MINISTRY OF FINANCE

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Financial Markets Department
Päivi Leino-Sandberg 11 May 2015

PUBLIC CONSULTATION ON BUILDING A CAPITAL MARKETS UNION

1) Beyond the five priority areas identified for short term action, what other areas should be prioritised?

We support the priorities identified in the Green Paper and the key objectives of the Capital Markets Union initiative including improving the cross-border availability of financing, promoting access to capital by enterprises, particularly by SMEs, and enabling their listing on the SME exchange (MTF) or the main stock exchange regulated market. Strengthening the role of financial markets alongside bank financing would diversify the currently bank-based financial markets and thus also contribute to a more stable EMU.

We stress the aim of improving SME access to financing, including improving access to capital by high-growth firms. The bond market has a great potential as a source for long-term financing for SMEs. Most unrated and smaller companies do not have and may not need access to the international capital market. For this reason the domestic markets are vitally important for the transmission of liquidity to the corporate sector and ensuring investment and employment.

Developing the integration of European capital markets presumes a thorough analysis of the factors and structures that are hindering the flow of capital. When bottle-necks can be identified, appropriate measures need to be considered. The identification of obstacles presumes empirical analysis. Banking, insurance and securities legislation should be evaluated as a whole in order to remove overlapping obligations and inconsistencies. Administrative burden should be reduced by omitting overlapping reporting obligations. Reporting standards should be updated based on existing models and widely used standards. The aim should be that information is reported once and it is transmitted electronically to everyone needing that information.

When differences in national legislation constitute barriers, harmonization should be considered. But the harmonization of legislation is only one option. Unnecessary or unduly strict (uniform) regulation may also constitute hinders for the flow of capital. In this respect, we take a positive view on the proposal to conduct a retrospective review of the aggregate impact of capital markets regulation passed in the last decade. Unnecessary regulation may increase administrative burden, and prevent the fostering of market-driven small-scale and local activity. Identifying the correct means presumes thorough analysis of the obstacles. Measures can be taken at EU level to improve cross-border access to information and enhance cooperation between authorities. In addition, in certain situations the most suitable way forward might be recommendations that market actors may implement. One option might also be a voluntary opt-in regime (29th regime) for financial actors or voluntary standardization used by the industry.

We support the review of the prospectus directive (2003/71/EU) as a key short-term objective. We will submit more detailed comments on how it should be developed in the context of the separate consultation relating to the directive.

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2) What further steps around the availability and standardisation of SME credit information could support a deeper market in SME and start-up finance and a wider investor base?

In addition to the priority areas identified in the Green Paper, we support improving access to company information between the Member States. This would improve the functioning and financing of companies, and strengthen access to corporate and credit information by SMEs, consumers, contracting parties and authorities. For this purpose, the linking of company registers should be expedited. Following this, access to information should be further improved. In addition, the possibilities of developing a common legal entity identifier should be explored, for example by expanding the use of the legal entity identifier (LEI) as a company identifier.

3) What support can be given to ELTIFs to encourage their take up?

As a possible measure to boost the take up of ELTIFs we would suggest to consider lightening/lifting diversification rules for UCITS –funds to enable investing in these particular types of AIFs, ELTIFs. We would also highlight the need to lighten overlapping reporting requirements for ELTIFs (AIFMD, SFT –reporting requirements). It is of our concern that ECB regulations issued for statistical purposes duplicate reporting requirements for a number of market participants, including the fund industry.

A dedicated market place (national or overnational) for collective investment undertakings (UCITS, AIFs including ELTIFs) would draw the interest of retail investors to these funds (on national level these market places would also benefit from locality).

More assets to ELTIFs could be also channeled through bonds issued by the EIB. These bullet bonds (5 to 6 yrs) could be offered to retail market (structured or interest based bonds). These assets would be invested in ELTIFs. This arrangement would mitigate the retail investor risk because the direct investment risk would be borne by EIB or NIB.

4) Is any action by the EU needed to support the development of private placement markets other than supporting market-led efforts to agree common standards?

We consider that private placement markets work efficiently through existing intermediaries and network of providers. Private placements are typically small in size and they may also be limited/local as regards the number of investors. The "channeling" of private placement investments cross-border are most efficiently done by local facilitators and international providers, including established events for investors and investees (such as SLUSH in Helsinki). It is useful if EU-wide private placement standardization of formats and procedures could be made available as an opt-in in order to facilitate small transactions and attract small players. This does not presume binding regulation but would most effectively be realized on a non-binding basis, as industry initiatives.

