with all or part of recommendation 5, how would you amend it?

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Securitisations provide long-term investors, such as pension funds, with a broad pool of assets that are genuinely low risk from a credit perspective. In order to revive the European securitisation markets, it is important to ensure an adequate calibration of the instruments in banks' prudential framework and to fine tune current legislations. In this sense, PensionsEurope would welcome the proposed initiatives to streamline the significant risk transfer assessment process, recalibrate the capital charges applied to senior tranches to better align them with their risk profile, to differentiate between disclosure and due diligence requirements for public and private securitisations and to expand the framework for simple, transparent and standardised (STS) securitisations to synthetic securitisations. Regarding the latter, expanding the STS framework for synthetic securitisation would enable banks to lend more to the real economy while encouraging a "race to the top" in terms of transaction standards, ultimately benefitting the stability and growth of the market. We believe it is important to support the securitisation market, especially in the context of the covid-19 pandemic crisis and the broader economic downturn surrounding this pandemic.

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## Recommendation 6: Improving the public markets ecosystem

### Recommendation 6a: Definition for Small and Medium Capitalisation Companies (SMCs)

An SMC should be defined as "all publicly listed companies on any type of market whose market capitalisation is lower than one billion euros". The threshold should apply to companies, irrespectively of the market they are traded on.

### Do you agree that recommendation 6a is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 6b: IPO transitional periods

All newly listed companies on regulated markets, including those transitioning from SME Growth Markets, fitting the definition of an SMC, would benefit from a transition period of up to maximum of 5 years for the application of certain elements of relevant legislation.

## Do you agree that recommendation 6b is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 6c: Dual-class shares

Companies should have a choice to opt for dual-class shares with variable voting rights when going public, with a sunset clause determined at the company's discretion, to the extent it does not disincentivise investors from investing in companies.

## Do you agree that recommendation 6c is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 6d: Minimum free float for SMEs

The Listing Directive, and notably Article 48 hereof, should be amended to alleviate the requirement for the national competent authorities to ensure that a sufficient number of shares of SMEs are distributed to the public through the stock exchange (at least 25% or in some cases - a lower percentage).

## Do you agree that recommendation 6d is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 6e: SME index and regional index classification

A careful assessment of how index visibility for SMCs can be improved to address the lack of common market classification for Member States and the fact that international index providers do not classify all EU national and regional market as part of their EU indices. It should also be analysed if a dedicated pan-European SME index should be created.

### **Do you agree that recommendation 6e is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### **Recommendation 6f: Creation of a pan-EU Public-Private IPO Fund backed by the EU**

The EU can take a leading role by sponsoring a Public-Private IPO Fund, which can accelerate the development of the EU's overall public market funding ecosystem while catalysing private investor flows.

### **Do you agree that recommendation 6f is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### **Recommendation 6g: Alleviations to the Market Abuse Regulation**

- Notion of inside information: The key goal of MAR is to ensure equal access to relevant information across market participants to ensure these are not put at a disadvantage to company insiders. The Commission is invited to review the Market Abuse Regulation in order to (i) introduce a safe harbour in the case of distribution of preliminary inside information, (ii) give ESMA a clear mandate to define preliminary information, as well as (iii) refine the definition of inside information with a significant price effect.
- Interaction between MAR and Transparency Directive: Companies should be given more flexibility to avoid making premature disclosures of inside information.
- Insider lists: The management of the insider list is very burdensome due to all the information the issuer must gather to fill in the list. Article 18 paragraph 9 should be amended to ensure that only the most essential information for the identification purposes is included.
- Manager Transactions: The threshold should therefore be raised from the current €5 000-€20 000 to €50 000.

- Sanctions: Member States shall amend their respective national sanctions regimes to ensure that the amount of administrative sanctions reflects the specifics of the supervised market and is proportionate to the nature of abuse.

### **Do you agree that recommendation 6g is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### **Recommendation 6h: Alleviations to the Prospectus Regulation**

- The stakeholder expert group that the Commission will set up to monitor the success of SME growth markets should conduct a targeted assessment of the functioning of prospectus with a view to determining where further alleviations and flexibilities can be introduced.
- Thresholds: the group should assess whether it would be appropriate to increase the threshold below which a prospectus for offers of securities to the public is not necessary from €1 000 000 to €2 000 000.
- Length of prospectus: , the group should evaluate how to reduce the content of a prospectus only to key aspects with a view to significantly reducing its length but not to the detriment to investors and issuers
- Deadlines: The group should also examine whether it would be appropriate to reduce the handling times by national competent authorities for issuers that do not have any securities admitted to trading on a regulated market from 20 working days to 15 working days. the expert group should then assess whether a prospectus can be made available to the public closer to the offer while ensuring sufficient time for investors to consider them (for example, 3 working days instead of 6 working days).
- Passporting: the Member States are invited to work towards converging national marketing requirements with a view to rendering approval processes as expedient, simplified and streamlined as possible within the confines of applicable national laws. ESMA should also expedite its new electronic notification regime to ensure adequate transparency for receiving Member States.

### **Do you agree that recommendation 6h is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### **Recommendation 6i: Alleviations to IFRS and ESEF**

- Streamline and simplify IFRS for SMCs in order to reduce the costs for smaller market players and improve investor reach. The SME Stakeholder expert group should be tasked with assessing IFRS requirements with a view to proposing solutions to the IASB to alleviate burdens for SMCs.
- Clarify at the EU level for all companies that ESEF is the appropriate filing format. The implementation of this requirement should, however, be delayed until the format and stemming obligations for submission such as, converting, mapping, tagging, verification by auditors or other external experts, software costs etc. becomes available to companies at a reasonable price across EU regardless of the size of the market where the suppliers of this services operate.

