



# Seminario internacional CNMV

## **NUEVA REGULACIÓN DE LOS MERCADOS DE VALORES**

Madrid, 20 de Septiembre 2016

CNMV

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NACIONAL  
DEL MERCADO  
DE VALORES



## **Bienvenida y apertura**

Emilio Lora-Tamayo D'ocón  
Presidente del CSIC

María Elvira Rodríguez Herrer  
Presidenta de la CNMV

**Gobierno Corporativo ¿qué queda por hacer?**

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# **GOBIERNO CORPORATIVO: PRINCIPIOS DE LA OECD**

Rintaro Tamaki  
Secretario General Adjunto de la OECD

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## Sesión 1

# **VISION DE LOS SUPERVISORES Y REGULADORES INTERNACIONALES**



# **El nuevo estándar de cooperación internacional, el Acuerdo Multilateral de IOSCO optimizado (EMMOU)**

Paul Andrews  
Secretario General de IOSCO



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**5º Aniversario de ESMA:  
el camino a seguir en el ámbito  
de la protección al inversor y  
la integridad de los mercados**

Steven Maijoor  
Presidente de ESMA

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# **Consulta sobre el impacto acumulado de la nueva normativa financiera**

## **Plan de acción de la CE relativa a la Unión de los Mercados de Capitales**

Niall Bohan

Jefe de Unidad, Dirección General de Estabilidad  
Financiera, Servicios Financieros y CME, CE



# CAPITAL MARKETS UNION

#CMU

**Capital Markets Union (& cumulative impact assessment): impact on EU securities policy**

**CNMV International Seminar**

**Madrid September 20th 2016**



# CAPITAL MARKETS UNION

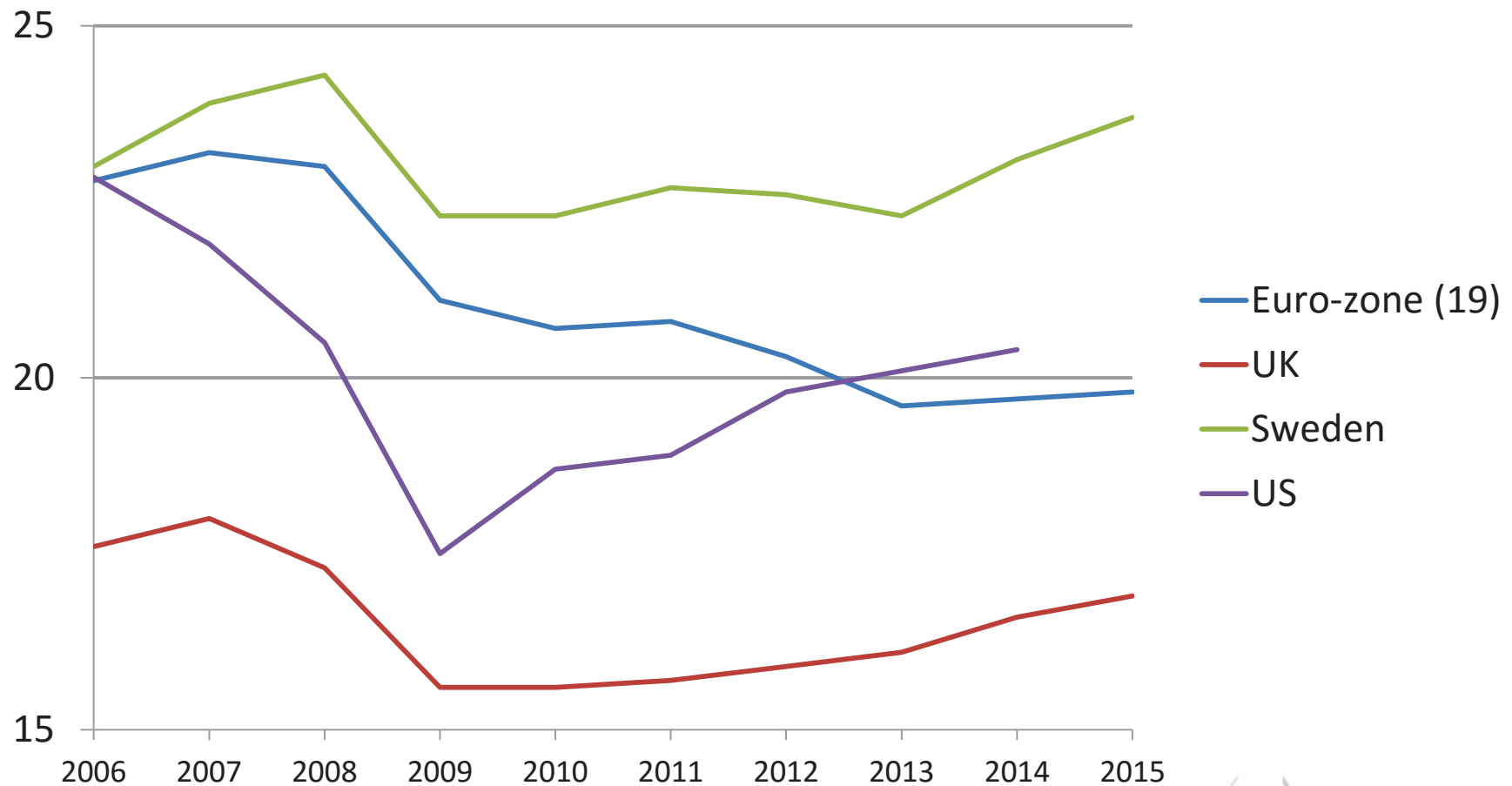
#CMU

## CMU reform: origins and drivers



# Investment (EU vs US):

Gross Fixed Capital formation as % of GDP



## CMU: key part of EU investment agenda

- CMU is "regulatory reform" leg of Investment Plan for Europe; Complements strong EU Public finance component (EFSI):
  - SME equity window: 75bn€ investment target; schemes supporting 200'000 SMEs in 20 MS agreed, funding line reinforced;
  - Infrastructure window: 240bn€ investment target: projects with total investment value of 116bn€ supported (1/3 projects are 'green');
  - Budget and mandate reinforced by EFSI 2,0 (14/09): revised target = 500bn+ by 2020.
- Mix of regulatory facilitation + public finance maximises impact.



## Purpose of CMU:

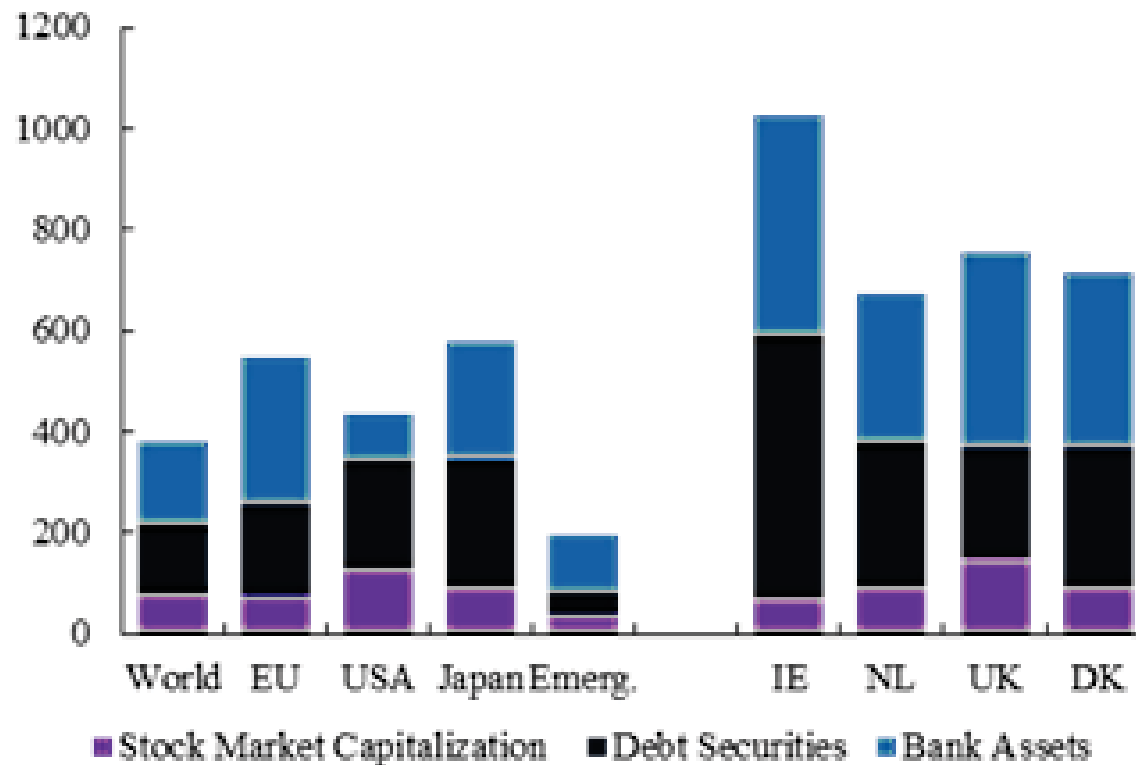
### Over-arching objective:

- Regulatory reform programme to diversify the funding of EU economy, reduce over-dependence on bank loans.