5) What further measures could help to increase access to funding and channelling of funds to those who need them?

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6) Should measures be taken to promote greater liquidity in corporate bond markets, such as standardisation? If so, which measures are needed and can these be achieved by the market, or is regulatory action required?

The existing regulatory environment mainly works with the exception of the prospectus regime. The documentation is important and that process was completed for Finland in 2013. The limited liquidity in our bond market is largely a non-regulatory issue, based on the lack of bond listings, consequently transparent trading and pricing. In 2013, a MTF for bonds (First North Bonds Helsinki) opened. As the interest rates remain low, the listing volumes have stagnated again. The reasons for a low liquidity are complex and largely the same as in other Member States, i.e. the limited number of counterparties and public listings. Banks and large pension insurance companies dominate the bond market consisting mainly of OTC trading, which discourages placements of and trading with smaller denominations.

As part of the prospectus regulation, allowing a higher threshold before the EU prospectus regime kicks in should be considered, allowing for example the issuance of plain vanilla corporate bonds (non-complex) to be issued and listed on an alternative market (multilateral trading facility) based only on a domestic prospectus, as required by the MTF. Such new latitude for MTF listed bonds could be allowed for example up to the maximum of 15 million EUR. It is also important to allow and encourage trading and offerings in small denominations in order to attract smaller qualified investors and wealthy retail investors to such markets.

Regulated markets (RM) deter SME listings, because of the IFRS requirement and other administrative burdens pertaining to a RM listing. Also, a full EU prospectus regime is claimed to deter secondary and in general smaller offerings, although the proportionate regime introduced in 2012 has been helpful.

7) Is any action by the EU needed to facilitate the development of standardised, transparent and accountable ESG (Environment, Social and Governance) investment, including green bonds, other than supporting the development of guidelines by the market?

We do not think EU action is a priority here, although we support the idea that ESG's would be available as investment objects. Investor demand and innovations by the industry should see to the product development. However, EU actors such as EIB or EBRD could make public the standards, which they prefer to use in order to lead the development of ESG products within the EU.

8) Is there value in developing a common EU level accounting standard for small and medium-sized companies listed on MTFs? Should such a standard become a feature of SME Growth Markets? If so, under which conditions?

We see no direct need for a new binding EU level accounting standard, and believe that the costs of introducing and implementing one would be higher than the possible benefit. Easing the cost and the preparatory burden of companies preparing their annual accounts could be achieved by allowing more options in the present accounting legislation for companies to choose from and thus easing the smallest companies´ access to financial markets. For example the IAS regulation could be developed by scaling the applicable reporting requirements based on the size of listed companies and enabling the reporting of the smallest companies on the basis of the Accounting Directive (2013/34/EU). In addition, it would be worthwhile to consider the limiting of the IFRS accounting obligations for issuers of listed bonds so as to enable the participation of institutional investors in the issuing of smallest bonds. The alternatives and possible consequences of these reforms should, however, be thoroughly considered.

9) Are there barriers to the development of appropriately regulated crowdfunding or peer platforms including on a cross border basis? If so, how should they be addressed?

The current EU legislation provides a framework within which Member States may clarify the treatment of alternative financing sources, including by adopting national regulation on crowdfunding, in accordance with targets and objectives set out for each individual alternative financing source and taking into account the specific characteristics of the financing form or industry in question. We believe that the Commission should, in co-operation with the European Supervisory Authorities (ESMA, EBA, EIOPA and ECB), promote a convergent interpretation of the current EU legislation.

Alternative financing sources are usually based on electronic – often Internet based – distribution channels and are characteristically cross-border in nature. In time, the further enhancement of the functioning of the internal market would seem to require a clear EU law based legal framework for the industry or alternatively mutual and convergent interpretation created by European Supervisory Authorities, which the supervisory authorities of the Member States would agree to comply with.

10) What policy measures could incentivise institutional investors to raise and invest larger amounts and in a broader range of assets, in particular long-term projects, SMEs and innovative and high growth start-ups?

Institutional investors are in any case more capable of investing in high yield, high risk financial instruments than other investors, as they are better staffed to analyze the risks involved. Leaving aside the fundamentals, i.e. growth and yield prospects, we find that sufficient regulatory latitude in terms of capital requirements is a priority.