### Do you agree that recommendation 6i is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 6j: Exempt research in SMEs from unbundling rule in MiFID II

In order to support brokers' produced research on SMEs, brokers should be allowed to bundle execution commissions and research fees when it concerns SME stock listed on any trading venue.

### Do you agree that recommendation 6j is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 6k: Tick size regime

Remove the tick size limitation for SME stocks in order for the tick sizes not to be a hindering factor for liquidity in SME shares, the local market operators should be able to decide on a minimum tick size with respect to trading in SME shares.

### Do you agree that recommendation 6k is important?

- 1 - Not important at all
- 2 - Rather not important

- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

#### **Recommendation 6l: Review the framework for an efficient stock loan market for SMEs**

- Conduct a review of the implications of the settlement discipline provisions in CSDR on the development of an efficient SME securities lending market.
- Consider in any review the impact of other relevant regulatory obstacles to the development of a dynamic SME stock loan markets, such as (i) difficulty for smaller lenders to comply with best execution requirements and (ii) local constraints on the ways to get client's consent for stock loan.

#### **Do you agree that recommendation 6l is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

#### **Recommendation 6m: Create an SME Market Maker status subject to alleviated prudential requirements**

Contribute to the emergence of dedicated SME market makers that would support market making activity in SME stock via creating a separate legal category of such operators in EU legislation and subjecting them to alleviated regulatory treatment. The use of automated market making techniques with respect to SMEs should be promoted. It could also be explored how stock lending/borrowing could be facilitated through adapted regulatory treatment.

#### **Do you agree that recommendation 6m is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

#### **Recommendation 6n: Encourage interconnection of smaller cap markets and supporting unimpeded set-up of branches**

- Notion of inside information: The key goal of MAR is to ensure equal access to relevant information across market participants to ensure these are not put at a disadvantage to company insiders. The Commission is invited to review the Market Abuse Regulation in order to (i) introduce a safe harbour in the case of distribution of preliminary inside information, (ii) give ESMA a clear mandate to define preliminary information, as well as (iii) refine the definition of inside information with a significant price effect.
- Interaction between MAR and Transparency Directive: Companies should be given more flexibility to avoid making premature disclosures of inside information.
- Insider lists: The management of the insider list is very burdensome due to all the information the issuer must gather to fill in the list. Article 18 paragraph 9 should be amended to ensure that only the most essential information for the identification purposes is included.
- Manager Transactions: The threshold should therefore be raised from the current €5 000-€20 000 to €50 000.
- Sanctions: Member States shall amend their respective national sanctions regimes to ensure that the amount of administrative sanctions reflects the specifics of the supervised market and is proportionate to the nature of abuse.

### Do you agree that recommendation 6n is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### If you disagree with all or part of recommendation 6, how would you amend it?

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Exempting research in SMEs from unbundling rule in MiFID II is important to foster investment opportunities in SMEs.



## Recommendation 7: Crypto/digital assets and tokenisation

- The Commission is invited to amend as necessary the relevant EU financial legislation to bring legal certainty as to which crypto/digital assets fall under the scope of existing EU financial legislation - i.e. whether they qualify as “financial instruments” under MiFID 2 or “e-money” under the E-money directive (among other EU legislations) - favouring a uniform and encompassing definition and ensuring proper supervision, and (ii) make the legislation “fit for digital”.
- Based on the analysis of the different crypto/digital assets, the Commission is invited to adopt a new legislation establishing a European framework for markets in those crypto/digital assets that do not currently fall into the scope of any existing EU financial legislation.
- The Commission is invited to conduct a detailed analysis on the classification of crypto/digital assets. A clear understanding and classification of different crypto/digital asset categories is needed to enable proper regulation and supervision according to their characteristics and risks.
- The Commission is invited to set out clear rules for crypto/digital assets and tokens issued in third countries and distributed in the EU.
- The Commission is invited to acknowledge the role trusted third parties (TTP) may play in a distributed ledger technology (DLT) environment through a gatekeeper and safekeeping function to ensure market integrity.
- The Commission is invited to ensure that all service providers offering services under the applicable EU securities legislation and in particular those related to the issuance, distribution, clearing and settlement of crypto/digital assets can apply and remain fully compliant with the relevant rules regardless of the technology used.

### Do you agree that recommendation 7 is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### If you disagree with all or part of recommendation 7, how would you amend it?

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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## Recommendation 8: Central Securities Depositories

The European Commission is invited to conduct a targeted review of CSDR to strengthen the CSD passport and facilitate the servicing of domestic issuance in non-national currencies. This should be accompanied by measures to strengthen the supervisory convergence among National Competent Authorities. These measures, taken jointly, should enhance the cross-border provision of settlement services in the EU.

### Do you agree that recommendation 8 is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### If you disagree with all or part of recommendation 8, how would you amend it?

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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## Recommendation 9: Shareholder identification, exercise of voting rights and corporate actions

### Recommendation 9a

The Commission is invited to put forward a proposal for a Shareholder Rights Regulation to provide a harmonised definition of a 'shareholder' at EU level in order to improve the conditions for shareholder engagement.

### **Do you agree that recommendation 9a is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### **Recommendation 9b**

The Commission is invited to amend the Shareholders Rights Directive 2 (SRD 2) and its Implementing Regulation to clarify and further harmonise the interaction between investors, intermediaries including CSDs and issuers/issuer agents with respect to the exercise of voting rights and corporate action processing.

