Press release

BVI: 44 recommendations to enhance the attractiveness of the Capital Markets Union

Frankfurt – 17 April 2024. The German Investment Funds Association BVI has compiled 44 recommendations to increase the attractiveness of the Capital Markets Union for the benefit of all market participants. ‘We support the Capital Markets Union, as it is the task of asset managers to bring together the capital supply and demand across borders’, says Thomas Richter, BVI’s CEO. However, it has made very little headway since its launch in 2015. On 17 and 18 April 2024, the EU leaders will meet to discuss the completion of the Capital Markets Union.

The BVI has outlined its proposals in seven sectors.

1. Establish competitiveness as a regulatory objective

The EU needs to support the global competitiveness of the European financial sector. To this end, the BVI proposes, among other things, the creation of a specific unit in DG FISMA and/or the Secretariat General of the Commission. This is because European asset managers are burdened with high costs in global competition due to the implementation of the many detailed EU rules. This money is missing, for example, for further digitalisation. EU legislation should therefore consider the global competitiveness of the European financial sector as a third objective in addition to the two objectives of financial market stability and consumer protection when making decisions. Although EU Commission President Ursula von der Leyen announced a standardised competitiveness check at the end of 2022, little has happened since then.

2. Delivering on “better regulation”

The outcome of the EU agenda for simple, transparent, and efficient legislation is disappointing. Regulation continues to get out of hand and causes high implementation costs in the fund industry. The BVI is calling for financial regulation to be more principle-based to enable adaptation to different business models. EU legislators should also consider the specific aspects of the already detailed and robust regulated fund industry in comparison to banks and insurers and incorporate the practical experience of market participants. In addition, they should adopt fundamental rules at the level of directives and regulations (Level 1) and not dump them on Level 2 or Level 3 discussions. The BVI is also in favour of using the review of existing legislation to reduce unnecessary bureaucracy. A successful but rare example of this is the revision of the ELTIF Regulation.

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3. Reduce barriers to financing the sustainable transformation
The financing of the sustainable transformation of the European economy is hindered by overburdened and inconsistent regulation, which has so far hardly incentivised support for the sustainable transition. For the financial sector to realise its full potential, legal requirements need to not unduly restrict the investment universe. In addition, regulation should not only focus on the “green niche” but facilitate the transition of the real economy. For investors, regulation should make it easier to understand and select sustainable investments. The BVI therefore supports the EU Commission's plans to introduce a product classification system for sustainable products.

4. Set up an action plan for retirement provision
The roll-out of the so-called Pan-European Personal Pension Product (PEPP) is not getting off the ground due to the limitation of fees to 1 percent of the annual savings amount. This is because the cost cap makes the product economically unviable for potential providers. The EU is therefore failing to achieve its goal of promoting the EU internal market for private pension provision with the European pension. Legislators should therefore reconsider the cost cap. The BVI is also proposing an action plan to help EU citizens understand the need for private pension provision and to identify solutions.

5. Increase data availability and transparency
The lack of standards for financial market data makes reporting and supervision by the authorities more difficult. In addition, the financial sector is dependent on data oligopolies such as stock exchanges, rating agencies, or index providers and has to accept massive price increases due to their market dominance. The regulatory framework for the provision and use of financial market data should therefore be improved under appropriate conditions. The BVI also recommends making data available free of charge and licence-free via a public data collection point for benchmarks, making the European Rating Platform practicable for institutional use, stipulating in EU law that market data is not protected by copyright, and expanding the equity ticker (consolidated tape) to include pre-trade data. Finally, the BVI is calling for the streamlining of supervisory reporting requirements at the EU level.

6. Realising the potential of new technologies
Regulatory obstacles prevent the integration of big data, artificial intelligence, blockchain, cloud computing, and crypto assets in the financial services industry. For the fund industry, it is important that the EU should clarify investments in crypto assets for UCITS and ELTIFs, for example. In addition, custodians should be allowed to hold crypto assets in custody alongside traditional assets and should not have to apply for additional licences in other member states for cross-border services.

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7. Designing efficient capital markets

The BVI supports the creation of an efficient market for the settlement of securities. The BVI is in favour of shortening the settlement period to T+1 in Europe, in line with the USA. However, an appropriate period, including a test phase, is required for implementation so that all market participants can adapt their systems. To give the Capital Markets Union a face and, in particular, to give small and medium-sized companies from smaller EU markets better access to financial resources, the BVI proposes a separate EU index family that includes all listed companies in the EU. The BVI regards proposals for standardised European supervision of funds as inefficient. The national authorities are more familiar with their respective domestic markets than the EU authority ESMA. To avoid disadvantages for investors and the industry, product supervision needs to remain the responsibility of the national supervisory authorities. In creating a capital markets union, the EU should focus on the capital market, not on bureaucratising it. The EU should also take further measures to enable funds to invest more in sustainable transformation. This includes, for example, the further development of bonds issued by the EU as part of its regional policy to finance green and social EU projects (impact bonds). As a first step, the subsidies granted as part of the EU's regional and cohesion policy should be securitised.

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