MINISTRY OF INDUSTRY, BUSINESS AND FINANCIAL AFFAIRS

MINISTER FOR INDUSTRY, BUSINESS AND FINANCIAL AFFAIRS

For the attention of the European Commission – Financial Stability, Financial Services and Capital Markets Union

Thank you for the opportunity to respond to the Commission's Consultation Document concerning the Capital Markets Union Mid-term review 2017.

In general, we continue to support the further development of the Capital Markets Union and the initiatives aimed at opening up a wider range of funding sources for businesses, as well as generating further investment opportunities for investors through EU capital markets. This will help promote economic growth and job creation.

I wish to stress that when drafting new proposals or initiatives, the benefits thereof should take into consideration an assessment of the interaction (both positive and negative) between different areas of regulation and minimize regulatory burdens. It is important that new initiatives have clear added value and contributes positively to ensure growth and jobs and take into account the objectives in the better regulation agenda.

I therefore look forward to further follow-up on the Call for evidence on the cumulative impact of the financial reforms. It is important that the results of the extensive work of analysis carried out in this context are applied appropriately when drafting future legislative proposals and I support the Commissions commitment to ensure this.

As for a possible EU-wide framework for covered bonds, we continue to support building it on a high quality covered bonds frameworks. I would stress that it is vital to safeguard well-functioning covered bond markets and business models, including specialised mortgage credit institutions. In order to ensure this, a common framework should build on current covered bond structures and not seek to include new classes of covered bonds. In addition, prudential measures should build on historically observed risks.

For further comments on the specific measures set out in the Consultation Paper, please see the attached annex.

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Finally, I would like to emphasize that the further development of the Capital Markets Union is a project for all EU countries. It is therefore important that we discuss all topics related to the Capital Markets Union in the context of all member states.

Yours sincerely,

Brian Mikkelsen

Minister for Industry, Business and Financial Affairs

Annex 1 – Comments on concrete measures

In order to create more effective capital markets it is important to ensure proportionality when fulfilling regulatory requirements. In the immediate future, this is particularly relevant for the practical implementation of the **prospectus** regime, as well as finalising the proposals for **securitisation**.

We are generally positive towards initiatives that increase cross-border mobility and accessibility in the EU. Therefore, we believe that increased focus should be given to inclusion of technology and digitalisation in the area of financial services and, going forward, **FinTech** should be given a prominent position in taking the Capital Markets Union. This may be best achieved by adequate inclusion of these technological developments in the existing legislation with a view to ensure a level playing field and avoid unintended overlap or duplication of regulatory requirements. We recognise the benefits of existing FinTech fora and initiatives, but also regard it as important that we continue to give sufficient consideration to different business models as well as inclusion of the Members States' authorities in any work in this area.

Extensive work has already been undertaken with regard to **crowdfunding** in the EU. A harmonised take on and application of the existing rules in this area, that makes the existing rules work better, as well as increased consideration to use of technology and information sharing capacities (such as e.g. referral systems from banks to platforms) would be beneficial rather than launching new initiatives.

We support the idea of encouraging individuals to save for retirement by providing well-performing, attractive pension products at a low cost. We are also positive and supportive towards initiatives aimed at increasing cross-border mobility in the EU Single Market. However, we generally see it as a predominantly national responsibility to build adequate pension systems suited to national contexts with the necessary flexibility, given that company law, corporate governance and tax laws are areas heavily influenced by national traditions. Moreover, Member States have only recently implemented and market participants just adapted to the Solvency II regime. As for a possible **EU personal pension framework** we do not see a clear-cut case for a Personal Pension Framework at the EU-level. If any further consideration is to be given to establishing an EU Personal Pension Framework, there should be strong evidence that the scheme is needed and such scheme should respect effective national pension frameworks.

We are overall supportive of the main objectives of the Commission proposal on preventive restructuring frameworks, second chance and measures to increase the efficiency of restructuring, insolvency and discharge procedures – e.g. reducing unnecessary liquidations of viable companies and promoting a start-up culture. Furthermore, we are generally supportive of initiatives that can contribute to well-functioning and effective insolvency procedures. We also support further work aimed at dealing with the problem of **non-performing loans** (NPLs). In addressing the NPL issue in general, it is essential that any action in this regard is carried out within the existing regulatory framework, notably the BRRD and state aid rules.

We note that the **supervision** of capital markets is primarily undertaken by national supervisory authorities, and that these are well suited for the task due to their in-depth knowledge of the national markets. Where relevant, this can be supplemented by the work undertaken by the European Supervisory Authorities.