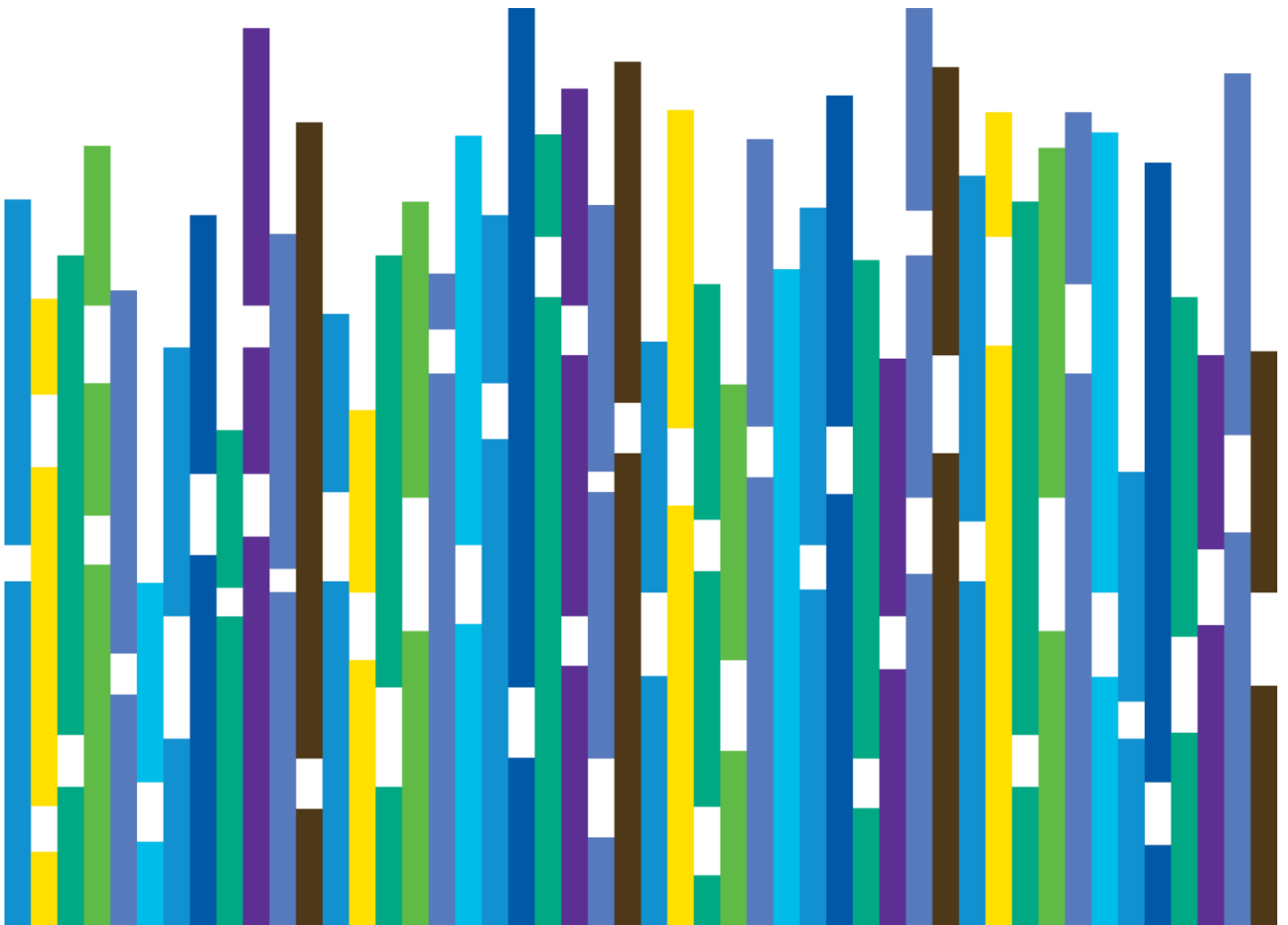




CFA Institute

CAPITAL MARKETS UNION SURVEY REPORT

April 2015



CAPITAL MARKETS UNION SURVEY REPORT

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About the Survey

The European Union has launched an important policy initiative to establish a Capital Markets Union (CMU). The objective of CMU is to tackle the barriers to the flow of capital in Europe, diversify sources of finance for companies, and better connect investors (suppliers of capital) with the financing needs of the real economy. Historically, European companies have relied on bank lending for the vast majority of their financing needs. Against a backdrop of weak economic growth, policy makers want to supplement bank lending and grow the pool of capital available to European companies, including small and medium-sized enterprises. Removing barriers to the flow of capital, and developing and integrating capital markets are central elements of the CMU initiative.