### To be achieved by:

- Increasing market-based finance from various sources and building a stronger equity culture to complement bank lending;
- Stimulating long-term finance for investments in infrastructure and SMEs;
- Removing barriers to cross-border raising of capital and investments.

# EU financial markets in perspective:



LU not shown because of different scaling, total assets = 3000 % of GDP

Source: IMF.

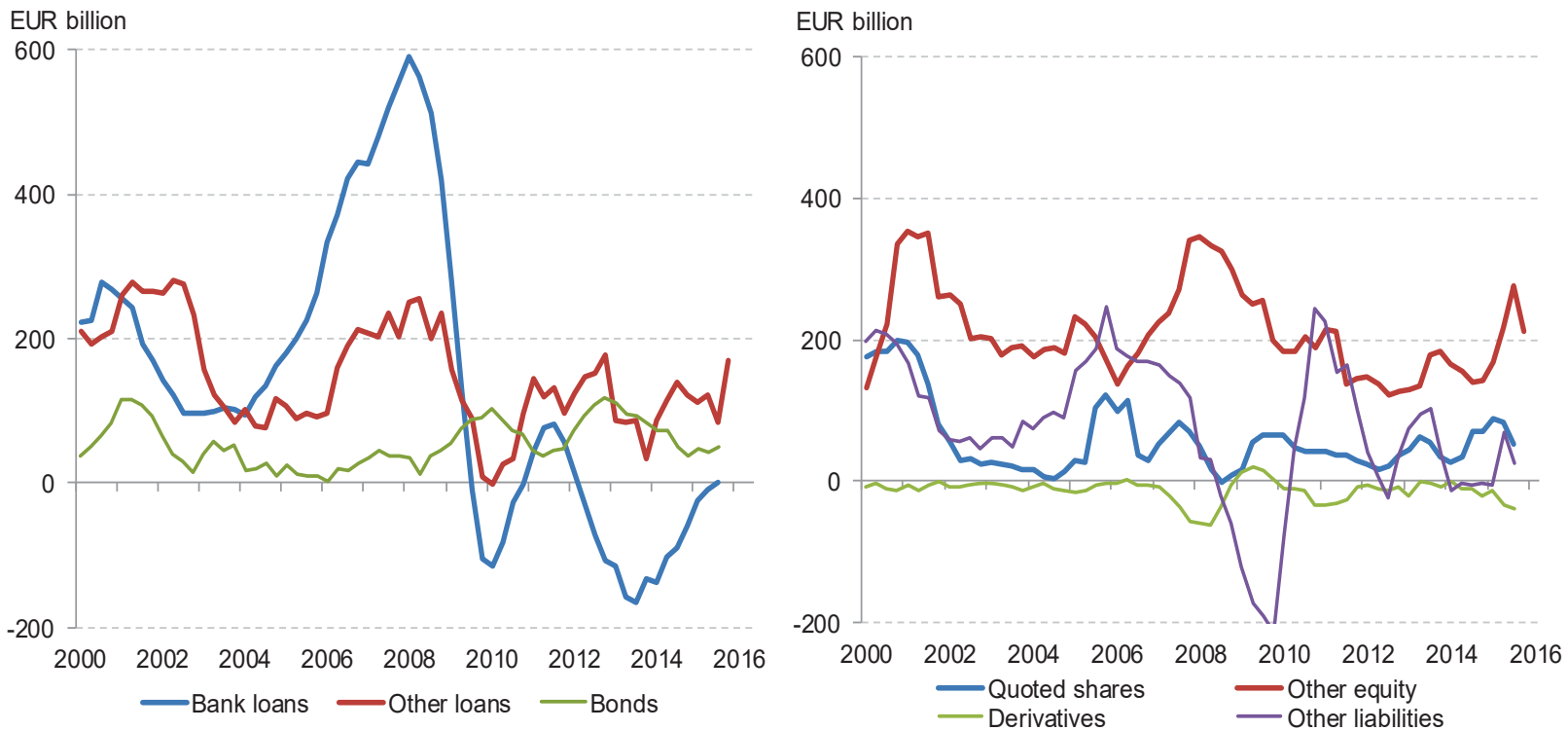
## Funding of EU SMEs:

Sources (private only) of SME funding for US and EU, stocks and flows, in 2013

		Stock		Flow	
		US (€bn)	EU (€bn)	US (€bn)	EU (€bn)
Banks	Loans & securitised loans	494	1,543	286	748
Non banks	Mutual funds + individual mandates	112	98	11	7
	PE funds	59	32	14	9
	VC funds	104	22	26	5
	Family and friends	371	168	186	84
	Crowdfunding	3	1	1	1
	Angel investing	39	11	20	66

