



BANKING AND FINANCE

# Public consultation on the Capital Markets Union mid-term review 2017

Fields marked with \* are mandatory.

## Introduction

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### Purpose of this consultation

The Commission aims to publish the Mid-term Review of the [Capital Markets Union \(CMU\) Action Plan](#) in June 2017. The Mid-term Review aims to:

- take stock of progress on the implementation of the CMU Action Plan;
- reframe actions in the light of work undertaken so far and evolving market circumstances;
- complement the CMU Action Plan with new measures which constitute an effective and proportionate response to key challenges.

This consultation provides an opportunity for stakeholders to provide targeted input to revise the CMU Action Plan. The preparation of the CMU Mid-term Review will also draw on relevant submission and findings from the [Commission's Call for Evidence on the EU regulatory framework for financial services](#).

Respondents are invited to provide feedback on the questions raised in this consultation document by 17 March 2017. Respondents are invited to provide evidence-based feedback and specific operational suggestions. The use of the on-line questionnaire is encouraged.

### Context of the consultation

The Capital Markets Union (CMU) is a core component of the Commission's Investment Plan for Europe to boost jobs, including youth employment, and growth. It encompasses the reforms of our financial system needed to enable the flow of private capital to fund The EU's pressing investment challenges – in the domains of infrastructure, energy transition, but particularly in financing growing businesses. CMU seeks to better connect savings to investment and to strengthen the EU financial system by enhancing private risk-sharing, providing alternative sources of financing, and increasing options for retail and institutional investors. Removing obstacles to the free flow of capital across borders will strengthen the Economic and Monetary Union by supporting economic convergence and helping to cushion economic shocks in the euro area and beyond, making the EU economy more resilient. This is even more important in the current economic environment.

The CMU Action Plan of September 2015 set out a comprehensive programme of 33 actions to put in place the building blocks for the CMU. Alongside the [Single Market Strategy](#) and [Digital Single Market Strategy](#), CMU sits at the heart of the EU reform agenda for a deeper and fairer Single Market, and remains a flagship priority of this Commission.

The evolving economic and political context in the EU, as well as pronounced differences in the maturity of capital markets across Member States, shows that developing stronger capital markets in the EU is more important than ever. The EU economy needs bigger and better capital markets to help break its reliance on bank lending and diversify its sources of funding. The configuration of EU capital markets is faced with significant change in the years ahead. However, whatever the precise configuration of those markets, it is clear that the EU must remain strongly focussed on developing capital market finance as a complement to a restored banking system, and to ensure that, as capital markets deepen, the capacity to supervise and manage risks keeps pace. The work on setting the broad policy framework and creating the right enabling conditions for capital markets to finance the real economy should continue.

This is why on 14 September 2016 the Commission adopted a [Communication to reaffirm its commitment to the CMU](#). This Communication calls for an acceleration of the reforms and reviews priorities. The Commission firmly believes that, to reap the benefits of the first CMU commitments, there is a need to speed up the legislative process, starting with the long overdue securitisation package and the implementing measures of the Prospectus Regulation.

The CMU pipeline is delivering. Some 15 initiatives have been completed by the Commission, which corresponds to almost one-half of the CMU Action Plan. Several more will be completed in the coming months. As we approach the end of the delivery of the first wave of CMU-building, it is appropriate to take stock of what has been done, its effectiveness in addressing policy challenges, and how to build on these foundations.

The aim of this consultation document is to seek feedback on how the current programme can be updated and completed so that it represents a strong policy framework for the development of capital markets, building on the initiatives that the Commission has presented so far. To support the discussion, this document provides an up-to-date overview of the state of implementation of the CMU Action Plan.

The document retains the structure of the CMU Action Plan which identifies six policy areas on which CMU building should focus. Under each heading, the consultation paper identifies outstanding issues and challenges, having briefly recalled the drivers for policy action and the work done so far.

Respondents are invited to provide concise and operational suggestions on measures that can be enhanced and on complementary actions to deliver the policy goals.

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

More information:

- [on this consultation](#)
- [on the protection of personal data regime for this consultation](#) 

## 1. Information about you

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\*Are you replying as:

- a private individual
- an organisation or a company
- a public authority or an international organisation

\*Name of the public authority:

Climate Disclosure Standards Board

Contact email address:

**The information you provide here is for administrative purposes only and will not be published**

michael.zimonyi@cdsb.net

\*Type of public authority

- International or European organisation
- Regional or local authority
- Government or Ministry
- Regulatory authority, Supervisory authority or Central bank
- Other public authority

\*Where are you based and/or where do you carry out your activity?

United Kingdom

\*Field of activity or sector (*if applicable*):

*at least 1 choice(s)*

- Accounting
- Auditing
- Banking
- Other financial services (e.g. advice, brokerage)
- 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

\*Please specify your activity field(s) or sector(s):

Standard setting



## Important notice on the publication of responses

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\*Contributions received are intended for publication on the Commission's website. Do you agree to your contribution being published?

([see specific privacy statement](#) )

- Yes, I agree to my response being published under the name I indicate (*name of your organisation /company/public authority or your name if your reply as an individual*)
- No, I do not want my response to be published

## 2. Your opinion

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### A. Financing for innovation, start-ups and non-listed companies

Please [refer to the corresponding section of the consultation document](#)  to read context information before answering the questions.

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Are there additional actions that can contribute to fostering the financing for innovation, start-ups and non-listed companies?

- Yes
- No
- Don't know / no opinion / not relevant

## B. Making it easier for companies to enter and raise capital on public markets

Please [refer to the corresponding section of the consultation document](#)  to read context information before answering the questions.

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Are there additional actions that can contribute to making it easier for companies to enter and raise capital on public markets?