However, institutional investors are not a homogeneous group, because the risk profiles of their portfolio, and required returns thus affecting their investment horizons vary greatly. Pension funds and insurance companies are subject to prudential regulation. It is important that we try to identify possible impediments to investment. In case impediments preventing institutional investors from pursuing their preferred opportunities for investments can be identified, the relevant provisions may be reviewed only if it is made sure that the objectives of the prudential requirements and the objective of the profitable and secure investment are not jeopardized.

Institutional investors create the potential of main supply of finance for new market-based instruments to fill in the decreasing bank lending. They also need alternative and diversified investment targets. Institutional investors need to be actively involved in the development of financing models and they need to have the possibility to invest in a variety of different instruments.

The investment regulations of institutional investors sometimes discourage allocations to unlisted instruments, which is often the most efficient and longer-term way to invest in such asset classes. The asset allocations of insurance companies and of many pension funds have moved towards more bonds and other *similar* instruments. It has to be ensured that the financing of SMEs remains a possible and feasible alternative.

11) What steps could be taken to reduce the costs to fund managers of setting up and marketing funds across the EU? What barriers are there to funds benefiting from economies of scale?

The existing regulation on European funds should be evaluated as a whole. Lightening the regulation should be considered in areas like double authorization as an UCITS management company and as an

AIFM or double registration as an AIF and as an EuVECA or an EuSEF. The cross-border marketing formalities (ie. notification procedure) could be further simplified and lightened. Along with the heavily regulated activity it would be crucial to maintain also the possibility for lighter regime (e.g. capital requirements for EuVECA and EuSEF).

The UCITS and AIF notification procedure can still be developed from the authority to authority informing towards a system building on one notification to an overnational system (at ESMA) without a need for additional documentation. The system would be the data base to authorities and investors about where and to whom funds are marketed in Europe. This would spare both industry and authority costs and labor.

Fees and fee structures should be as transparent as possible in relation to service providers and authorities and in order to enable the evaluation of their competitiveness characters.

The Commission should execute the evaluation of the UCITS IV regulation as scheduled by 1 July 2013.

Fundamental research on fund management and take up costs should be carried out. Proportionality principle could be more widely adopted in fund regulation (see Solvency II where this principle is appliced consistently) however in balance with the investor protection issues.

Depositary regulation could be lifted on the requirement to be established at the same MS as the fund, provided the supervision issues can be solved.

12) Should work on the tailored treatment of infrastructure investments target certain clearly identifiable sub-classes of assets? If so, which of these should the Commission prioritise in future reviews of the prudential rules such as CRDIV/CRR and Solvency II?

The purpose of the new CRD IV and Solvency II rules is to create uniform and risk-based prudential rules for insurance companies and credit institutions and common principles for their supervision. The purpose is to provide a stronger protection for depositors, insurance takers and beneficiaries. In our view, company access to financing should primarily be promoted by using other means than amending the prudential rules. Moreover, the effect of the new rules should be thoroughly analyzed before taking further action.

13) Would the introduction of a standardised product, or removing the existing obstacles to cross-border access, strengthen the single market in pension provision?

In principle, we support the idea of simplification of the regulation relating to pension provision products. The development of pension products should however not primarily be designed from the point of view of improving access to financing by enterprises. The development of a standardized product in the EU area would be likely to contribute to an increase and further complicating of regulation, and would also presume the harmonization of legislation relating to insurance contracts and possibly the coordination of tax treatment as well.

Instead, primary focus should be on evaluating the recent legislative reforms, which aim specifically at improving and standardizing the sufficiency and clarity of information concerning pension products given to private investors. The need for further action should only be evaluated based on these experiences.

14) Would changes to the EuVECA and EuSEF Regulations make it easier for larger EU fund managers to run these types of funds? What other changes if any should be made to increase the number of these types of fund?

Double registration requirement should be deleted.
Capital requirements should be left to national level consideration in order to ensure that requirements are not automatically the same as for authorized entities.

15) How can the EU further develop private equity and venture capital as an alternative source of finance for the economy? In particular, what measures could boost the scale of venture capital funds and enhance the exit opportunities for venture capital investors?

Public venture capital can be of an essence, since regional authorities are significant investors in various Member States. We do not support expanding public funding exclusively, since it may exclude private funding. Public funding may function as minority investor on the same terms as private funding. When private and public funding may then be directed to the most beneficial objects. In those Member State markets where venture capital investors have difficulties reaching a satisfactory scope needed for spreading the risks, hinders to cross-border flows of capital relating should be primarily tackled by adopting best practices from functioning markets.