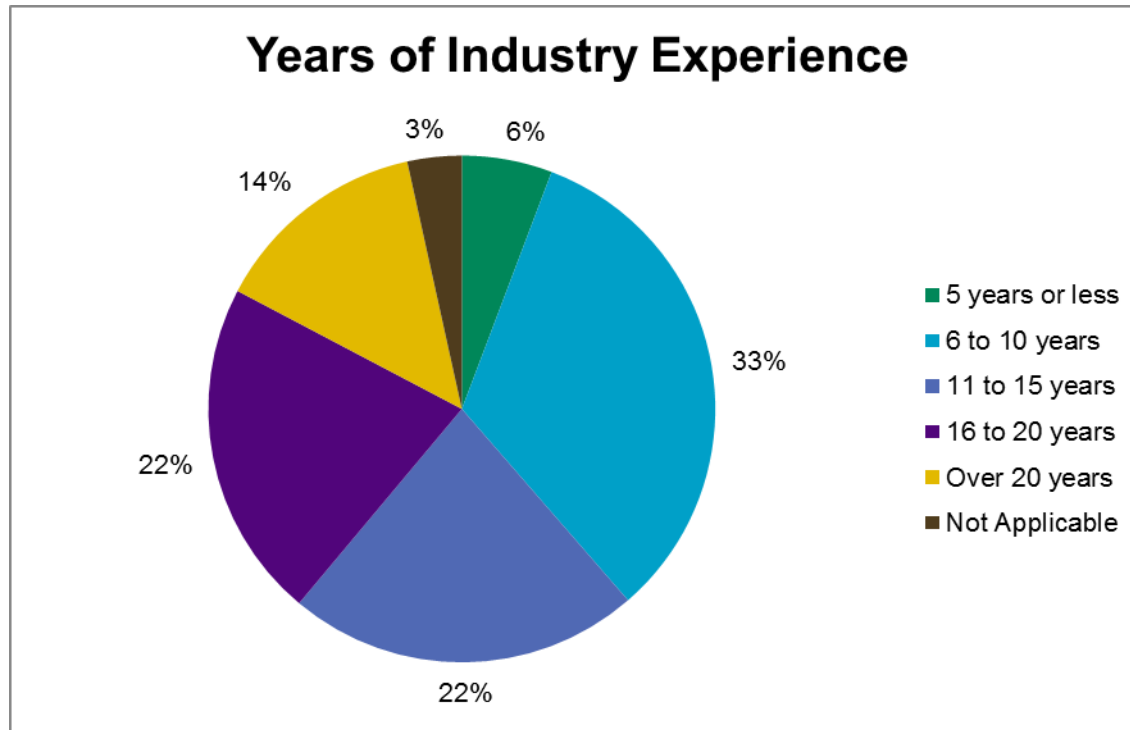
In order to inform the policy debate, CFA Institute conducted a survey of members in the EU (plus Switzerland) to get input on CMU. The results will be used to provide feedback to the European Commission's Green Paper on [Capital Markets Union](#) and will support our engagement with policy makers.

The online survey was sent to members on 31 March 2015 and closed on 20 April 2015. 20,738 members were invited to participate in the survey. 697 valid responses were received, for a response rate of 3% and a margin of error of $\pm 3.7\%$. 19% of respondents are from the UK, 14% from Germany, and 13% from Switzerland. The breakdown of responses by country is as follows:

| | Responses | % |
|-----------------------|-----------|-----|
| UNITED KINGDOM | 133 | 19% |
| GERMANY | 97 | 14% |
| SWITZERLAND | 90 | 13% |
| ITALY | 42 | 6% |
| FRANCE | 35 | 5% |
| SPAIN | 35 | 5% |
| NETHERLANDS | 34 | 5% |
| POLAND | 33 | 5% |
| LUXEMBOURG | 23 | 3% |
| GREECE | 20 | 3% |
| AUSTRIA | 19 | 3% |
| BULGARIA | 19 | 3% |
| ROMANIA | 18 | 3% |
| CZECH REPUBLIC | 13 | 2% |