# Bank loans more pro-cyclical than market funding

Chart 2.13: Dynamics in NFCs' sources of funding (liabilities) in the euro area



Source: ECB, Eurostat and own calculations



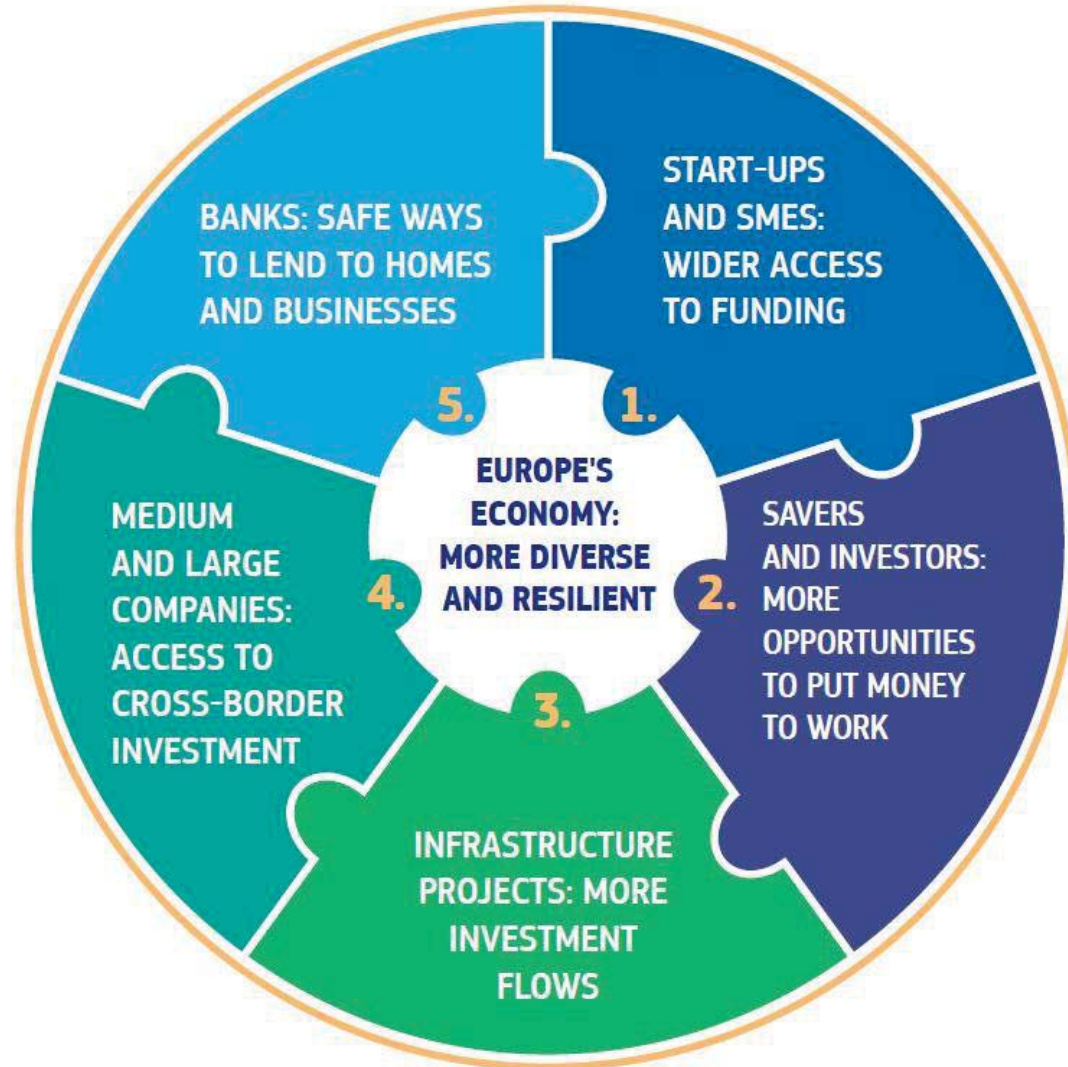
# CAPITAL MARKETS UNION

#CMU

**Content of CMU reform programme:**

**(following Communication of 14/09/16: Accelerating Delivery of CMU)**

# CMU = finance for investment & growth



## Increasing SME access to finance (esp. scale-ups) (1)

Policy field	Challenge	Actions
<b>SME awareness of alt fi/equity;</b>	55% SMEs unaware of alternatives to bank loans, 40% 1st time loan applications rejected.	Develop national/regional SME information systems; Explore referral mechanism at loan rejection.
<b>Venture capital</b>	Small funds (av. = 50-60m€ AuM) poor returns, limited geographical focus; strong dependence on public purse.	Expand eligible assets (listed SMEs, small mid-caps, 2 <sup>nd</sup> round) + managers; Concentrate public support (400m€+) on large, privately managed, pan-national VC FoF.
<b>Junior markets/SME listing</b>	Disclosure requirements and other compliance burdens absorb up to 8% of mid-cap IPO.	Streamline public offer documents (esp for SMEs); Make full use of regulatory framework for junior markets.

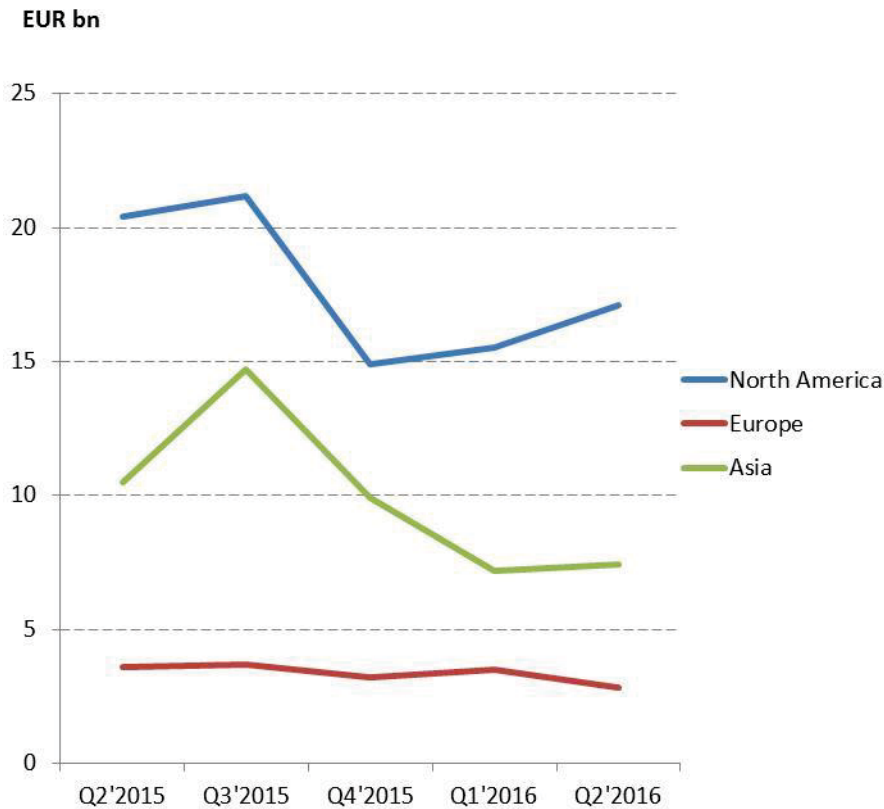
## Increasing SME access to finance (esp. scale-ups) (2)

Policy field	Challenge	Actions
<b>Crowdfunding</b>	Fast growth of P2P and equity platforms (annual growth of 90%). 80% activity in UK. Support sound development EU-wide. EU lags US and Asia.	Accompany national regulation to ensure emergence of sound regulatory/supervisory approaches, assess barriers to cross-border capital raising
<b>Private placement</b>	Private placement channel functioning in only 2 MS (FR, DE). Strong growth, driven by increased recourse to corporate bond market.	Identify legal and tax bottlenecks; Promote best practice based on in-depth country analysis.