### **Do you agree that recommendation 9b is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### **Recommendation 9c**

The Commission is invited, in close collaboration with national authorities, to facilitate the use of new digital technologies to (i) enable wider investor engagement by supporting the exercise of shareholder rights and more specifically voting rights, in particular in a cross-border context, and (ii) make corporate action and general meetings processes more efficient. That would notably include (i) facilitating shareholders' voting using digital means, (ii) streamlining processes and systems for identifying shareholders, and (iii) providing financial market participants with more legal certainty as regards the holding and circulation of security tokens (such as tokens representing voting rights) using new technologies.

### **Do you agree that recommendation 9c is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral

- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

**If you disagree with all or part of recommendation 9, how would you amend it?**

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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## **Recommendation 10: Cloud**

### **Recommendation 10a**

The Commission is invited to develop voluntary standard clauses in contractual arrangements between financial institutions and other financial markets operators, on the one side and providers of cloud services on the other side to enable financial institutions and other financial markets operators to better assess and manage risks stemming from their increased dependence on cloud service providers.

### **Do you agree that recommendation 10a is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### **Recommendation 10b**

The Commission is invited to develop a harmonised legislative framework in line with the principles of subsidiarity and proportionality set out in the EU Treaty, which:

- a. enables financial supervisors to appropriately monitor the risks associated with the outsourcing by financial institutions and other financial markets operators of critical and important functions to cloud services providers;
- b. increases the operational resilience of financial institutions and other financial markets operators and provides for an effective supervision of critical or important providers of cloud services to those EU financial institutions and other financial markets operators;
- c. supports the single market and avoids fragmentation.

### **Do you agree that recommendation 10b is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### **Recommendation 10c**

The EU should continue to strive to improve the overall digital competitiveness of the EU at large by encouraging the development of European cloud providers in the future.

### **Do you agree that recommendation 10c is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### **If you disagree with all or part of recommendation 10, how would you amend it?**

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

## Recommendation 11: Pensions

### Recommendation 11a: Pension dashboards for Member States

The Commission should develop a dashboard with indicators to monitor the state of play in Member States and, where applicable, the progress achieved by Member States with regard to pension sustainability and pension adequacy. Each indicator should take into account the three pillars and be composed of aggregated, anonymised data. Indicators should be accompanied by a pension adequacy target.

- The Commission should consider a reporting system whereby providers of Pillar II and Pillar III pensions annually report relevant anonymised aggregate information on their clients and on assets under management to National Competent Authorities.
- Member States should be obliged to submit the collected, aggregated data to a centralised point.
- Indicators should be calculated and published on an annual basis, reflecting the sustainability and adequacy of pension systems across the three pillars in the Member States. Where appropriate, these indicators should feature prominently in the European Semester and the country-specific recommendations. The methodology could be jointly agreed by the Commission and the Economic Policy Committee (EPC).

### Do you agree that recommendation 11a is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 11b

- The Commission should put in place a requirement for Pillar II and Pillar III providers to report on an annual basis their respective data of individuals' savings, to complement information (submitted by Member States) on individuals' accrued rights under Pillar 1. The process by which this is achieved should be developed in consultation with the European Data Protection Board. National tracking systems should feed into an EU portal, such as the European Tracking System, which would allow EU citizens with mobile careers to check their pension status irrespective of the Member States of their accrued rights.
- For this purpose, the submitted information needs to be standardised and requires the possibility to extend the reported information. Upon successful implementation of pension tracking systems, the Commission is to work towards extending reporting requirements to additional suitable products and initiatives, e.g. long-

term investments comparable to pension products and retirement saving initiatives (e.g. sidecar savings accounts).

- The HLF calls on the industry to support and contribute to financing the full roll-out of the European Tracking System, considering that public-private partnerships would be a good solution for funding such a system, which should be supervised by public authorities to ensure trust.

### Do you agree that recommendation 11b is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 11c

In line with the [report of the High Level Group of Experts on Pensions](#), to stimulate adequate pension coverage across all Member States the Commission should consider ways to support the introduction of auto-enrolment, in particular where there is no mandatory occupational scheme in place. Increasing levels of pension coverage and savings will reduce the risk of future old-age poverty and contribute to deeper, more integrated and more liquid European capital markets. To this end:

- The Commission should identify best practices in automatically enrolling workers into occupational pensions with a view to developing a blueprint to provide principles and proposals on good occupational schemes and how engagement and guidance can be harnessed to secure adequate retirement incomes for EU citizens in the future, which Member States can tailor to their particular pension landscape.
- The Commission should stimulate pension accrual and pension adequacy in alignment with the Pension Dashboard approach referenced above, by providing best practices for applicable occupational pension systems at Member State level.
- The Commission should table a legislative proposal to require auto-enrolment into default occupational pension schemes at Member State level with the intent of delivering adequate pension savings over a working life. That proposal must be subject to a full impact assessment specifying the objectives, making the case for auto-enrolment and identifying the main elements and minimum requirements that should form part of the legislative proposal.

### Do you agree that recommendation 11c is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important

- Don't know / no opinion / not relevant

## If you disagree with all or part of recommendation 11, how would you amend it?

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

PensionsEurope promotes multi-pillar pension systems and believes that MSs are best positioned to design their systems according to their own specific economic and social circumstances and to the role played by social partners. A regulatory environment encouraging workplace pension membership is important, and we support initiatives aimed at increasing occupational pension coverage and pension savings. In this light, we support the aim of rec. 11c, as AE has proven to be a viable policy option to increase pension coverage. We also agree that the EC should identify best practices and develop a blueprint. We have published several papers that could feed this work and we look forward to contributing. We are strongly against the suggested legislative nature of the proposal. In our opinion, there should not be a binding EU framework on AE, as this is a matter of SLL and thus a MS competency. It also needs to be remembered that EU definition of occupational pensions doesn't cover existing funded pensions in many MSs.