In addition, more flexible investment rules and thresholds should be examined (EuVECA, EuSEF, ELTIF). Tax barriers to cross-border investing in venture capital have been recently examined extensively (see (DG TAXUD report 2010). In addition, the articles stipulating AIF's from third countries should be entered into force (AIFMD).

16) Are there impediments to increasing both bank and non-bank direct lending safely to companies that need finance?

See above Q 12.

17) How can cross border retail participation in UCITS be increased?

Cross-border retail participation in UCITS could be increased by standardizing fee structures and subscription and redemption procedures. This could take place in general terms by standardizing all basic elements of the product and the technicalities to invest in these funds. Another avenue forward could be by introducing harmonized legal structures like EuSICAV in Europe for UCITS.

The effect of packaged investment products (PRIIPs) on retail investors' behavior on cross border investing should be examined. How big portion of these packaged investments' underlying targets are situated cross border? The wrapper might be national but the underlying fund is located in another jurisdiction.

Study on passive active funds (i.e. funds that are marketed to be active and charge fees like active funds, but are in fact passively managed funds) would enhance investor trust on market actors (value for money).

18) How can the ESAs further contribute to ensuring consumer and investor protection?

Ensuring the protection of private investors is a key element in promoting private investment. European Supervisory Authorities have a central role in following the development of markets and analyzing these developments and in providing objective information concerning products that are marketed for retail investors, including information relating to different qualities of products, the levels of risk and profit and costs by investors. National supervisors can benefit from this information in their own work.

The balance between various interest groups should be secured in the preparation of regulatory acts by ESAs so as to ensure that both consumer and investor interest groups (and in relevant cases, those representing employees) are sufficiently heard during the preparatory phase and that they are represented in the advisory groups of ESAs. The role of ESAs in promoting uniform supervisory culture and practices should be emphasized. The protection of private investors is effectively promoted by efficient enforcement of relevant regulations.

The trust in financial markets experienced by EU citizens is fundamentally dependent on the functioning of legal systems in protecting investors' and clients' interests. In addition to sufficient preventive measures, this also presumes effective remedies. The functioning of the Recommendation on common principles for injunctive and compensatory collective redress mechanisms adopted in June 2013 should be analyzed.

19) What policy measures could increase retail investment? What else could be done to empower and protect EU citizens accessing capital markets?

We believe that it would be useful to consider how the supply of products (especially fund products and bonds) could be increased by increasing transparent trading venues and objective distribution channels and by developing non-complex products. Product harmonization would promote the possibilities of investors to have sufficient knowledge of the products. In addition, the prospectus directive should be made more functional from the point of view of investors.

20) Are there national best practices in the development of simple and transparent investment products for consumers which can be shared?

We have no particular national best practices to share.

21) Are there additional actions in the field of financial services regulation that could be taken ensure that the EU is internationally competitive and an attractive place in which to invest?

The competitiveness and attractiveness of the EU as a place to invest can be increased by joint scrutiny and discussion of Member States' WTO reservations, international surveys of competitiveness and the results of the EU-US dialogue. The access of EU companies to investors and capital markets in third countries can be improved by more flexible rules on investments (*EuVECA*, *EuSEF*, *ELTIF).* The access of EU-based companies to financing from third countries can be improved by implementing the investment provisions in AIFMD.

22) What measures can be taken to facilitate the access of EU firms to investors and capital markets in third countries?

The access of EU companies to investors and capital markets in third countries can be improved by more flexible rules on investments (*EuVECA, EuSEF, ELTIF).* The access of EU-based companies to financing from third countries can be improved by implementing the investment provisions in AIFMD.

In addition to achieving market access to EU investors in third countries and facilitating third country investments to the EU, investors must be protected thru strong investment protection agreements that provide for effective and impartial dispute resolution between the investor and the government. At present, the EU is negotiating several Free Trade Agreements that include investment protection. These agreements must guarantee a level of protection that mirrors those provided by EU and Member State national legislation. At the same, the Member States have an extensive network of bilateral investment treaties (BITs) that remain in force until replaced by EU agreements. The importance of these agreements must not be undermined or their validity put into question. Doing so would seriously undermine efforts to promote outward and inward investment.

23) Are there mechanisms to improve the functioning and efficiency of markets not covered in this paper, particularly in the areas of equity and bond market functioning and liquidity?

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24) In your view, are there areas where the single rulebook remains insufficiently developed?

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25) Do you think that the powers of the ESAs to ensure consistent supervision are sufficient? What additional measures relating to EU level supervision would materially contribute to developing a capital markets union?

