

CMU Policy Update

January

European Commission

Dombrovskis sets out CMU priorities for the year ahead – 17 January

Commission Vice-President Valdis Dombrovskis has outlined in his recent [public speech](#) the CMU project's state of play as well as the Commission's next steps and priorities.

He re-iterated that out of the 13 CMU related legislative proposals, nine are still on the negotiation table between the European Parliament and the Council and underlined the importance of adopting these proposals, in the interest of European companies, investors and savers.

SME financing and MiFID II

Mr. Dombrovskis believes, in particular, that the SME listings proposal is essential in diversifying the funding options for smaller companies. He believes that it will be possible to get the proposal approved by the Parliament and the Council before the EU elections in May.

On MiFID II, Mr. Dombrovskis addresses concerns that it might actually undermine analyst research of smaller entities. He maintains that overall, the MiFID II provisions work well and that for example the unbundling of research from trading fees has led to less duplication in the research coverage of blue chip companies.

He does acknowledge, however, that the Commission needs to further study potential unintended impacts on SME coverage by analysts. The Commission has commissioned a report on this from an external contractor, which it expects to be ready by the end of 2019.

FinTech and sustainable finance remain priorities

FinTech and sustainable finance remain the two wider priority areas, together with SME financing and Brexit. On FinTech, the Commission is considering action on regulatory sandboxes and innovation hubs, on the basis of a report recently published by the European Supervisory Authorities (ESAs) – see article below. Moreover, the Commission will assess what action if any at EU level is appropriate on cryptoassets and initial coin offerings (ICOs). He provides no estimations for timelines, however.

On sustainable finance, the Commission's work carries on, and includes the aspiration of developing a common EU standard for green bonds. Mr. Dombrovskis believes that EU action in this area will – and indeed already has – inspire other actors to initiate their own sustainable finance projects.

European Parliament

ECON vote on ESAs reform – 10 January

The ECON Committee of the European Parliament has adopted its [position](#) on the reform of the European Supervisory Authorities (ESAs), by a wide margin of 37 votes in favour, two against and three abstentions. The file is led together by the MEPs **Pervenche Beres (S&D/France)** and **Othmar Karas (EPP/Austria)**.

The amendments to the Commission proposal adopted by the MEPs include, notably, setting up a new independent executive committee within each ESA that will strengthen their capacity for action. Moreover, the MEPs call for the introduction into the mandate of the three ESAs the power to temporarily prohibit the marketing, distribution or sale of certain products or services likely to cause material harm to consumers.

Interestingly, the MEPs rejected the Commission's proposal to have the ESAs partially financed by the industry. Instead, the MEPs want the budget to be financed by a contribution from the general budget of the EU of at least 35% and a contribution from the competent national authorities of up to 65%. And finally, the ESAs are given a clear mandate to monitor environmental, social and governance risks in their respective sectors.

In terms of next steps, the European Parliament will engage in bi-lateral negotiations with the Council to find a mutually agreeable solution. The provisions can only become EU law once such a compromise is found.

ECB & ESAs

ESAs publish joint report on regulatory sandboxes and innovation hubs – 7 January

The European Supervisory Authorities (ESAs) have published a [joint report](#) on innovation facilitators (regulatory sandboxes and innovation hubs). The report sets out a comparative analysis of the innovation facilitators established to date within the EU. The ESAs also set out best practices for the design and operation of innovation facilitators.

Other News

Indications that Mifid II impact on analyst research may not be as harmful – 18 January

A number of voices have emerged recently to argue that MiFID II's de-bundling rules may not have as negative an impact on SME research as several stakeholders have claimed.

For example, Ben McLannahan argues in his [Financial Times article](#) that whilst the MiFID II provisions have led to fewer analysts overall, the impact on smaller issuers specifically has not been visible. Instead, he attributes any downturn in interest towards small issuers to longer-term and broader market trends, rather than to MiFID II rules.

Karel Lannoo from the think-tank ECMI, in turn, [praises](#) many aspects of the MiFID II provisions, and specifically on analyst coverage of small issuers agrees with McLannahan that at least for now there is no observable impact. He also maintains that analyst coverage of smaller firms had been in a steady decline already before MiFID II.

Overall, however, both McLannahan and Mr. Lannoo appear to underline that even if for now there is no discernible impact, only the future will show what the longer term impact of MiFID II on research into smaller issuers will be.

Study on Equity finance and capital market integration in Europe – 17 January

The Brussels-based think-tank Bruegel has published a new [report](#) on equity finance and capital market integration in Europe. It examines the present use of external equity by EU companies, the roles of listings on public markets, and the regulatory impediments in national laws. The report also assesses to what extent EU capital market integration has overcome the crucial obstacle of shallow local capital markets.

FESE publishes latest European exchange report – 31 January

The Federation of European Securities Exchanges has published new data on European capital markets. The full database is accessible [here](#), and includes information about equity trading and turnover, market capitalisation, new listings and investment flows, amongst much more.

Events

- 19/03/2019, *Priorities for the next European Parliament and Commission*, EPFSF, Brussels. [Source](#)
- Q1 2019, *Building a Capital Markets Union for the future*, OED, Brussels. [Source](#)
- 14/05/2019, *ESA's review- Preparing the ESA's for future risks & opportunities*, Financial Future, Brussels. [Source](#)
- 16/10/2019, *Sustainable finance: Developing a new taxonomy*, Financial Future, Brussels. [Source](#)
- 12/11/2019, *A new mandate with financial services priorities*, Financial Future, Brussels. [Source](#)