We support rec. 11a and b, as we consider a pension dashboard and the ETS important steps towards better pension information and awareness. However, dashboards based on anonymised aggregate data may be misleading as e.g. a person may have multiple pension savings accounts. As for the development of indicators and targets, it will be challenging to create tools capable to meaningfully represent the diversity of pension landscapes. We also note that the establishment of harmonised reporting requirements would imply high cost for providers. Among the players involved in developing the indicators' methodology, stakeholders should also be included.

We support the establishment of an EU ETS and are actively cooperating with project partners. Among the different related open issues, we consider important the financing and data protection, especially the purpose limitation principle. We believe the ETS should be fully financed by the EU and national budgets.

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## Recommendation 12: Financial literacy/education and investment culture

### Recommendation 12a: Recognition of financial knowledge and skills as a priority

The Commission should propose to review the Council Recommendation "Key Competences on Lifelong learning" to introduce financial competence as a stand-alone key competence. The Commission should also identify financial skills as a priority in an update of its Communication on "A new Skills agenda for Europe".

### Do you agree that recommendation 12a is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant



## Recommendation 12b

### *Recommendation 12b(i): EU competence framework on financial competence*

The Commission should set up an EU competence framework on financial competence. The framework on financial competence should outline key areas of financial competence (for instance, plan a budget, invest, borrow). The framework should provide the theoretical basis to support the development of competences through various applications and in various settings. The framework should be made available to public authorities and private bodies to promote a shared understanding of financial competences and provide the basis for the development of policies and applications. In particular, its uptake would be facilitated through working groups with Member States, organised and moderated by the Commission.

In the long run, the competence framework on financial competence could provide the basis for a range of applications developed by public authorities and/or public bodies. These applications can cover not only school and university formal education, but also adult formal, non-formal and informal learning, including consumer engagement aspects. For instance, the framework could be used as a basis by financial guidance bodies (see recommendation 12e) to develop and structure their offer. The framework could be used to develop digital tools for consumers to assess their risk profile, or to show retail investors how their current consumption/savings choices may impact their future return. The framework could also provide a basis for setting up centres of financial education to provide pupils, students and adults with basic financial education. Such centres could be run in the form of public-private partnerships.

### **Do you agree that recommendation 12b(i) is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### *Recommendation 12b(ii): Working groups with Member States*

The Commission should set up and moderate working groups with Member States to facilitate the uptake of the above-mentioned competence framework and to exchange best practices, including on: curricula reforms (school, university, vocational and adult education), financial guidance measures and promotion of employee share ownership.

### **Do you agree that recommendation 12b(ii) is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
-

5 - Very important

- Don't know / no opinion / not relevant

#### ***Recommendation 12b(iii): Indicator on financial education***

The Commission should create a new indicator on financial education in Member States. The indicator should be monitored in the framework of the European Semester and/or in thematic country reports of Commission Services. A minimum threshold should be defined, below which a country-specific recommendation should be triggered for the given country.

#### **Do you agree that recommendation 12b(iii) is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

#### ***Recommendation 12b(iv): EU-coordinated approach for Member States to set up tests***

The Commission should encourage monitoring of the level of financial competence of EU citizens at country level. The Commission could develop an EU-coordinated approach for Member States to set up tests on financial competence (building upon the competence framework). Alternatively, possibilities could be explored to extend the scope or uptake of existing tests such as the OECD "PISA financial literacy assessment of students" or the OECD "PIAAC survey of adult skills".

#### **Do you agree that recommendation 12b(iv) is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

#### ***Recommendation 12c: Erasmus+ or other EU funding programmes***

The Commission should give more prominence to financial literacy projects under Erasmus+ or other EU funding programmes, by adding financial literacy/competence as a new horizontal priority. By doing so, Erasmus+ budget could be re-allocated into financial literacy/competence projects in various fields (not only school education and

higher education, but also vocational education and adult formal, non-formal and informal learning) and of various nature (learner's mobility or cooperation between organisations such as educational institutions, NGOs and companies).

### Do you agree that recommendation 12c is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 12d

The Commission should extend the principle enshrined in Article 6 of the Mortgage Credit Directive to other sectorial legislation, with a view to:

- requiring Member States to promote formal, non-formal and informal learning measures that support the financial education of consumers in relation to responsible investing;
- requesting the Commission to assess the financial education available to consumers in Member States and to identify best practices (similarly, the Commission could build upon EBA's work, in particular its repository of existing financial education initiatives in Member States).

The Commission should assess to which sectorial legislations it would be the most appropriate to extend the principle set out in Article 6 of MCD (e.g., MiFID, IDD, PEPP, UCITS, PRIIPs, etc.).

### Do you agree that recommendation 12d is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 12e: Financial guidance

Member States should promote measures that support financial guidance to consumers in relation to investing and pension saving, including through digital means. In particular, Member States should set up national financial guidance bodies for consumers and/or fund existing organisations representing financial end-users capable of providing financial guidance and financial planning services to consumers.

The EU should encourage Member States to set up such national financial guidance bodies by adding the exchange of best practices on such national bodies in the scope of the Member States working groups set up in recommendation 2. The scope of the working groups should cover best practices of national financial guidance bodies coordinating their activities with other public sector initiatives providing financial guidance to citizens, at a member state and EU level, including pension tracking systems.

### **Do you agree that recommendation 12e is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### **Recommendation 12f: Collective redress**

The HLF acknowledges that “retail” packaged investment disputes are covered by the proposal for a Directive on representative actions for the protection of the collective interests of consumers (COM/2018/0184). The HLF calls on co-legislators to not discriminate individual direct investments by retail investors in equity and fixed income instruments, by including them in the scope of the Directive on representative actions for the protection of the collective interests of consumers (COM/2018/0184) or (COD/2018/0089), through the inclusion of MAR, and SRD in its Annex I.