- Yes
- No
- Don't know / no opinion / not relevant

## C. Investing for long term, infrastructure and sustainable investment

Please [refer to the corresponding section of the consultation document](#)  to read context information before answering the questions.

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Are there additional actions that can contribute to fostering long-term, infrastructure and sustainable investment?

- Yes
- No
- Don't know / no opinion / not relevant

Please propose complementary policy measures, explain their advantages, and illustrate any foreseeable challenges to their implementation.

The EC should consider a way towards providing decision-useful non-financial

information to investors. Accurate, complete & reliable information on corporate targets, performance, strategy, governance, risks & opportunities are the bedrock of efficient markets & stable capital markets; non-financial information forms a part of this. Both the FSB's Task Force on Climate-related Financial Disclosures (TCFD) & European Systemic Risk Board stated that climate risk may have financial impacts and cause in systemic and macroeconomic risk. As a result, they have both recommended more disclosure on the subject. Given the magnitude of the issue & the current state of play, the enabling conditions for decision-useful, investor-oriented non-financial reporting is not yet addressed in Europe. To achieve this: 1. Strengthen NFRD as key regulation to support a successful CMU - The EC has taken a significant positive step through the Directive 2014/95/EU on disclosure of non-financial & diversity information (NFRD), resulting in a minimum requirement across the Union for corporate non-financial reporting. However, this minimum requirement is set too low for it to be fit for purpose. Given the current state of non-financial reporting, we were alarmed to see no reference in the consultation to the NFRD. As a key enabler for long-term, sustainable investment, non-financial reporting must play a key role in delivering a successful CMU. Current requirements of the NFRD are not specific enough to produce consistent, comparable, comprehensive & material information to investors. Beyond the NFRD, the EC should review the success of its transposition into national legislation & if it results in consistent, comparable information across the EU. Through the High-Level Expert Group on Sustainable Finance & others, the EC should make non-financial reporting a key part of the CMU & set a roadmap to strengthen the NFRD to benefit investors & business by creating a transparent, level playing field; crucial to foster long term, sustainable investment. Article 3 of the Directive states: "The EC shall submit a report...on the implementation of this Directive, including...its scope, particularly as regards large non-listed undertakings, its effectiveness & the level of guidance & methods provided. The report shall be published by 6/12/2018 & be accompanied, if appropriate, by legislative proposals." This is an opportunity to strengthen non-financial reporting in Europe, based on the first year of reporting & incorporating recent developments (ie TCFD). Given the current shortcomings of the NFRD & significant developments in this space, e.g. TCFD's recommendations, the EC should connect the CMU with the NFRD & make use of its mandate by Article 3 to publish legislative proposals to strengthen the Directive. 2. Integrate TCFD into NFRD guidelines - Since the adoption of the NFRD, the TCFD has developed voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors. We welcome first steps from the EC to implement the draft recommendations of the TCFD into its non-binding guidelines - it must build on this progress. Given the desired outcome of "creating new growth", "managing change towards a sustainable global economy" & to "increase the relevance, consistency & comparability of information disclosed", work must not stop here. This should: Explicitly mention the TCFD recommendations on disclosure of governance, strategy, risk management, metrics & targets related to the NFRD's requirements, eg: business model, policies, outcome or principal risks; Highlight & encourage reporting companies to consider climate-related risk together with financial, physical & nonphysical risk (inc transition risk) related to climate change; Focus on report preparers presenting non-financial information in their

mainstream financial report, as proposed by the TCFD, rather than in a separate report up to 6 months later, to ensure capital markets receive timely & consistent information. Concerningly WBCSD research identified that only 29% of risks reported as material in the sustainability report were also in the risk disclosure section of legal filings; Ensure that the transposition of the Directive into Member State legislation does not result in inconsistencies that would affect the comparability of the reported information. The EC should specifically incorporate into the CMU how recommendations of the TCFD can be incorporated into the EU's existing reporting framework, considering how: Decision-useful reporting can be enforced to enable regulators at national & EU level to fully understand the financial system's exposure to climate risk; to move beyond reporting of risk to disclosing how companies intend to manage & mitigate those risks; to report on financial impacts of climate & environmental risks & opportunities, e.g.: how they could affect revenues, expenditures, assets, liabilities & capital.

## D. Fostering retail investment and innovation

Please [refer to the corresponding section of the consultation document](#)  to read context information before answering the questions.

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Are there additional actions that can contribute to fostering retail investment?

- Yes
- No
- Don't know / no opinion / not relevant

## E. Strengthening banking capacity to support the wider economy

Please [refer to the corresponding section of the consultation document](#)  to read context information before answering the questions.

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Are there additional actions that can contribute to strengthening banking capacity to support the wider economy?

- Yes
- No
- Don't know / no opinion / not relevant

## F. Facilitating cross-border investment

Please [refer to the corresponding section of the consultation document](#)  to read context information before answering the questions.

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Are there additional actions that can contribute to fostering long-term, infrastructure and sustainable investment?

- Yes
- No
- Don't know / no opinion / not relevant

### 3. Additional information

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Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) here:

#### Useful links

[Consultation details \(https://ec.europa.eu/info/finance-consultations-2017-cmu-mid-term-review\\_en\)](https://ec.europa.eu/info/finance-consultations-2017-cmu-mid-term-review_en)

[Consultation document \(http://ec.europa.eu/info/files/consultation-document-capital-markets-union-mid-term-review-2017\\_en\)](http://ec.europa.eu/info/files/consultation-document-capital-markets-union-mid-term-review-2017_en)

[Specific privacy statement \(https://ec.europa.eu/info/file/70501/download\\_en?token=bbrpmgal\)](https://ec.europa.eu/info/file/70501/download_en?token=bbrpmgal)

[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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#### Contact

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