During the last years the main focus of European Supervisory Authorities has been on developing regulation. In our view, the competence of ESAs is in line with their current tasks. The Solvency II regulation unifies the supervision of insurance companies. There are so far no experiences from the new framework, which would be necessary in order to evaluate whether and how the framework should be developed further.

Different supervisory cultures in different Member States hinder the proper functioning of the Capital Markets Union. We stress the importance of uniform supervisory culture and practices above the formal structures of supervision. As far as the further development of ESA supervision is concerned, we take a pragmatic approach. There are instances where centralized enforcement might create additional value for the objectives of the CMU. Such instances might include the supervision of critical market operators such as CRA's, CSD's and CCP's. On the other hand, sustaining decentralized enforcement is probably more fruitful as regards standard financial and capital markets supervision and surveillance, in particular areas of investor and customer protection.

There are also instances where uniform supervisory practices would be enough to guarantee functioning cross-border capital markets. Such situations include those with many actors at national level or with actors of small size, in which case centralized enforcement would hardly bring any additional value.

Efficient supervision might also presume the strengthening of ESA competence as supranational supervisory authorities. If supervision is further centralized, the sufficient possibilities of national authorities to influence and receive information must be ensured.

Finland draws attention to the constant increase of delegated acts and emphasizes that the EU institutions must ensure that those matters that are of a particular importance are decided in legal acts and not delegated to the ESAs. The ESAs should refrain from issuing general guidelines in situations that only concern individual Member States and could thus be effectively dealt with by national supervisory authorities.

26) Taking into account past experience, are there targeted changes to securities ownership rules that could contribute to more integrated capital markets within the EU?

Broadly speaking, Finland supports harmonization of securities legislation in order to reach the objectives of the Capital Markets Union and to generally develop the capital markets in the EU. The most essential rules to be harmonized are at least the choice of law rules and rules on the rights of the holder of the securities account. The importance of collateral arrangements is emphasized after the financial crisis, which also supports the need for unification of the securities legislation.

The harmonization of the property laws of different Member States is, however, a demanding and time consuming task. Furthermore, if solely the securities related property laws were harmonized, it could lead to a situation where the harmonized part would not anymore fit into the national civil law regime as a whole. For this reason it is important to reach for a strict functional approach and to not attempt to harmonize the different property law doctrines of Member States.

Finland also emphasizes that the existing work by *Unidroit* and the Hague Conference should be exploited to the extent possible. The Geneva Securities Convention includes many appropriate rules that should be taken as a bottom line for the EU legislation too. The conflict-of-law rules of any future legislation should be in line with the EU *acquis* and the PRIMA rule contained therein.

Furthermore, Finland would like to emphasize that different securities holding structures should be treated equally in the harmonized securities legislation.

27) What measures could be taken to improve the cross-border flow of collateral? Should work be undertaken to improve the legal enforceability of collateral and close-out netting arrangements cross-border?

Finland supports the initiative to assess the current functioning and the need to develop further the EU-level rules in respect of financial collateral. The importance of collateral has been underlined after the financial crisis. The central role of collateral in finance arrangements also supports the need for unification of the securities legislation (please see question 26 above).

In order to meet the objectives of the Capital Markets Union, broader-based rules in respect of close-out netting should be considered. These could cover also other type of netting than the netting within payment or securities settlements systems or netting in connection with financial collateral arrangements. When drafting these rules, the *Unidroit* principles for the execution of close-out netting provisions should be taken into account to the extent possible.

28) What are the main obstacles to integrated capital markets arising from company law, including corporate governance? Are there targeted measures which could contribute to overcoming them?

The corporate governance framework is already adequate. When the amendment of the Shareholder Rights Directive will be adopted during 2015, the most important governance rules will be harmonized. However, the development of EU legislation in the area of company law has so far been slow and resulted in few concrete results, including in particular the directive on cross-border mergers (2005/56/EC) and the directive on the protection of shareholders, creditors and employees.

Keeping in mind these past experiences, the focus of work at EU level should be on sharing best national practices in parallel to the adoption of new EU legislation. In this respect, the role of the Commission and Council preparatory bodies could be further developed from being merely a legislature to a forum for collecting, developing and sharing best practices in the same manner as the OECD Corporate Governance Committee.

We find that obstacles to cross-border flow of capital could be lifted by adopting a directive on transfer of registered office and developing the directive on cross-border mergers to correct the flaws identified during the earlier Commission consultation and national consultations and expanding its scope to cross-border demergers. This would facilitate cross-border company restructurings.