In the unfortunate case that co-legislators would ultimately decide not to include direct investments of retail investors in equity and fixed income in the scope of the Directive or not to keep other retail investment provisions in the scope of the Directive, the Commission should, in the context of the future evaluation of the Directive, assess the scope of application of this Directive, including the possible need to include into its scope of application the relevant EU law in the area of retail investment.

### **Do you agree that recommendation 12f is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### **Recommendation 12g: Employee share ownership (ESO)**

- The Commission is invited to promote together with Member States the use of ESO across the EU. To this end, the Commission should explore which EU funds could be used to support this objective. EU funding should, in particular, be devoted to setting up and promoting a multi-lingual information portal/virtual centre giving easy access to key information on ESO and Employee Financial Participation (EFP) in general.

- In addition, Member States should promote ESO and EFP by providing adequate tax incentives.
- Moreover, the Commission should discuss in relevant expert groups to which extent Member States promote ESO and adequate ways to increase the uptake of ESO.

## Do you agree that recommendation 12g is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

## If you disagree with all or part of recommendation 12, how would you amend it?

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

PensionsEurope agrees with most of these recommendations. In the field of pensions, given the current shift from DB to DC plans, financial literacy/education is progressively acquiring more importance. On top of these recommendations, we believe that a specific focus of action should be pension awareness: the EU could contribute more in making people understanding what the pension challenges are and which solutions could be adopted. Financial knowledge and skills should be an EU priority. We agree that a competence framework would help identifying weaknesses and areas that require improved competences. One of the key areas covered by the framework should be retirement education and planning. Improved financial competences in this area would stimulate funded pensions coverage, increase retirement savings and asset ownership, and foster risk sharing. In our view, basic financial education should be strengthened in schools. We agree that the Commission should encourage monitoring of the level of financial competence of EU citizens at a country level. The creation of a new EU indicator on financial education would allow to monitor the level of financial competence among EU citizens at a country level and would oblige Member State to take action when the threshold level is not reached. If an indicator on financial education will be developed, then an EU-coordinated approach to test the competences is needed.

We take the occasion to highlight the importance of finding the right level of balance between consumer protection and business competitiveness. The PEPP Regulation requires personalised advice and set a 1% fee cap for the Basic PEPP, thus rendering the product either non economically viable for providers or affecting the quality of the service. Rec. 12e can be useful to reduce the costs of financial advice.

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## Recommendation 13: Distribution, advice and disclosure

### Recommendation 13a: Inducements

- In line with the requirement in Article 41(2), IDD, the Commission is invited to examine how the inducement rules under IDD can ensure a sufficient level of consumer protection consistent with the investor protection standards applicable under MiFID II for insurance-based investment products (IBIPs), and to put forward the appropriate legislative proposals, including introducing the concepts of “independent advice” and “portfolio management” under the IDD and a prohibition to accept and retain inducement paid for the distribution of IBIPs where distributors provide independent advice or portfolio management services to clients. The Commission should replicate the MiFID II quality enhancement test in IDD and ensure the burden of proof lies with the intermediaries.
- The Commission should introduce an obligation in relevant sectoral legislation (IDD, MiFID) for distributors to inform clients of the existence of third-party products, including for closed architecture distribution networks.
- The Commission is invited to further examine the role of inducements for the adequacy of advice, including how the payment/receipt of inducements impacts the fairness and adequacy of advice and sales processes more generally. The examination should include the role and impact of inducements on execution-only services.
- The Commission is invited to examine how transparency of inducements can be further improved for clients (e.g. requirements for more standardized presentation, requiring that ex post disclosures should be made ISIN-by-ISIN, including in all inducement disclosures a clear explanation of what inducements are, etc.).
- The Commission is invited to put in place requirements for distributors of retail products to report annually to National Competent Authorities (NCAs) on the split of financial products distributed (on an advised or non-advised basis) that are issued or manufactured by the firm itself or by entities having close links with the firm and of other third party providers.
- NCAs should be required to transmit this information to ESMA in the case of financial instruments distributed under MiFID II and to EIOPA in the case of insurance-based investment products distributed under the IDD.

## Do you agree that recommendation 13a is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

## Recommendation 13b: Qualification of advisors

- The Commission is invited to:
  - propose a review of IDD and MiFID, pursuant to which Member States shall require that the successful completion of the training and development requirements aiming at maintaining an adequate level of performance of advisors is proven by obtaining an appropriate certificate.
  - introduce an analogous provision in IDD and MiFID to cover appropriate knowledge and ability to access the profession.

- consider the appropriateness of the introduction of a transitional period to allow advisors already operating in the market to comply with the new requirement for a certificate, while in any event limiting it to a maximum of two years.
- The Commission is invited to table a proposal for establishing a pan-European quality mark (label) for European financial advisors. The pan-European quality mark (label) would be used on a voluntary basis by financial advisors and/or by Member States as a way to comply with the requirements in point 1. The label could be established through a cooperation with an accredited certifying body or bodies.