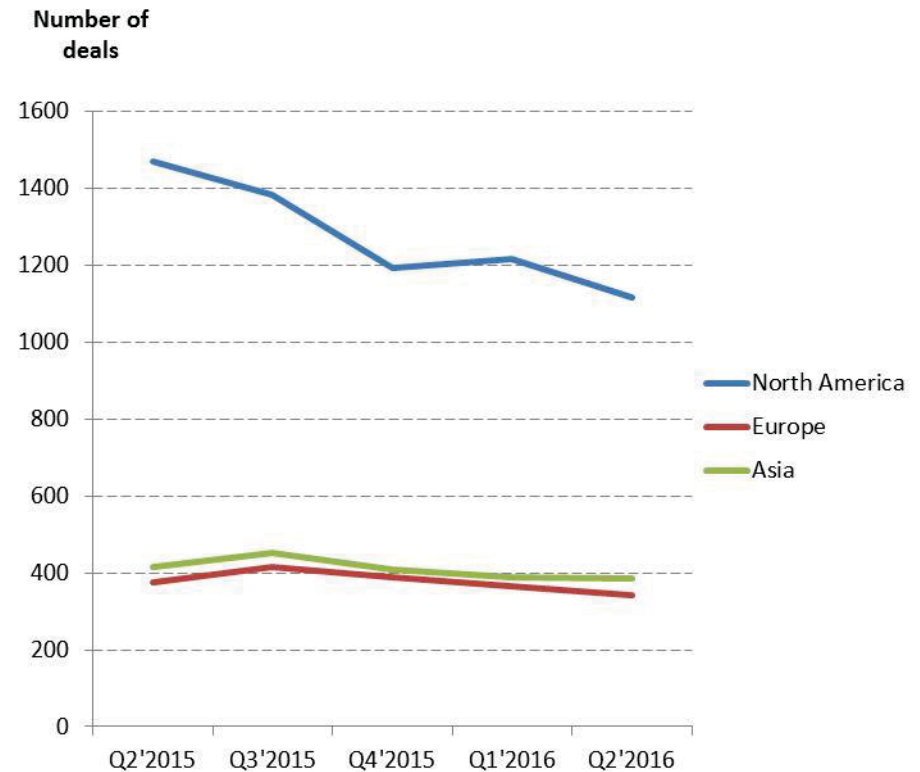


# VC investment: Europe, North America and Asia

**Investment by continent, Q2'2014 – Q2'2015**



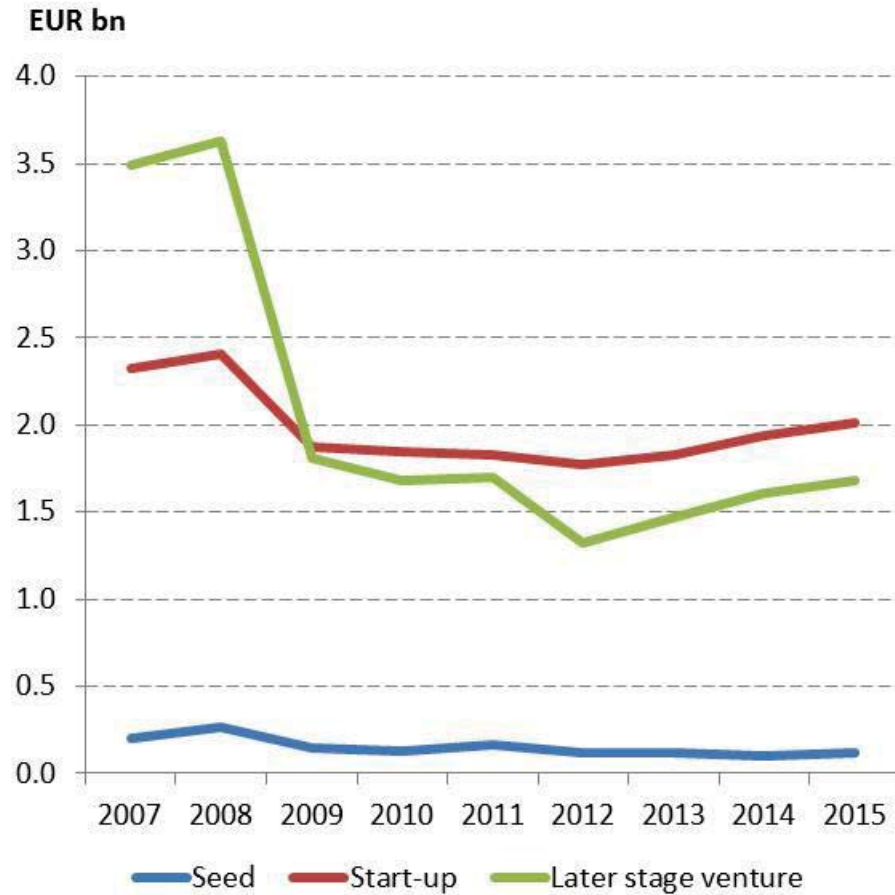
**Deal count by continent, Q2'2014 – Q2'2015**



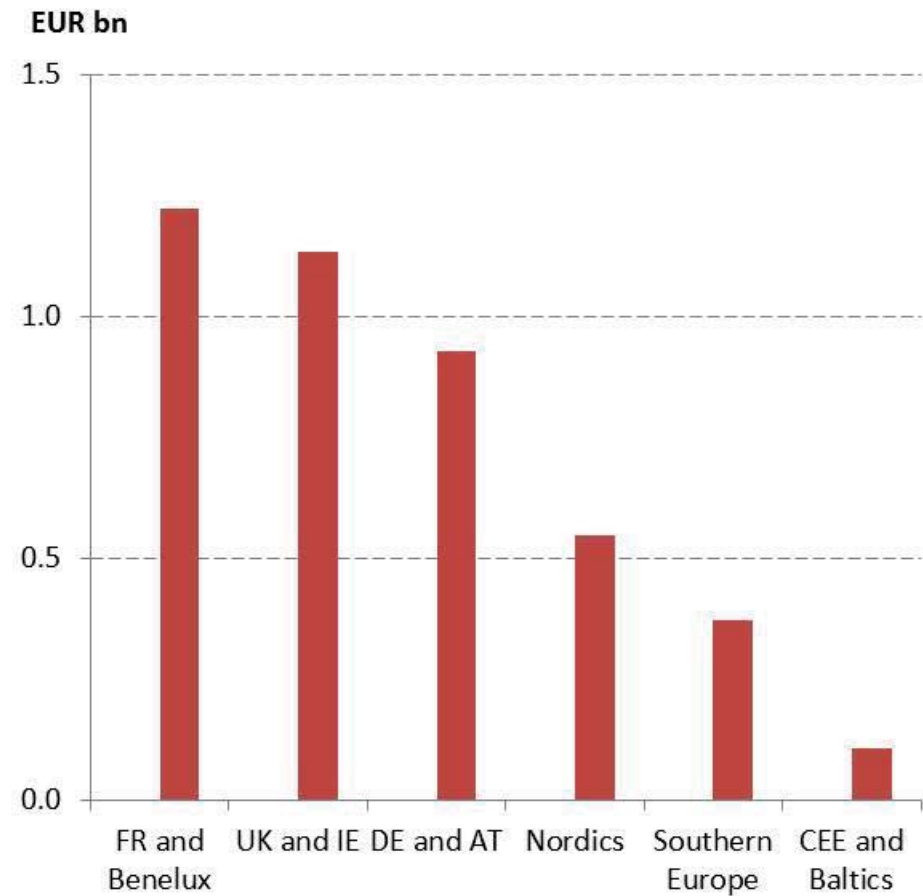
Source: KPMG and CB Insights

# VC investment in Europe

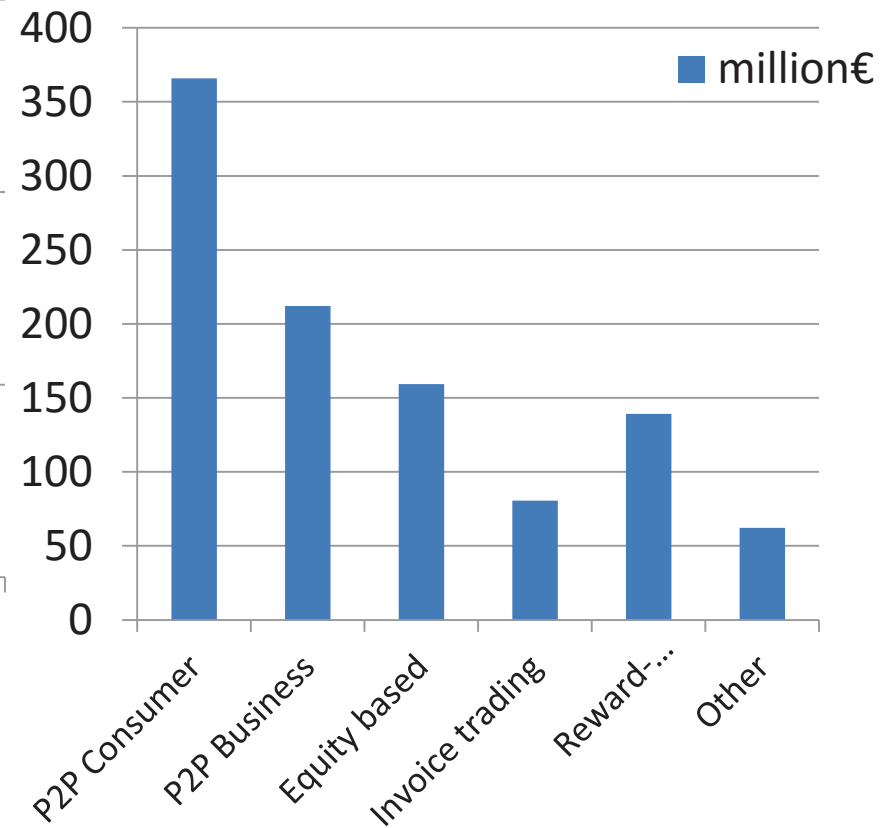
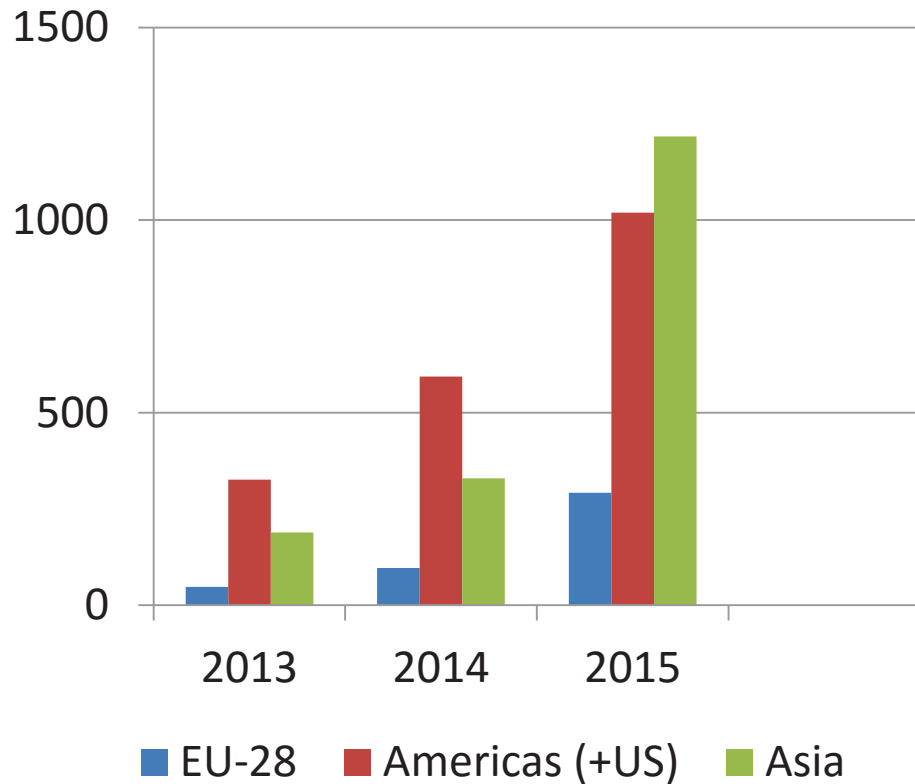
VC investments by stage, 2007-15



