Questionnaire

1. Could you provide us with an analysis of deep trends and developments (such as digital and artificial intelligence transformation, aging, climate change, UK's decision to leave the EU) relevant for the future of the Capital Markets Union? What is the impact of these trends on capital markets in Europe, its products and services? (Please provide data).

   The suggested items are certainly the most relevant as new drivers in the European Capital Markets.

   Fintech innovation will drive capital markets developments to a great extent in the near future. Robo advising, digital onboarding, cloud computing, AI wealth management, DLT and many other fields of innovation are the trends that will condition the capital markets shape.

   The final effect of Brexit on Capital Markets is still to be seen, as a number of variables must be considered: capital and human talent mobility, financial regulation tuning, terms of the agreement or non-agreement, etcetera.

   Other suggested drivers (aging, climate change…) will also affect, as the European Commission, Council and EP work proves: regulation on pensions, sustainable finance, taxonomy…

   The combined effect is uncertain. From a RM point of view, our concern is to preserve the role of public transparent capital markets as key players to provide confidence, security, liquidity and a sound and transparent market environment to issuers, investors and financial intermediaries. A competitive, integrated, transparent, democratic and efficient European financial system must rely on a well-balanced financial ecosystem where public markets are needed.

2. From a forward-looking perspective, how do you view strengths and weaknesses of the Capital Market Union in its current state and when made of 27 Member States? From the perspective of companies (all sizes and at each stage of their growth), consumers, (wholesale and retail) investors and other market players? How do you view the role of EU's and national supervisors? How does Brexit change the prospect for a financial integration in the EU?

   CMU is an excellent initiative taken in the right direction: fostering an integrated, deep and competitive financial system able to fund long-term investment projects in order to secure job creation and economic growth. There is a wide consensus on that and it is, probably, one of the CMU strengths: it brings together a wide range of stakeholders: retail and institutional investors, financial and non-financial companies, public authorities, associations, media, academics, etcetera.

   Another strength stems from its very structure. It covers the whole spectrum of growth: different sized companies (start-ups, SMEs, big companies), different funding sources (private and public), long-term investment, sustainable finance, different investor profiles (retail and institutional), economic openness…

   Nevertheless, there are internal threats that could weaken CMU´s development and implementation. Europe capital market is only a 75% of EU GDP, which is far below US (twice that figure); bank-based financing is still high compared to market-based financing; there is a fiscal unbalance among financial assets, market fragmentation has increased dramatically since the 2008 crash, non-transparent trading is looming and threatening investor protection and fair price formation, regulation puts a heavy compliance burden on companies and markets, financial supervision balance between national supervisors and European agencies is not optimal, SMEs access to public markets is difficult, listing is shrinking…

At the same time, there are external threats that could thwart Europe's efforts to build a solid and sound Capital Market Union: UK leaving the Union (Brexit), the current international trade tensions that could damage seriously European markets and companies and the glooming economic prospects.

Public authorities must be well aware of these threats in order to adequately calibrate their policy and regulatory decisions.

3. Is European SME's financing satisfactory beyond bank finance? Why is access to capital markets (debt and equity) so difficult? Are there relevant differences between national financial markets in this respect? How could access to market financing facilities be improved for all size companies in each stage of their growth?

   By nature, SMEs (and certainly most of the European companies, no matter their size) are closely linked to their domestic markets. SMEs need a balanced landscape where large and small, European and local-wide markets could live together providing a diversity of financing options and tools.

   Local ecosystems must be well developed so that SMEs do not take the high costs associated to mid-sized or blue-chip companies, in terms of listing requirements, ongoing compliance obligations, company research, or the like. Financial regulation should be proportionated to that end. For instance, MiFID II provisions on financial advice and inducements have decreased the research coverage for SMEs.

   SMEs financing goes from private funding in the early stages (business angels, venture capital…) to banks in more mature levels, with no easy access to public capital markets.

   This seems to be the situation in every European jurisdiction, with no significant differences.

   A number of initiatives could help to overcome the mentioned drawbacks. For instance, huge benefits would derive from a proportionate regulatory framework where the different needs for different company sizes would be considered. Tax incentives should also be put in place, in order to foster investment in SMEs. Local ecosystems must be strengthened to link home investors and home companies. Research on SMEs must be facilitated.