## Do you agree that recommendation 13b is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

## Recommendation 13c: Non-professional qualified investor category

The Commission is invited to:

- amend MiFID II to introduce a new category of non-professional Qualified Investors (QI) with the following characteristics:
  - Investment firms and credit institutions would have the option, but not an obligation to apply the additional categorisation to their clients. Investment firms and credit institutions should inform a retail client of this possibility where the client complies with the eligibility criteria.
  - Upon his/her explicit request and subject to meeting the eligibility criteria, a retail client may voluntarily opt in to become a QI.
  - The eligibility criteria should be cumulative and should include a proven track-record of trading different types of financial instruments over at least 3 years and financial assets of at least EUR 50,000 at the investor's personal disposal.
  - Investment firms and credit institutions should not be under obligation to ensure continuous compliance of QI with the eligibility criteria.
  - A QI may revoke his/her QI-status at any point in time and upon his/her explicit request.
- alternatively, if balanced against broader investor protection considerations, the category of professional investors could be extended to include retail investors that comply with the eligibility criteria for Qualified Investors, as set out above. This should be subject to the request and explicit agreement of the retail investor and remain optional for the investment firm.
- amend MiFID II to alleviate requirements for QI:
  - Information requirements to QI should be considerably reduced as compared to the requirements applicable to retail investors. A QI should have access to a wider range of investment products.
  - Ensure that existing MiFID II rules cannot be interpreted to hinder investors from directly accessing non-complex investment products, such as shares and bonds.

## Do you agree that recommendation 13c is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 13d: Disclosure

- The Commission is invited to review as soon as possible, and in sufficient time to avoid a conflict with the expiry of the exemption for UCITS, the PRIIPs Regulation to address the issues raised by most stakeholders regarding intelligibility and comparability of information and the coherence with MIFID information rules, in particular for performance and cost disclosures.
- The Commission is also invited to carry out an in-depth analysis and assessment of all relevant rules in place and their implementation, with a view to:
  - Identify weaknesses of the current framework, giving particular attention to consumer research, with input from relevant stakeholders, to gain insights into exactly how consumers interact with disclosures, including in an online environment.
  - Promote digital delivery and interaction with key information that allows comparisons, interaction and customisation.
  - Identify gaps, redundancies, overlaps and inconsistencies between the different sectoral frameworks and make proposals as to how these could be eliminated.
  - Promote the use of consumer-friendly language across Member States, including clear explanations on volatility, product specific risks and potential pension gaps.
- In its assessment the Commission should consider the possibility of separating the objectives of market /supervisory transparency and consumer information e.g. exposing details of full cost structures, remuneration structures, risk profiles and performance scenarios for market and supervisory transparency, independently from disclosures aimed at addressing the needs of the consumer that could be radically simplified, however, including a layered approach that would include the provision of a fuller set of information where required.
- On the basis of the result of this analysis, and taking account of the implementation of requirements relating to ESG disclosure, the Commission is invited to table the necessary amendments to existing regulation, putting consumer testing and consumer capabilities at the forefront of any regulatory changes.
- In doing so, the Commission should be guided by the principle that disclosure rules should ensure that the fundamental consumer perspective is incorporated, allowing for maximum comparability and retail client engagement and avoiding information overload and complexity. Confusing overlaps and inconsistencies between different disclosure requirements must be avoided. Product-specific disclosure should include, where available, data on long-term past performance relative to the benchmark(s) chosen by the manufacturer.



## Do you agree that recommendation 13d is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 13e: Investment product databases and comparison tools

The Commission should consider ways to promote the development of independent web-based comparison tools for investment products that are able to feed upon reliable investment product databases. Streamlining rules on disclosure, as recommended above (in recommendation 4), could facilitate the creation of such effective investment product databases and comparison tools on the basis of product information disclosed in Key Information Documents (KIDs). To this end, as a first step the Commission should ensure that disclosure under the PRIIPS KID is adequate and meaningful to allow for reasonable comparisons of key product features, including long term past performance of the investment products and of their benchmark, if any, and actual costs in euro terms and as a percentage of net assets held by savers; data availability in digital format and digital access to or transmission of the information to one or more data-hubs, as required, needs to be ensured.

## Do you agree that recommendation 13e is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

## If you disagree with all or part of recommendation 13, how would you amend it?

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We note that the rec. 13d would entail a great overhaul of existing regulation. This project should not include the information to members and beneficiaries of occupational pension schemes and personal pension products, as this is a very different matter than the disclosure to consumers of investment products. As for occupational pensions, one of the main reasons behind the recent revision of the IORP Directive was ensuring the provision of clear and concise information to scheme members and high-transparency and safety of occupational retirement provision. The IORP II introduced the PBS, a document containing key information that also takes into consideration the specific characteristics of the scheme, the national pension systems, and the relevant national social, labour and tax law. As IORPs are deeply embedded in national

SLL, the rules of the IORP II are set on a minimum-harmonization level and are flexible enough to be combined with the specific characteristics of the given scheme, pension system and national social and economic context. For these reasons, the IORP II does not foresee delegated acts. Nevertheless, EIOPA is providing guidance and templates to help MSs to implement the provision on information disclosure. We believe the IORP II Directive should be taken out from the scope of this rec. and should not be compared with investment products. Individual pension products were excluded from the scope of PRIIPs in consideration of their peculiarities and objectives. Considering that PRIIP KIDs are flawed and have already proved to be inadequate for long-term products, we believe that other disclosure mechanisms would be more appropriate for pension product disclosure, e.g. building on the current work under PEPP Regulation, including level 2-measures. Individual pension products should therefore also be excluded from this project. Finally, we highlight that the IORP II and PEPP Regulation already set requirements for disclosure of ESG information.

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## Recommendation 14: Open finance

### Recommendation 14a

- The Commission is invited to introduce a harmonised and balanced open finance regulatory framework, covering financial and only non-financial information relevant to facilitating financial planning or encouraging investment. It should apply to providers of financial services and cover savings accounts, investment accounts, pension savings, mortgages, consumer credit and insurance products. The Commission should also consider other areas if and where it identifies a strong use-case. When determining the scope of the data to be shared and the exact requirements, a level playing field between operators should be ensured.
- This regulatory framework should have the following elements:
  - Personal data should remain under the full data subject's control in compliance with the GDPR and be secure;
  - Requirements on the access, use and storage of data should be specified, including the liability of different actors;
  - Standards for the data format should be developed to facilitate sharing;
  - A single EU-wide Application Programming Interface would be desirable to eliminate avoidable costs and facilitate scaling, so as to enable a secure and smooth access to consistent data sets.