VC average yearly investments by region, 2007-15



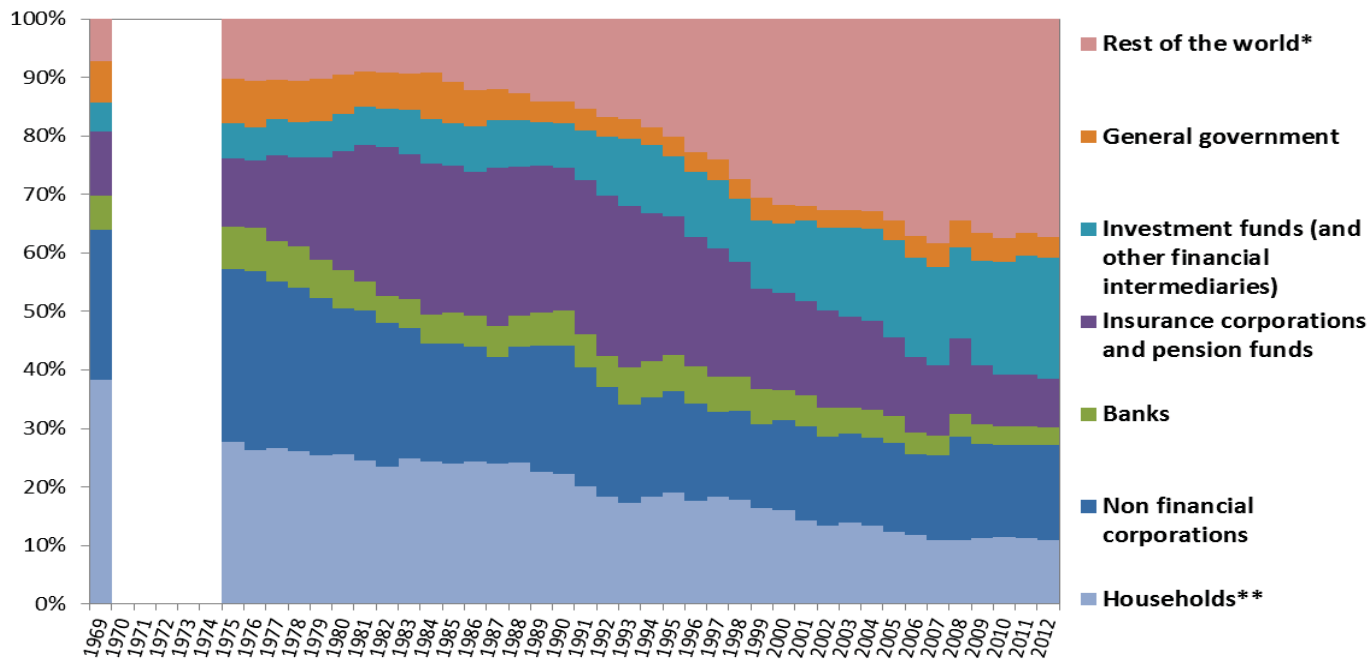
# European crowdfunding (in m€)



## Putting institutional capital to work:

Topic	Challenge	Action
<b>Infrastructure investments</b>	Adjust capital charges held by insurers and banks against exposures to infrastructure, infrastructure corporates and long term inv. funds.	Assessment of infrastructure corporates ongoing; Explore reduction of bank capital requirements for infrastructure holdings.
<b>Securitisation</b>	Collapse of EU securitisation markets despite low levels of default; restore confidence in asset class.	Finalise legislation on STS securitisation; Adapt capital charges for insurance exposures to STS securitisation.
<b>Covered bonds</b>	Support development of covered bond markets;	Evaluate need for EU to reinforce prudential requirements for covered bonds, promote alignment of national covered bond requirements.
<b>Sustainable investment</b>	Develop an EU strategy on sustainable finance;	Work with expert group to develop policy blueprint; Increase focus on green projects through EFSI.

# Who owns EU equity ? – Trends



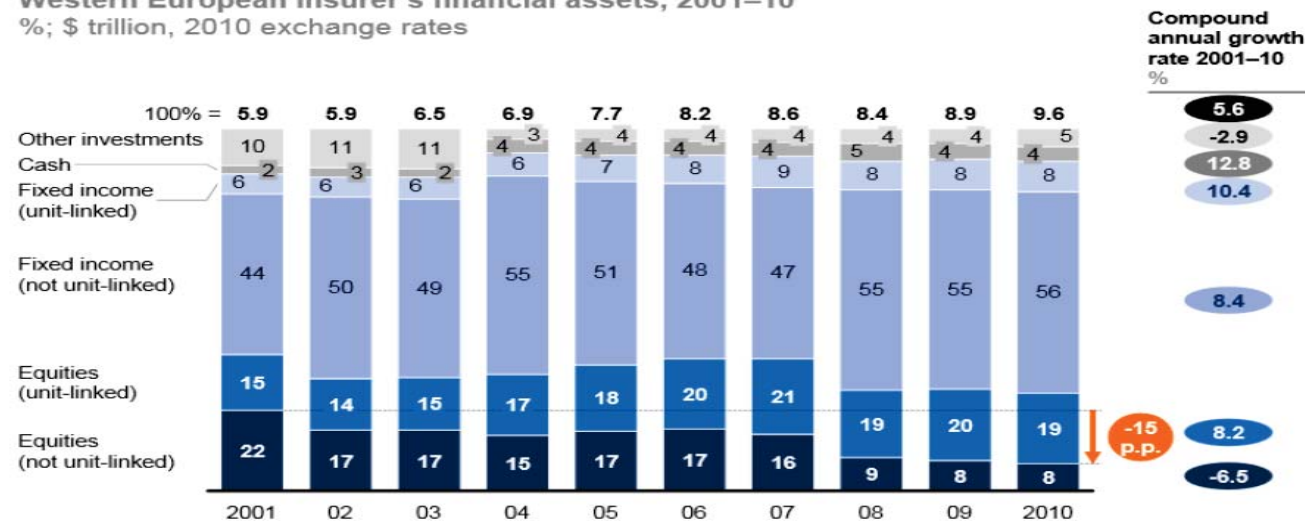
\* including non domestic EU investors and non EU investors \*\* including non-profit institutions serving households

Banks are now the smallest category of investors, with a share of 3% in 2012 (7-8% in the 1970s).

