



# EU CAPITAL MARKETS 2024

The conference began with a welcoming speech by **Mark Weinmeister, Secretary of State for European affairs of the State of Hessen**, in his view, as the CMU action plan was presented in 2015 with the aim of finalising by 2019, now is a good moment to take stock. He added that capital markets are important for the financial system as they increase resilience, provide stability and promote competition and that it is important to improve cross-border investment flows and facilitate SME funding.



**Jean-Paul Servais, Chairman Belgian Financial Services and Markets Authority** echoed the welcome speakers' view that the aim of CMU was to broaden access to finance and provide more investment opportunities for retail investors too. He added that deeper capital markets are key for growth and financial stability and whilst it is going in the right direction some areas need to be assessed and solutions found. Mr Servais emphasised that the

ESAs review is a crucial project and that measures should be based on an assessment of which authority is best placed to supervise a certain action. Local markets have different characteristics and languages and it is therefore, in his view, not realistic to have a central supervisor for all activities. In addition, investor protection needs to be handled by the NCAs as they understand the products, local market and language. Mr Servais believes that supervisory cooperation between NCAs is, in the main, working very well for businesses with cross-border activities and that supervisory convergence is promoted by the ESMA peer reviews.

**Petr Kobic, FESE President** followed the opening remarks by focusing on CMU. It was acknowledged politically, he said, that CMU was established as an alternative to bank financing was needed however it is far from reaching these objectives. In his view to support great ideas - equity financing is needed. Mr Kobic



also outlined the crucial role of primary venues, if those market stop, all activity on other platforms is silent. He also called for a level playing field and cautioned against current growth developments of private markets and asked if we really want more opaqueness. He emphasised that in order to support SME financing, it is very important to develop local markets and equity culture by promoting financial education. Rules regarding equity research are negatively affecting SME markets and regulations need to be proportionate to SME markets. He also added that the PEPP would be a cost-efficient way for investors to participate directly in capital markets. He finalised by saying that current developments where more and more citizens are losing trust in society are linked to them not sharing the economic successes of their country as there is more and more opaque private ownership. We need more participation of citizens and for the middle classes to feel that equity ownership is also for them.

## PANEL 1: 'CMU delivering for investors and companies in the EU'

The aim of CMU is to provide diversified sources of finance and increase the resilience of the EU financial system to make it less vulnerable to shocks. The panel discussed recent developments in capital markets including the rise of passive investments and algos, the importance of data and the increased concentration of market participants. It was agreed that proportionality is necessary for those SMEs that cannot cope with the same regulatory requirements. CMU, it was agreed, is not yet a success story, capital markets need to be more attractive for investors. One panellist commented that the most important measures for a successful CMU were not even suggested by the Commission. For example, there is a need to address cross-border taxation and insolvency.



**Jella Benner-Heinacher,**  
President of Better Finance



**Stéphane Boujnah,**  
Chairman of Management Board  
& CEO Euronext



**Paulina Dejmeck-Hack,**  
Financial Advisor, Cabinet of the  
President of the Commission



**Paul Tang,**  
MEP



**Guillaume Prache**  
Better Finance

The panel agreed that before the Brexit referendum CMU was a 'nice to have' now it's a necessity and one panellist added that the consequences will be as deep as the fall of the Berlin wall. Therefore, CMU needs to be a combination of a 'refresh' (to address any fixes needed to existing legislation) and a 'dream' (to not give up on suggesting more difficult measures including in the area of insolvency).

However CMU alone cannot develop local ecosystems. A level playing field between lit and dark venues needs to be established. Finally, it was agreed that fintech and sustainable finance will and should remain high on the Commission's agenda



### **Keynote: Benoît de Juvigny, Autorité des Marchés Financiers**

Mr De Juvigny focused on market structure developments under MiFID II/MiFIR and indicated that MiFID II/MiFIR is a work in progress. Enhanced reporting requirements give regulators a better picture of the market, which is positive and new transparency requirements have not negatively impacted liquidity. However some requirements are too detailed, including those related to best execution. He added that ESMA has highlighted certain areas that would require Level 1 change regarding the use of trading screens and requirements for third country firms. In his view, MiFID II/MiFIR will need a refit which should be based on a call for evidence. SIs' compliance with requirements for trades to be based on risk should be assessed and not including SIs in the tick size regime was a mistake. A Level 2 fix is on the way and AMF supports the proposal made in the EP in the context of IFR to restore the level playing field.

## Keynote: Benoît de Juvigny, Autorité des Marchés Financiers

Regarding the tick size regime, a report by the AMF concludes that it has not had negative effects on volumes or volatility but led to slightly wider spreads. An update to this report will be published in the coming weeks. Finally he added that equivalence decisions are currently depending on supervision by the competent authority in the third country. This raises questions regarding protection of market integrity.