### Do you agree that recommendation 14a is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 14b

In parallel, the Commission is invited to undertake an in-depth analysis of the possibility to extend the scope to other non-financial information (e.g. the users' metadata gathered by social media platforms). The analysis should take into account the risks related to the exposure of personal data, the costs for market operators as well as possible impact on the market.

### **Do you agree that recommendation 14b is important?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### **If you disagree with all or part of recommendation 14, how would you amend it?**

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As stated in the HLF report, the goal of the open finance framework would be to make it easier for consumers to receive proposals to compare the costs and product features and, where appropriate, enable them to switch between providers, in turn improving competition between financial services providers as well as spurring the creation of innovative services and tools for consumers. However, this consumer-focused approach is not appropriate in many occupational pensions. As stated in recital 32 of the IORP II Directive, IORPs are pension institutions with a social purpose that provide financial services and should not be treated as purely financial service providers. IORPs are institutions strongly embedded within national social models and primarily governed by social and labour law. This social purpose is reflected in the triangular relationship between employers, employees and the IORP, often through the involvement of the social partners. IORPs are linked to an employment relationship and often providing for a mandatory membership of representatives of the employer(s), the employees and the beneficiaries in the highest bodies of the IORP (assembly of representatives/members, supervisory board). These important features are not compatible with the consumer-focused approach adopted in the HLF report and the open finance recommendation such as described in the report does not seem to be applicable to IORPs.

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### **Recommendation 15: Withholding tax**

- The Commission is invited to set out in EU law common definitions, common processes, and a single form, relating to withholding tax relief at source procedures and their streamlining. In order to achieve significant alleviations for stakeholders, the Commission should make a proposal to introduce a standardised system for relief at source of withholding tax based on authorised information agents and withholding agents (e.g. the TRACE1 project by the OECD).
- The objective is that a standardised relief at source system becomes the principal mechanism for withholding tax relief procedures and their streamlining. Reclaim procedures should remain as a back-up

(to cover cases in which an investor has been unable to benefit from relief at source). Reclaim procedures should be based on the common definitions and processes throughout the EU, should use a single form, and should be effected speedily and efficiently.

- The Commission is invited to support the development of new digital solutions to facilitate the creation of a standardised relief at source system that is both efficient, and resistant to fraud.

## Do you agree that recommendation 15 is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

## If you disagree with all or part of recommendation 15, how would you amend it?

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We agree with the important remarks of the Report on the current challenges with withholding tax (WHT) procedures across Europe. PensionsEurope has explained those challenges and obstacles from pension funds' point of view in PensionsEurope position paper on the withholding tax refund barriers to cross-border investment in the EU.

We agree with the objective that a standardised relief at source system becomes the principal mechanism for WHT relief procedures and their streamlining. We have stressed for a long time that the relief at source is the best practice for pension funds.

We warmly welcome the recommendation that the EC should put forward a legislative proposal to introduce a standardised system for relief at source of withholding tax based on authorised information agents and withholding agents. However, there are also many other recent WHT proposals which the EC should thoroughly consider.

In PensionsEurope position paper on smoothing WHT procedures beyond Code of Conduct - EU tax register of recognised pension institutions, beyond our tax register proposal, we also proposed developing and using one (standardised) form across the EU to determine whether a pension institution qualifies for tax relief in a respective Member State. Furthermore, the Next CMU High-Level Group proposed in its report developing a straightforward EU procedure for repayment of WHT to investors. There are also many other possible improvements including various possibilities and solutions for instance in the field of blockchain and cloud services.

We urge that the upcoming EC Action Plan on the Capital Markets Union (to be published in Q4 2020) will contain some concrete follow-up to the Code of Conduct. From the European pension funds' point of view,

we would be pleased to provide you more information and our expertise on various possibilities how to improve the current burdensome and costly WHT procedures across Europe.

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## Recommendation 16: Insolvency

### Recommendation 16a

The Commission is invited to adopt a legislative proposal for minimum harmonisation of certain targeted elements of core non-bank corporate insolvency laws, including a definition of triggers for insolvency proceedings, harmonised rules for the ranking of claims (which comprises legal convergence on the position of secured creditors in insolvency), and further core elements such as avoidance actions.

#### Do you agree that recommendation 16a is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 16b

The Commission is invited to set up an expert group tasked with elaborating common terminology for principal features of the various national insolvency laws.

#### Do you agree that recommendation 16b is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 16c

In cooperation with the EBA, the Commission is invited to analyse how the current bank supervisory reporting framework should be modified so that banks provide to supervisors the data on non-performing exposures that allows an analysis of the effectiveness of national insolvency systems of Member States. On the basis of this supervisory reporting data, EBA should start providing the Commission with bi-annual monitoring reports on the effectiveness of national insolvency systems of Member States.

## Do you agree that recommendation 16c is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

## If you disagree with all or part of recommendation 16, how would you amend it?

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Across Europe procedures to restructure financially distressed businesses have increased in importance (also due to COVID-19 outbreak), as they enable such businesses to address their financial difficulties at an early stage, when their insolvency could be prevented and the continuation of their activities assured. Viable businesses, whose rehabilitated assets may be worth more than in a liquidation scenario, can potentially start producing returns for shareholders/investors, such as pension funds, and making reimbursements to creditors again, while guaranteeing jobs. Furthermore, the approach of rescuing distressed viable businesses instead of liquidating them, maximises the total value to creditors, employees, owners/investors and the economy as a whole.