Source: [http://ec.europa.eu/finance/finservices-retail/docs/fsug/papers/1308-report-who-owns-european-economy\\_en.pdf](http://ec.europa.eu/finance/finservices-retail/docs/fsug/papers/1308-report-who-owns-european-economy_en.pdf)

## Insurers – investment portfolio:

Western European insurer's financial assets, 2001–10  
%; \$ trillion, 2010 exchange rates



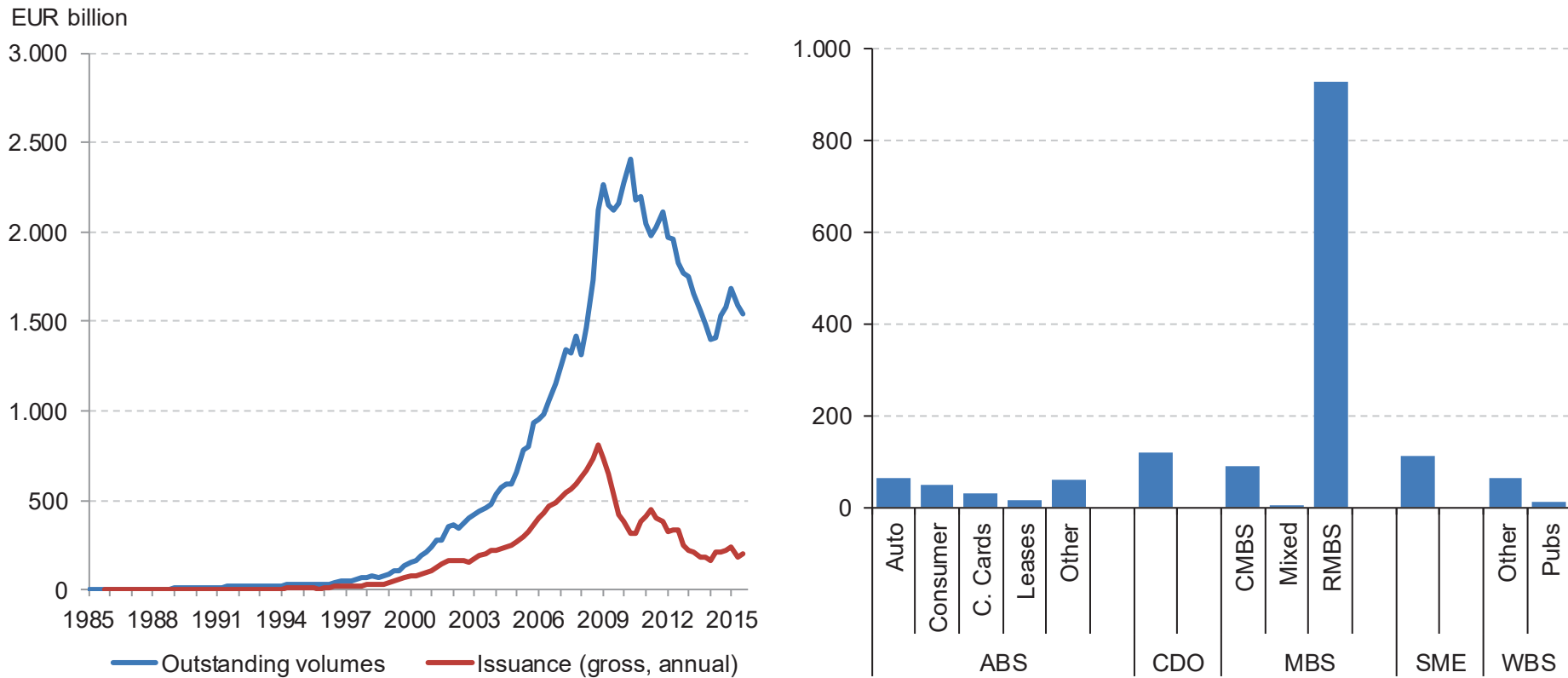
Source: Roxburgh C., Lund S., Dobbs R., Manyika J., and Wu H., *The emerging equity gap: Growth and stability in the new investor landscape*, McKinsey Global Institute, exhibit A15, page 79, quoted by the EU IPO Report, March 2015

Western European insurers have reduced their equity holdings from 22% to 8% of total investments between 2001-2010. Real estate investments also shrink.

Source: Better Finance

# EU securitisation markets

**Chart 2: Securitisation in Europe - total outstanding amounts and by collateral class (2015-Q3)**



Notes: ABS: asset-backed securities; CDO: collateralised debt obligations; MBS: mortgage-backed securities; CMBS: commercial mortgage-backed securities; RMBS: residential mortgage-backed securities; SME: small and medium-sized enterprises; WBS: whole business securitisation.

<sup>3</sup> Source: AFME, SIFMA, ECB and own calculations

# Mobilising capital for green finance:

## Double Challenge:

1. How can finance support orderly transition to a low-carbon economy by mobilizing private capital?
2. How do we manage exposure of financial system to carbon-intensive sectors and assets.

## CMU Action:

Develop financial policy blueprint to implement green finance agenda in EU (follow-up to G-20): Look at right mix of incentives, obligations and alleviations to support nascent green asset classes?

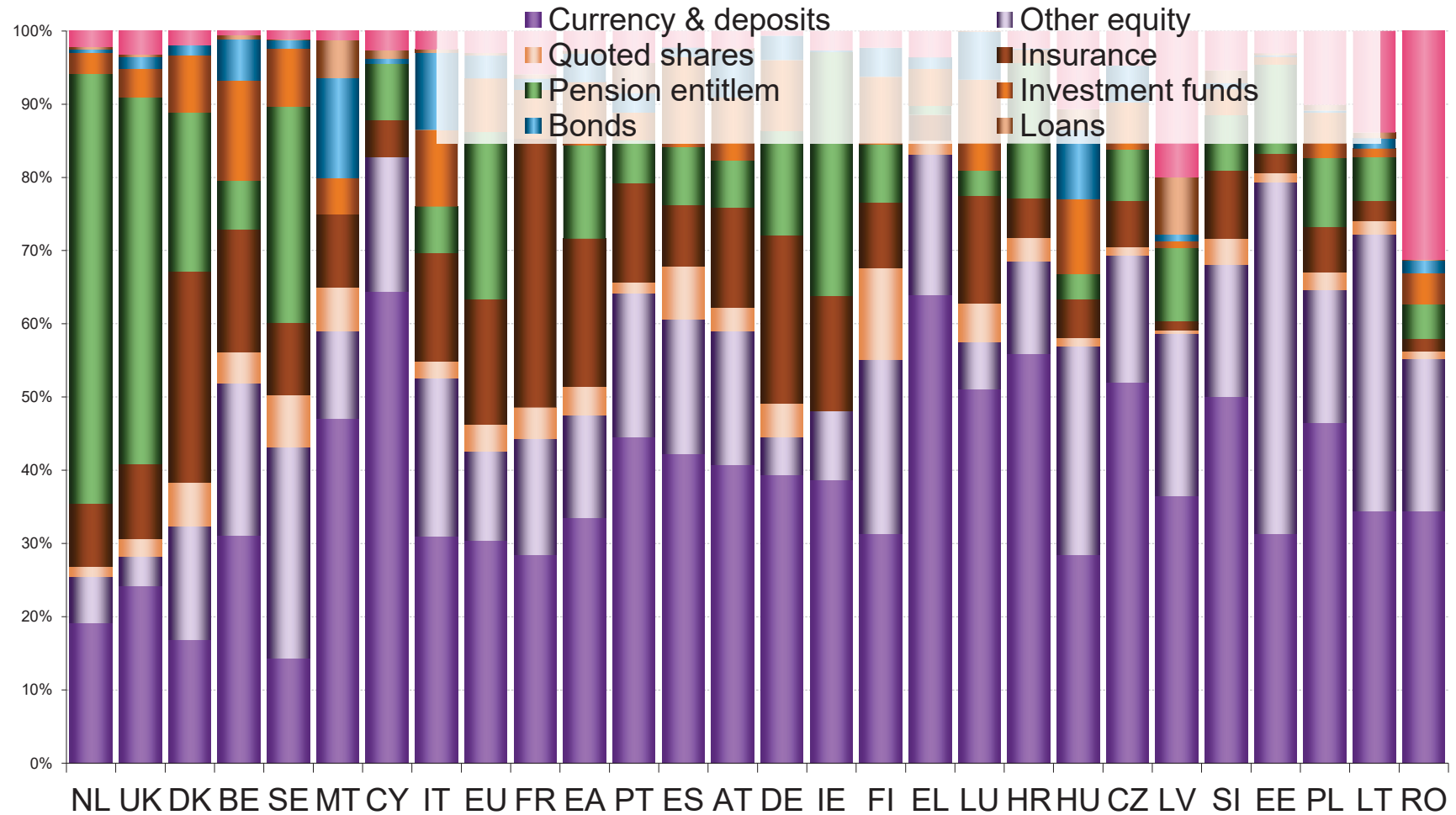
1. Definitions of "green", market standards and taxonomies.
2. Effective disclosures by large issuers and institutional investors.



