

Coherent Policy for Making the Savings and Investment Union Successful

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Deutsches Aktieninstitut welcomes the EU Commission's evident commitment to developing capital markets in the European Union and strengthening their integration. As thoroughly analysed, liquid and efficient capital markets are essential for the innovation and competitiveness of European companies. Without robust capital markets, financing the digital and sustainable transformation will not succeed. Public investment and bank loans are important, but insufficient on their own.

The EU also has a vital interest in ensuring that European companies can attract sufficient financing in their home markets, preventing them from being forced to relocate abroad. Relying on foreign financing, particularly from the US, can lead to the relocation of other parts of the business, resulting in the loss of innovation, jobs, and growth within the EU.

Moreover, developed capital markets provide European citizens with opportunities to invest in a broader range of shares and financial instruments, enabling them to participate in companies' economic success. This is essential for securing financial independence in retirement and for long-term wealth building.

The reasons for this situation lie on both the supply and the demand sides of the capital market. The EU faces a vicious circle where insufficient capital supply and excessive bureaucracy lead to inadequate demand for capital market financing. This results in fewer listed companies, limiting investment opportunities and hindering the development of a robust 'capital market ecosystem.'

In our broader paper [“Empowering Europe: Fast-Tracking the Savings and Investment Union”](#) we have therefore outlined a coherent policy:

- On the supply side, the key task is to channel more household savings into capital market investments. This needs to be supported by decisive steps to rebalance public, occupational and private pension systems in the EU towards capital markets investment (e.g. this should be supported by an ambitious yet effective common target to invest an equivalent of 2 percent of gross wages in building up a capital stock in public pensions). Additionally, we should make better use of existing capital pools for European companies (e.g. by reforming UCITs rules on investment limits) and reduce overly bureaucratic obligations regarding bank advice.
- On the demand side, the key task is to reduce compliance costs and risks for companies intending to list or already listed. Continuing the work started with the EU Listing Act, the SIU debate should aim at significantly

reducing the number of data points in sustainability reporting, dropping the costly and resource-intensive tagging of financial and non-financial information under the ESEF Regulation using iXBRL, exploring hurdles for cross-border offering of securities (particularly where the passporting regime is overshadowed by other regulations), and evaluating the possibility of a 28th regime starting with company law.

- Last but not least, the efficiency of demand and supply interactions is embedded in the broader debate on how markets operate in practice, how they are supervised, and whether all market segments (such as the securitisation market) will be developed.

As this consultation mainly touches on the last overarching point, we would like to reiterate our view more specifically:

Market infrastructure: Recognizing Issuers' Demands

It is worth noting that listed companies assess each trading and post-trading structure based on whether it (i) provides the most uniform and deep liquidity pools possible in the respective issuer's own share, (ii) offers easy and broad cross-border access to investors and (iii) ensures reliable and cost-effective corporate action processing and information flows regarding general meetings and shareholder identification.

In our view, existing fragmentation is largely due to significant differences in the legal and tax conditions that form the framework for the current processes, although the EU and market participants have been working intensively for many years to overcome barriers. Initiatives such as the implementation of the FASTER Regulation, aiming at better aligning withholding tax relief procedures, should therefore be continued and driven forward to create efficiency gains.

We also believe that a better harmonized framework alone would automatically lead to increased competition between providers of trading and post trading services and thus to natural, market-led consolidation, if its benefits outweigh its costs. However, a prerequisite for consolidation to happen in a market-driven process could also include ensuring that EU competition law and its application in practice do not stand in the way of consolidation.

It should also not be overlooked that existing regulation itself appears to have contributed to the current landscape in particular with regard to equity trading. Here, the liquidity in a single issuer's share tends to be split across various execution venues, many of them off-exchange and less transparent. We therefore believe that the rules governing the markets should be reviewed and exemptions from trading equities on transparent markets should be defined narrowly and be limited mostly to large orders that could have a higher impact on prices.

At last, we believe that digitalisation has huge potential to improve current processes around the issuance, trading and post-trading of securities. The EU should therefore actively support the exploration and use of new technological innovations in the securities markets and organise the legal framework so that no obstacles arise. In our view, this trend needs to be supported by a wholesale digital currency developed in a common effort of all relevant parties and a reviewed DLT pilot regime (particularly with respect to rising volume limits and opening the regime to more asset classes)

Supervision: Uniform and Practice-Proof Approach

We support unifying the European supervisory practices, particularly in cases of cross-border relevance and overlapping supervisory competences, as a prerequisite to reducing market fragmentation. This calls for increased coordination between supervisory authorities based on a uniform set of rules and a mechanism to assure that decisions can be taken to avoid or reduce fragmentation.

However, when asking for a unified supervisory approach we are not calling for a single EU supervisor as there are many situations where local supervisory expertise and proximity to market participants are helpful. This is particularly true for listed companies, which rarely have to deal with more than one supervisory authority due to the small number of dual listings on more than one European stock exchange. Furthermore, the passporting regime for the issuance of new securities has established an approval-once principle.

In any case and irrespective of the market participants or the activities for which a more centralised approach can be considered, increased centralisation should not add a further supervisory layer to an already complex system, leading to even higher compliance costs.

Besides this, we believe the debate on supervision should focus more on how supervisory actions are applied in practice and how overly burdensome and overlapping requirements can be avoided. Supervisory authorities should, for example, avoid choosing the strictest interpretations of the EU regulatory framework when drafting Regulatory Technical Standards, Implementing Technical Standards or supervisory guidelines. They should also avoid adding to complexity by lifting any existing (traditional or additional) national requirement to the European level when defining compromises. In the end, supervisory authorities rely on Level 1 legislative being clear.

We also support proposals to complement the mandate of the European Supervisory Authorities (ESAs), starting with ESMA, by introducing considerations regarding competitiveness. This would ensure that competent authorities balance different objectives when defining or applying regulatory requirements. We also support a strengthened power to issue no-action letters when implementation

experiences prove that new requirements are nearly impossible for market participants to implement due to inconsistencies, short transition periods, or significant legal uncertainties. Currently, NCAs have no or only limited means to find flexible and practical solutions in these cases. 'No action letter' powers would allow NCAs, in exceptional and well-defined circumstances, to temporarily suspend the application of regulatory provisions.

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