dutch banking association

Consultation response

The SIU is vital for the resilience and competitiveness of our European economy. Facing the ongoing economic and geopolitical challenges requires a well-financed European economy with a strong and liquid capital market. This calls for an ambitious agenda from both the European Commission and Member States, with concrete reforms to counter fragmentation and stimulate cross-border investments.

Our key recommendations:

1. **Reduce the fragmentation of financial markets.**

   The fragmentation of European capital markets, with 90 trading venues, 14 CCPs, and 34 CSDs, adds complexity and costs for issuers and investors. National gold-plating and member state options create an uneven playing field, hampering cross border issuance and investments. Differences in insolvency law remain a particular source of complexity and uncertainty for investors. Divergent fiscal treatments make reclaiming overpaid withholding tax expensive and time-consuming. Divergent (bond) listing requirements make raising capital through capital markets cumbersome for companies. Harmonization in these areas is crucial to lower fragmentation.

   Consistency in enforcing SIU-related legislation across all 27 Member States is needed. Expanding ESMA's mandate can help, through a step-by-step approach where not only the mandate of ESMA is strengthened, but capital market supervision in the EU is also organized more efficiently and effectively. Strengthening European supervision is particularly opportune for activities with a cross-border character.

   Streamlining and simplifying reporting in areas like MIFID/MIFIR, EMIR, or SFTR is key to ease the administrative burden. The transaction reporting rules are complex and burdensome due to their high data granularity, overlapping requirements, inconsistent data definitions, and frequent regulatory updates.

   Given the significant role of banks, the Banking Union needs to be completed. A uniform legal and supervisory structure for European banks with cross-border activities enables banks to operate more efficiently by providing a consistent regulatory framework for investments and risk management.

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2. **Improve the regulation and prudential treatment of securitizations.**

   Improving the European securitization market can easily and quickly increase the financing capacity of credit institutions, thereby quickly increasing the financing available for the European economy.

   Making the issuance, trading, and investing in (synthetic) securitizations easier and more cost efficient, leads to more available capital, more issuers and investors, and more competition among lenders. Securitizations help credit institutions to make their balance sheets more efficient, allowing for additional financing. Through securitisation, institutional investors such as pension funds and insurers, can also indirectly participate in credit provision to the economy, in a way that matches their risk appetite and time horizon.

   Improving the securitization market requires the EC to address the prudential treatment of this product. Without a more balanced prudential treatment of securitizations, through calibrating the p-factor and the calculation of the RWA, the instrument will remain unattractive and the market will remain underutilized. Lowering excessive administrative burdens for due diligence and transparency will further reduce the cost of issuing or investing.

3. **Increase retail participation in capital markets.**

   Retail investor participation in the EU needs to be increased by not only pointing out the risks of investing but also the opportunities for building pensions and private wealth. The EC should focus on financial education for citizens and encourage Member States to make retail investing more fiscally attractive.

   There also needs to be a simplification of MiFID/MiFIR, making it easier and more proportionate for consumers, without reducing investor protection. There are already many suitable retail investment products, but these are confronted with excessive regulations, complex disclosures and suitability requirements. This makes investing appear overly complex and risky, and therefore unattractive for consumers. A "light regime," with more proportionate suitability and disclosure requirements for smaller investments in simple, well-diversified, and low-cost investment products, can make investing less challenging for consumers.

   Additionally, due to the EUR 100k threshold included in the Prospectus Regulation, there are few issuers offering their bonds to retail investors. By lowering the threshold in the regulation, more issuers might choose to open their issuance to retail investors.