## Deliver benefits to retail investors

Theme	Challenge	Action
<b>Personal pensions</b>	Provide sound and attractive arrangements for retirement-related retail products. Allow scaled-up cross-border solutions that plug-into national tax regimes.	<b>Possible proposal</b> on simple, efficient and competitive personal pensions
<b>Retail investment distribution systems</b>	Promote competition and access to cheaper investment products. Build investor confidence through transparency and better returns	Comprehensive assessment of distribution and advisory systems under preparation
<b>Retail financial services</b>	Enable more cross-border opportunities for banking, payments and insurance products.	Action plan of measures to enhance efficiency of retail markets.

# EU Household's financial assets



Notes: Data for Bulgaria and Slovakia are not available.

Source: ECB, Eurostat and own calculations

## EU retail investors and capital markets:

### Starting point:

- 1/3 of EU household financial assets in banking deposits;
- Missed opportunities: Over past 50 years, European equities delivered 6% real return annually, versus 4.9% for bonds and 0.9% for cash;
- Indirect exposure to capital markets via funds or unit linked life insurance; distribution/management fees significantly erode net performance;

### Avenues to improve EU retail investor outcomes:

- Recent efforts to increase transparency of investment products at national and EU level;
- Increasing market share of Exchange-Traded Funds;
- Increasing sales through online distribution platform: potential of Fintech to challenge bank dominance of fund distribution.
- CMU action: EU retail investment product markets assessment - by 2018

## Personal pension products:

- Number of > 60 year-olds grows by 2m each year in EU;
- Millennials expected to have 14 different jobs during working life – pension solutions need to cater for professional/geographical mobility;
- Performance of occupational and other retirement related vehicles: net of inflation, tax, administration = approx. 0%;
- Need to facilitate emergence of scalable, affordable, steady return products (possibly in return for reduced redeemability);
- Develop EU markets for individual pension products to achieve scale.

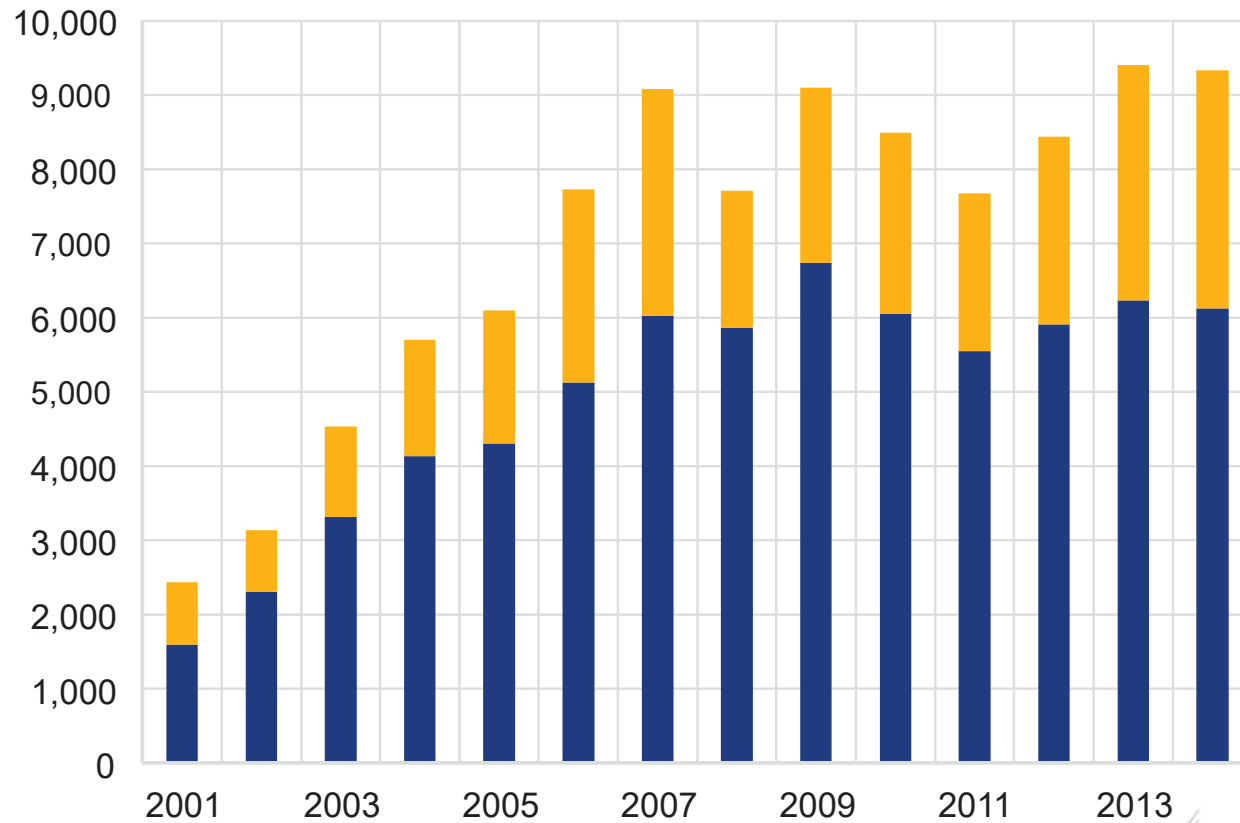
## Legal and tax framework for CMU:

Topic	Challenge	Action
<b>Insolvency frameworks</b>	No provisions on pre-insolvency in some MS law; Wide disparity in efficiency of loan enforcement/insolvency systems drags on financial system.	Proposal on business restructuring and second chance; Benchmarking of efficiency of loan enforcement & insolvency regimes.
<b>Clearing and settlement</b>	Persistent barriers to post-trading environment	Expert analysis to precede public consultation on policy blueprint.
<b>Securities law:</b>	Lack of clarity regarding applicable law in event of competing claims on securities or 3rd party debt assignment.	Legislative proposal to resolve conflicts of rules (2017)
<b>Tax barriers</b>	Tax bias towards debt financing of companies; Withholding tax leads to double taxation of x-border investment income.	Address debt-equity bias in national corporate tax systems Proposal on equity tax allowance by end 2016

# Cross-border securities flows in EU:

Intra-EU holdings of securities US\$ 000bn:

- Debt Securities
- Equity



Source: ECB/IMF

# Framework conditions for capital market development

Topic	Challenge	Actions
<b>Technical assistance</b>	Regulation on financial resources Work with MS to identify priority areas	Finalise budget for TA workstream; Agree TA projects with Member States to develop capital markets
<b>Supervision</b>	Foster supervisory convergence; Identify targeted areas in which EU dimension of supervision needs to be strengthened.	Ongoing implementation of ESMA work programme on supervisory convergence White Paper on governance and financing of European Supervisory Authorities.
<b>Financial stability</b>	Review of the macro-prudential framework.	Ongoing consultation; Legislative proposal in 2017.

## Conclusions/prospects on CMU:

- A long-term agenda but ...
- European capital markets are on the move:
  - Corporate bonds: outstanding value of corporate bonds increased >10% GDP (2011-14) versus 7% 2007-10; number of issues triples;
  - European online alternative finance market (including CF/P2P) grew by 92%, 5.4 billion€ in 2015;
  - in UK, P2P platforms account for 13% of new SME loans: platforms exist in 22 MS;
  - Private placement activity doubles (driven by FR, DE).