### PANEL 2: Market structure in Europe'



**Reinder Van Dijk,**  
Partner, Oxera Consulting



**Daniel Mayston, EMEA Head of Electronic Trading and Market Structure, BlackRock**



**Niels Tomm,**  
Executive Director,  
Deutsche Börse Group



**Henrik Husman, President of Nasdaq Helsinki.**



**Rainer Riess,**  
Director General, FESE

The role of exchanges is to provide funding, trading and risk-management. Exchanges also ensure that there is high-quality price formation. The lit share of trading, especially price-forming trading, has declined following MiFID II/MiFIR application which means that its aim has not been achieved. The panel discussed the benefits of different execution venues. Some panellists argued that what is delivered to the end-investor is what matters the most and that the discussions should focus less on the distinction between lit and dark venues, rather about changes to market structure that work for the end-investor. Regarding tick sizes, it was stated that while tick sizes in some parts of Europe has increased, this is not the case in the Nordics, the harmonised tick size regime has thus produced different results.

The panel discussed the role of SIs and periodic auctions. One panellists commented that periodic auctions is an innovative way of trading that is more transparent than dark pools and multilateral in nature even if an exchange would prefer for these trades to take place in the lit order book. It was stated that they should be used as they were intended, not to replicate broker crossing networks and that SIs are helpful in trading big blocks.

Others stated that SIs do not provide price-formation and that when primary venues are down, no trading of related financial instruments take place on other platforms as they are all depending on the price-formation of the primary venue.

The problem is that trading on the midpoint price in a less transparent environment may be beneficial to the individual investor as there is less market impact but if more trades take place like this overall price formation will deteriorate.

## PANEL 2: Market structure in Europe'

The panel also discussed whether a consolidated tape would be beneficial for European markets. One panellist stated that it would help as APAs currently provide data in many different formats and one aggregated source would facilitate. Other panellists stated that a CTP would not necessarily deliver the type of data market participants need to trade and that the US CTP has caused other issues for market structure. It was also stated that data vendors already provide a CTP in a way that is useful to market participants.



---

### Closing speech: Olivier Guersent, Director General DG FISMA

Mr Guersent began his speech by sharing his thoughts on CMU, his view is that CMU is needed now more than ever, there is no other way forward.

It is needed to increase Europe's shock absorption capacity and the resilience of EMU. It is needed to promote growth and to do this there needs to be a spectrum of different funding sources to serve different needs.



We need to provide defragmentation - as the crisis fragmented European markets and we need to counterbalance Brexit. He added that some may have had too high an expectation for CMU. The Commission, he said, has done its job but only three files have been agreed by the legislator. He added that we have a single market but 28 different ways of applying its rule book and in his view the Council ambitions for CMU has been too low. Ministers all say they support CMU but they don't want common supervision, including for EIOPA supervising PEPPs. In his view, there is a lack of ambition in Council and the reason for that is because we are no longer in crisis and therefore there is less of a sense of urgency.

He went on to explain that the original intention of CMU was to leverage the financial power of the City to support the rest of the EU but instead we are losing the first financial centre in the world. This means that the EU will need to rebuild and become more autonomous. We will not build a fortress but be interdependent, as we are with New York for example. Mr Guersent added that if there is a deal and a transition-period this will be easier for everyone, however in a no-deal scenario, equivalence would be complicated if the UK decides to make changes to EMIR.

## Closing speech: Olivier Guersent, Director General DG FISMA

The Commission has already published measures for centrally cleared derivatives and have been asked to cover uncleared derivatives but this is not possible as the regimes are not harmonised. Some refer to this as contract continuity but this is not correct as the contracts will remain unless any changes are done to them, and to do so UK participants will have to consult the legislative provisions in the member state in question as they will no longer have passporting rights.

Mr Guersent closed by outlining work in the future, in his view the focus of the next Commission mandate should be retail investors. He added that this should be broader than consumer protection and include alternative sources of saving and investments. A balance needs to be struck on investment protection as it should not be too burdensome. He said that we need a market for retail investment that is transparent, competitive and cost-effective.



The Commission produced a study on this and in his view this should be done each year. In addition, the interaction of MiFID II/MiFIR and PRIIPs should be assessed. He added that the Commission will review any issues with MiFID II/MiFIR but to keep in mind:

- o Transparency has increased.
- o Liquidity has not declined.
- o The double volume cap works.

With reference to market structures, he added that measures have been taken to ensure all multilateral trading takes place on trading venues. When regulation changes there is never a perfect adjustment with the market, especially since EU rules takes time.

He confirmed that the Commission will assess the developments regarding SIs and periodic auctions and in relation to SIs and tick sizes, the Commission intends to adopt the changes to RTS 1 swiftly. Having a level playing field between SIs and trading venues is a very important issue but this can only be achieved by Level 1 change, therefore the Commission is closely following the amendment inserted by MEP Ferber to MiFIR in the context of IFR. In brief he stated that the Commission also welcomes ESMA's scrutiny of periodic auctions, and that there should be a distinction between price-forming and non-price forming protocols. With regard to open access for derivatives, concerns need to be discussed but generally competition between trading venues should be promoted. He stated that if he could have redone the MiFID II/MiFIR review, he would have done it in pieces. The Call for Evidence should be a recurring exercise but he stressed that stakeholders should not re-state the positions they held during the negotiations but provide evidence about consequences. In conclusion going forward, focus should be on implementation and changes to legislation should only be made where it is necessary.