We recognise that, in general, Member States are rather attached to national specificities in insolvency regimes. We believe that Member States could notably modernise many of those regimes by themselves and the EC should continue helping Member States in that work.

We also believe that several steps could be introduced at the EU level, and a proposal for minimum harmonisation of certain targeted elements of core non-bank corporate insolvency laws could be one of those. As the first step, the EC could consider what would be, on the one hand, the most efficient, and on the other hand, the most realistic measures to introduce. Creating a core group of Member States ready to accelerate harmonisation could be also considered.

Finally, we find the idea of setting up an expert group (tasked with elaborating common terminology for principal features of the various national insolvency laws) interesting. If the EC decides to set up such an expert group, we would find it important that also a representative(s) of big institutional investors investing across Europe, such as pension funds, would be invited to it.

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## Recommendation 17: Supervision

### Recommendation 17a: ESMA

The HLF recommends that the Commission strengthens ESMA's mandate to enhance European supervisory convergence, including by reforming its governance and strengthening its powers and toolkits as well as by

entrusting it with wider powers in crisis management and ensuring that it is granted adequate resources. To that effect, the Commission should review the relevant sector-specific legislation as well as the founding Regulations of ESMA.

### Do you agree that recommendation 17a is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### Recommendation 17b: EIOPA

The HLF recommends that the Commission strengthens EIOPA's mandate to enhance European supervisory convergence, including by reforming its governance and strengthening its powers and toolkits as well as by entrusting it with wider powers in crisis management and ensuring that it is granted adequate resources. To that effect, the Commission should review the relevant sector-specific legislation as well as the founding Regulations of EIOPA.

### Do you agree that recommendation 17b is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### If you disagree with all or part of recommendation 17, how would you amend it?

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

PensionsEurope questions the need for the enforcement of supervisory convergence in the area of occupational pensions. The HLF recommendation would entail new powers for EIOPA to review national supervisory authorities' activities. PensionsEurope is concerned EIOPA would employ these tools to urge national supervisors to adopt its view of how pension funds should be regulated. It should be recognised that pension institutions are embedded in national social and labour law. Occupational pensions are built on the foundation of first pillar pensions and linked to Member States' social security systems. National prudential legislation and supervision take these national elements into account. A one-size-fits-all approach to the European legislation would not reflect the heterogeneity and complexity of the different combined first and

second pillar systems.

HLF argues greater supervisory convergence is needed to make it easier for entities to gain scale and become more competitive within the EU and hence also globally. HLF remarks existing divergent supervisory practices constitute barriers to cross-border operations and hinder market integration. Most pension funds only operate in a single country, independently from the level of convergence in supervisory practices among Member States and the EU or global competitiveness are not relevant issues for them. Recent decisions about co-operation between supervisory authorities already aim to improve the functioning of cross-border IORPs. HLF makes a general comment that further harmonising and simplifying the financial legislative framework by way of transitioning from Directives to Regulations would be necessary. We consider that transitioning IORP II Directive to an IORP Regulation is unfeasible as it would totally change the present occupational pensions landscape, which is for a major part based on national social and labour law and not EU internal market legislation.

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## 18. European consolidated tape (ECT)

The HLF decided not to table a recommendation on a European Consolidated Tape.

### **Do you consider that the creation of a European Consolidated Tape is important to the Capital Markets Union?**

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

### **Could you please explain your response on the importance of the ECT?**

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The success of the consolidated tape will be highly dependent on the quality of its data and the costs associated with it, which will ultimately determine its usefulness for professional and individual end-investors. The creation of a real time post-trade consolidated tape for equity instruments is a priority to achieve greater integration in the Capital Markets. The inclusion of other asset classes should be considered over time, based on the feedback from the equity experience.



## Other recommendations

### Are there any other recommendations that are not included in the HLF report that you think are crucial for the completion of the Capital Markets Union?

*2000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Market forces and regulatory developments have increased the need for financial and non-financial data over the last few decades with an increasing dependency on non-EU data providers. However, the cost of data is continuously increasing with negative effects on data users, including pension funds and their asset managers. Indeed, data providers have achieved significant market power in an oligopolistic market, and they use it to limit data access, data distribution and competition while they benefit from a limited responsibility. There is a lack of transparency on cost justification and a lack of reliability on the data provided. PensionsEurope recommends strengthening the regulation of data providers by revising the European legislative texts concerned. It is important to ensure data quality and achieve a better control on the costs of access to data since the performance obtained for “end-investors” will be directly affected.

## Useful links

[Feedback document \(https://ec.europa.eu/info/files/200610-cmu-high-level-forum-feedback-document\\_en\)](https://ec.europa.eu/info/files/200610-cmu-high-level-forum-feedback-document_en)

[More on the CMU HLF \(https://ec.europa.eu/info/publications/cmu-high-level-forum\\_en\)](https://ec.europa.eu/info/publications/cmu-high-level-forum_en)

[More on the CMU HLF final report \(https://ec.europa.eu/info/publications/cmu-high-level-forum\\_en#200610\)](https://ec.europa.eu/info/publications/cmu-high-level-forum_en#200610)

[More on capital markets union \(https://ec.europa.eu/info/business-economy-euro/growth-and-investment/capital-markets-union\\_en\)](https://ec.europa.eu/info/business-economy-euro/growth-and-investment/capital-markets-union_en)

[Specific privacy statement \(https://ec.europa.eu/info/files/200610-cmu-high-level-forum-feedback-privacy-statement\\_en\)](https://ec.europa.eu/info/files/200610-cmu-high-level-forum-feedback-privacy-statement_en)

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

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