4. Are there obstacles for households to invest their long-term savings into capital market instruments (directly or through dedicated financial vehicles, like investment firms, pension funds, insurers …)? What can be done to overcome these impediments? Who should take such measures?

   According to our figures, less than 50% of European households (43%) invest in financial products, which has to do with a relatively low level of financial education. So, the first challenge is to improve European citizens' financial knowledge in order to empower them to make well informed financial decisions such as the kind of financial instruments to invest their savings in or the appropriate channels to do so (fintech solutions...). On top of that, financial knowledge will help to strengthen investors' confidence.

Customization of financial products is another issue. Data analysis provided by new technologies can help financial firms to better tailor their offer of financial products.

6. Digital transformation and artificial intelligence are both causes for disruption and opportunities for innovation. How should the Capital Markets Union develop to provide a welcoming environment for startups and scale ups? and in the financial sector for FinTech? How to develop a dynamic ecosystem of financial innovation? Do you find the "sandboxes" and related initiatives useful? How can new technology support an efficient and sustainable functioning of Europe's capital markets? What are best practices?

Fintech start-ups require an adequate ecosystem to encourage innovation and disruptive solutions development in the best conditions. Access to proper financing in every stage of the start-ups life cycle is of the essence. A friendly regulatory environment is also needed. In particular, authorization procedures, supervisory activity and compliance obligations in case of regulated activities should be carefully calibrated in a non-discouraging manner. Attention should also be given to other pieces of regulation potentially disturbing, such as GRDP. A favourable tax treatment will help start-ups in their first stages.

Sandboxes are definitively helpful, as they provide a small ecosystem where initiatives can be tested with small simples of stakeholders. The current status of sandboxes as domestic environments is correct, as a pan-european sandbox would not be of any help. We think that a common set of high supervisory guidelines and principles would help, together with a flexible and fair information Flow to share experiences and results.

Supervisors should be well trained in order to better understand how sandboxes can help FinTech initiatives in the financial sector.

8. What are crucial elements for a well-functioning deep and liquid financial market within the EU27? How should the EU27 Capital Markets Union be structured to be a globally competitive and attractive financial market? How should the relations with financial markets in third countries be strategically shaped?

In our opinion, CMU should be well integrated with the legislative agenda. Reviews of important legislative pieces are either undergoing or will be in place in the next months. It will be a perfect time to align CMU and the legislative agenda so that they match with regard to crucial issues: market fragmentation, transparency, integrity, liquidity, etcetera. There is a need to balance the different sources of financing, private and public which, in certain cases, is biased against public markets which provide a public good. As we mentioned, above, a friendly environment for start-ups and small companies is also needed: for instance, calibrating the inducement and financial advice provisions that put SMEs out of the research spotlight. Public listing must be encouraged removing any possible unjustified barrier.

9. What should be the 3 key priorities for the next phase of Capital Markets Union?

It is difficult to select only three priorities out of the substantial number of challenges. From the point of view of a regulated market operator, we propose to focus on:

- Development of sound and vibrant local financial ecosystems where the different players (banks, investors, companies, households, analysts and researchers) are well served. Unfortunately, the European financial regulation has driven the opposite direction. Local-wide companies find it difficult to access funding at reasonable cost, the local ecosystems have been deteriorated, long-term investing has been to a great extent substituted by short-term market activity (algo trading, high-frequency…) on blue-chips and big companies, research and analysis on small local companies is progressively shrinking…

  There is e strong need to revert this process. Local financial ecosystems must be reconstructed. Domestic investors, issuers and companies know better each other. But this does no mean in any way that the European level should be neglected. The preservation of local financial ecosystems should be coordinated with the building of a European single market.

- A well calibrated market structure. On the one hand, private and public financing must be well balanced attending to the particular point of the company life-cycle. Private financing must be accessed where liquidity is scarce in the first stages. Public markets financing are pools of liquidity that rest on efficient price formation, a well-regulated environment were confidence and transparency are provided. Public listing must be encouraged.

  On the other hand, there has been a well-documented loss of market transparency following the recent financial regulation. Lit markets trading has decreased in relation to dark trading. In our opinion, a healthy market structure should stress transparency in the price formation process.

- Finally, European financial markets must be well placed for global competition based on a fair and competitive equivalence regime, which the UK exit makes even more critical.