29) What specific aspects of insolvency laws would need to be harmonised in order to support the emergence of a pan-European capital market?

The negotiations on the insolvency regulation have recently been concluded. The regulation includes rules in the area of private international law, e.g. provisions on jurisdiction, conflict of laws, and on cooperation and communication obligations.

The recent amendments aim specifically at improving the operability of the regulation in cross-border situations, strengthening the position of foreign debtors and developing cooperation between authorities. The regulation also establishes an insolvency register, which aims at improving access to information concerning pending procedures and their different stages. Finland has supported these reforms.

According to our view, the question relating to the harmonization of insolvency legislation seems somewhat premature in a situation where there is no experience in the implementation of the revised regulation in attaining its aims. The regulation does not harmonize national insolvency legislation or affect property rights or rights *in rem*. This has been justified with reference to how any insecurity of the creditor on the status and significance of collateral might weaken companies' access to financing. It is therefore not by any means evident that a harmonization would contribute to greater access to financing. The effects of the Commission 2014 Recommendation (C (2014) 1500 final) are also being currently evaluated.

Finland stresses that the effects of the revised insolvency legislation should be evaluated in particular from the perspective of CMU aims. The Green Paper includes no particular views on what aspects of insolvency legislation might constitute hinders for the cross-border movement of capital. If such hinders exists, Finland is willing to consider the development of current legislation as a part of judicial cooperation in civil matters having cross-border implications under Article 81 TFEU. However, a possible harmonization of insolvency legislation should not be a short-term objective.

30) What barriers are there around taxation that should be looked at as a matter of priority to contribute to more integrated capital markets within the EU and a more robust funding structure at company level and through which instruments?

Based on the current Treaties, income tax falls under national competence, even if this competence must be exercised in a manner that complies with Treaty provisions. Differences in national income tax regimes can create hinders for the development of common capital markets. Differences in tax treatment may affect market actors' decisions on establishment more than economic conditions, which can contribute to aberrations of markets. For this reason, greater compatibility of Member States' legal and tax systems would benefit the functioning of CMU. To the extent that these are a consequence of discriminatory provisions in pension or life insurances, Finland has supported the Commission position in various infringement proceedings.

Finland supports initiatives of the Commission regarding procedures for obtaining withholding tax relief on securities income pursuant to double taxation treaties at source instead of a refund procedure. These initiatives should be in line with the Implementation Package of the TRACE Group approved by the OECD Committee on Fiscal Affairs.

Differing tax treatment of different financing forms may in addition to differing taxation provisions depend on some Member States treating the same investment as equity and some treating it as borrowed capital. The tax treatment of such hybrid financing forms is currently being discussed under the OECD BEPS-project (Addressing Base Erosion and Profit Shifting). The discussions are expected to be concluded by September 2015 and they aim at unifying the tax treatment of hybrid financing in international contexts.

31) How can the EU best support the development by the market of new technologies and business models, to the benefit of integrated and efficient capital markets?

New technologies and business models are based on complete digitalization and operations in a decentralized network environment. The essential processes in a capital market union are different kinds of recording of capital transfers, trades and other transfers in the books of the different stakeholders operating on the common market. Efficient and secure digitalization and automation of these recordings will require common business rules, process and message standards and security including identification requirements providing a common infrastructural environment. This kind of undertaking would correspond with the SEPA common payments area undertaking and could be called SESA (Single Euro[pean] Securities processing Area).

The SESA undertaking should at least contain following technical improvements to the basic transaction processing within the CMU

- a common custody account numbering/addressing standard, which could be called ICAN (in line with IBAN regulated and used for numbering/addressing of payment accounts). This is the most central requirement for efficient transaction processing.

- an open access and reachability requirement between involved stakeholders using common EU wide communication solutions and processing infrastructures

- common technical message standards and dialogue/processing structures. SWIFT messages (ISO 20022-based) are available for the most common SESA-transactions. However, there is a clear need in the area of corporate actions to develop common solutions as this area require today unacceptable large efforts due to national differences and fragmentation.

- moving to immediate real-time settlement of to support immediate trading, which is the norm in digital network services. Trading have long ago moved to immediate micro-second processing, but the settlement delay is still two days, although technically settlement recording

would be highly efficient to integrate directly with trade processing. This would reduce processing costs, settlement risk, liquidity requirements and short selling weaknesses.

32) Are there other issues, not identified in this Green Paper, which in your view require action to achieve a Capital Markets Union? If so, what are they and what form could such action take?

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