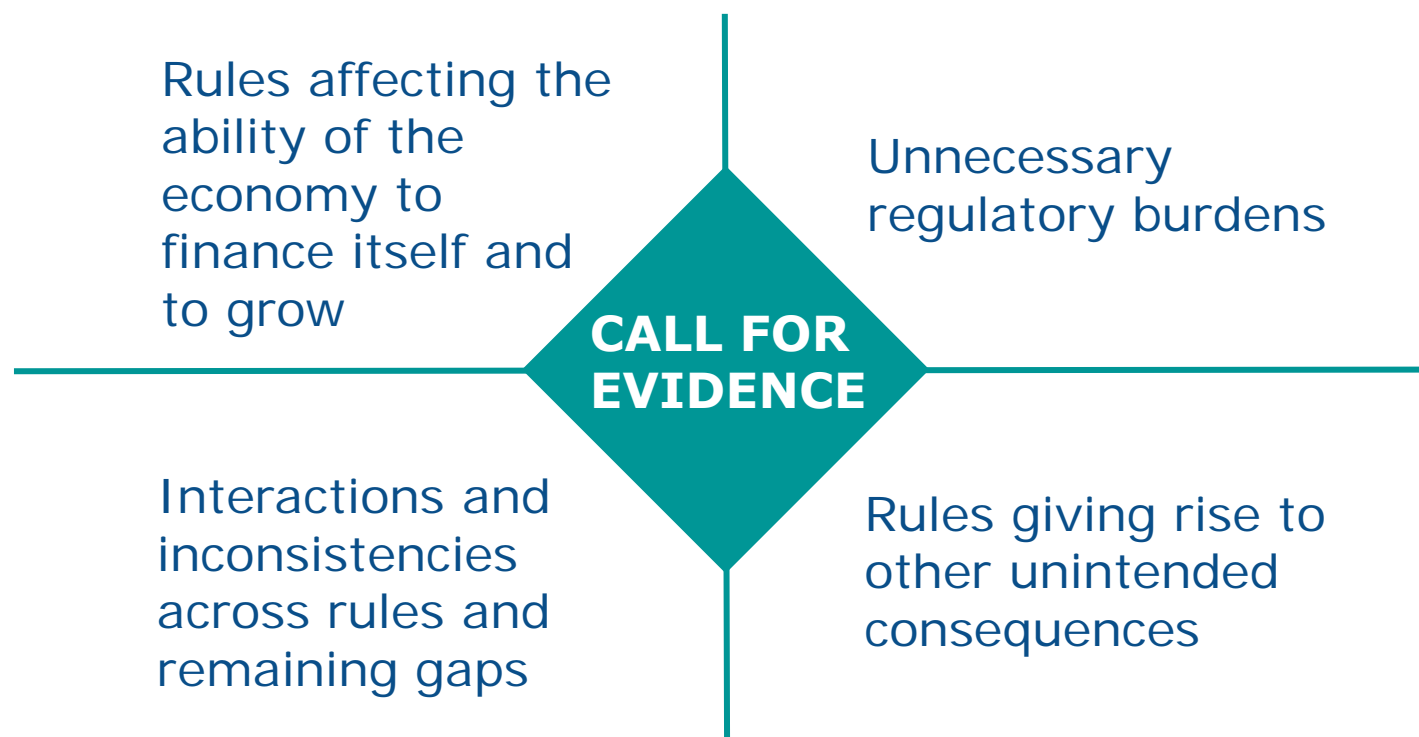
# CAPITAL MARKETS UNION

#CMU

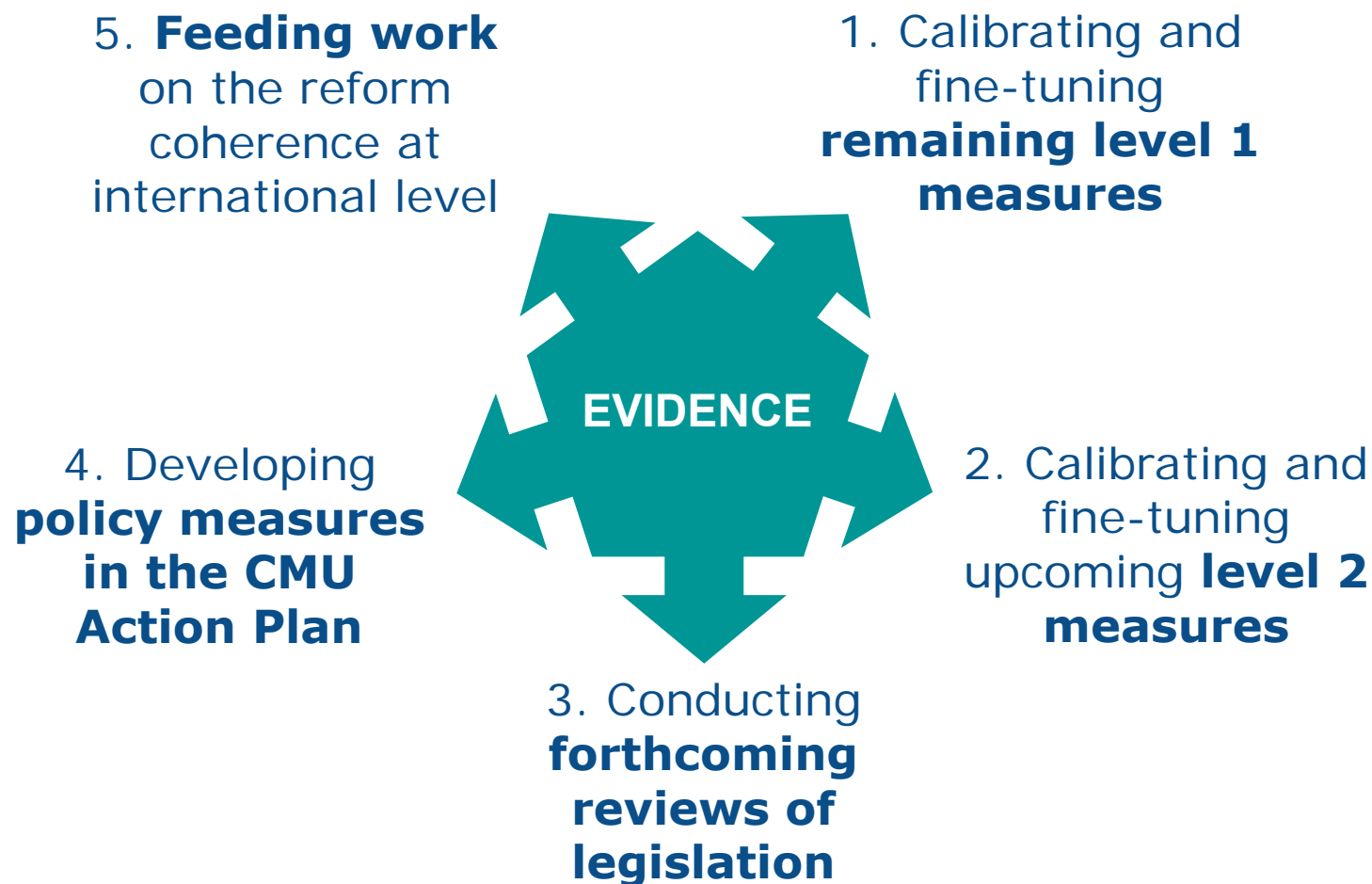
**Overview of Cumulative Impact  
assessment:**



# Seeking feedback and evidence on post-crisis legislative programme



## Use opinions of 300+ respondents for:





## General messages

- Reform fundamentals not disputed
- Many submissions on the upcoming measures
- Evidence tended to be of a more qualitative nature, in particular on the market impacts
- Several insights into interaction, overlaps and inconsistencies between separate pieces of legislation



## Three emerging themes

- Regulation might not always be **proportionate** for the diversity of regulated entities
- Some rules might unnecessarily constrain **financing of the wider economy** without furthering regulatory objectives
- Regulation gives rise to **excessive compliance burden**, resulting from interactions between rules, duplications and inconsistencies



# Interaction: prudential banking and securities market rules

Allegedly banks have less incentives to:

- Act as market-makers in (corporate) bond markets with negative effects liquidity
- Offer clearing services to occasional and/or one-directional long-dated OTC derivatives market participants (e.g. pension funds)
- Accept anything else than cash as variation margin in OTC derivatives transactions
- Transact in repo markets at a time of growing need for collateral transformation

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