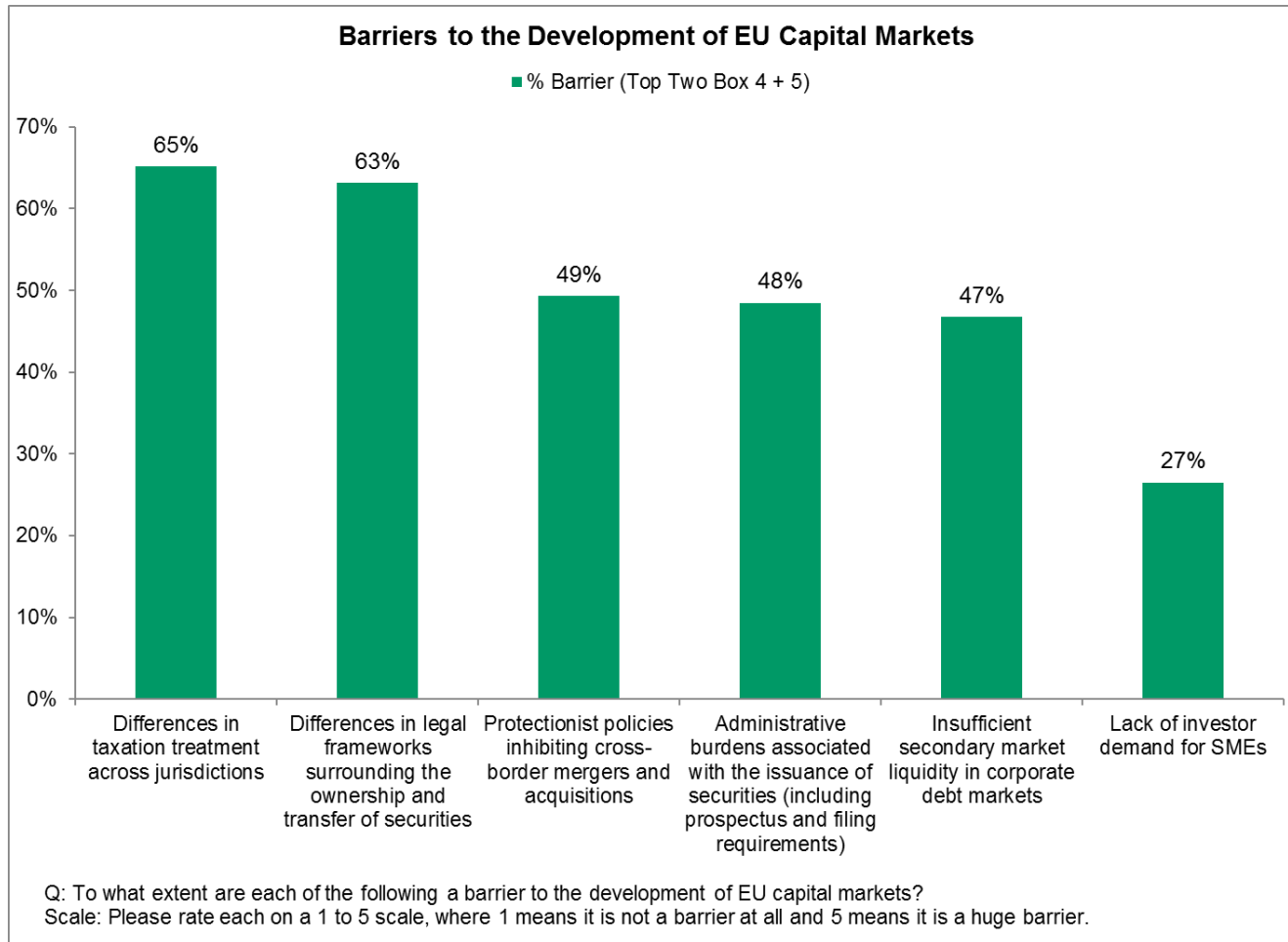
| | | |
|------------------|----|----|
| IRELAND | 13 | 2% |
| DENMARK | 11 | 2% |
| BELGIUM | 10 | 1% |
| CYPRUS | 10 | 1% |
| PORTUGAL | 7 | 1% |
| LITHUANIA | 6 | 1% |
| HUNGARY | 5 | 1% |
| LATVIA | 5 | 1% |
| MALTA | 4 | 1% |
| CROATIA | 3 | 0% |
| SLOVAKIA | 3 | 0% |
| SLOVENIA | 3 | 0% |
| SWEDEN | 3 | 0% |
| FINLAND | 2 | 0% |
| ESTONIA | 1 | 0% |

94% of respondents are CFA charterholders. The breakdown respondents' years of experience working in the investment industry is as follows:

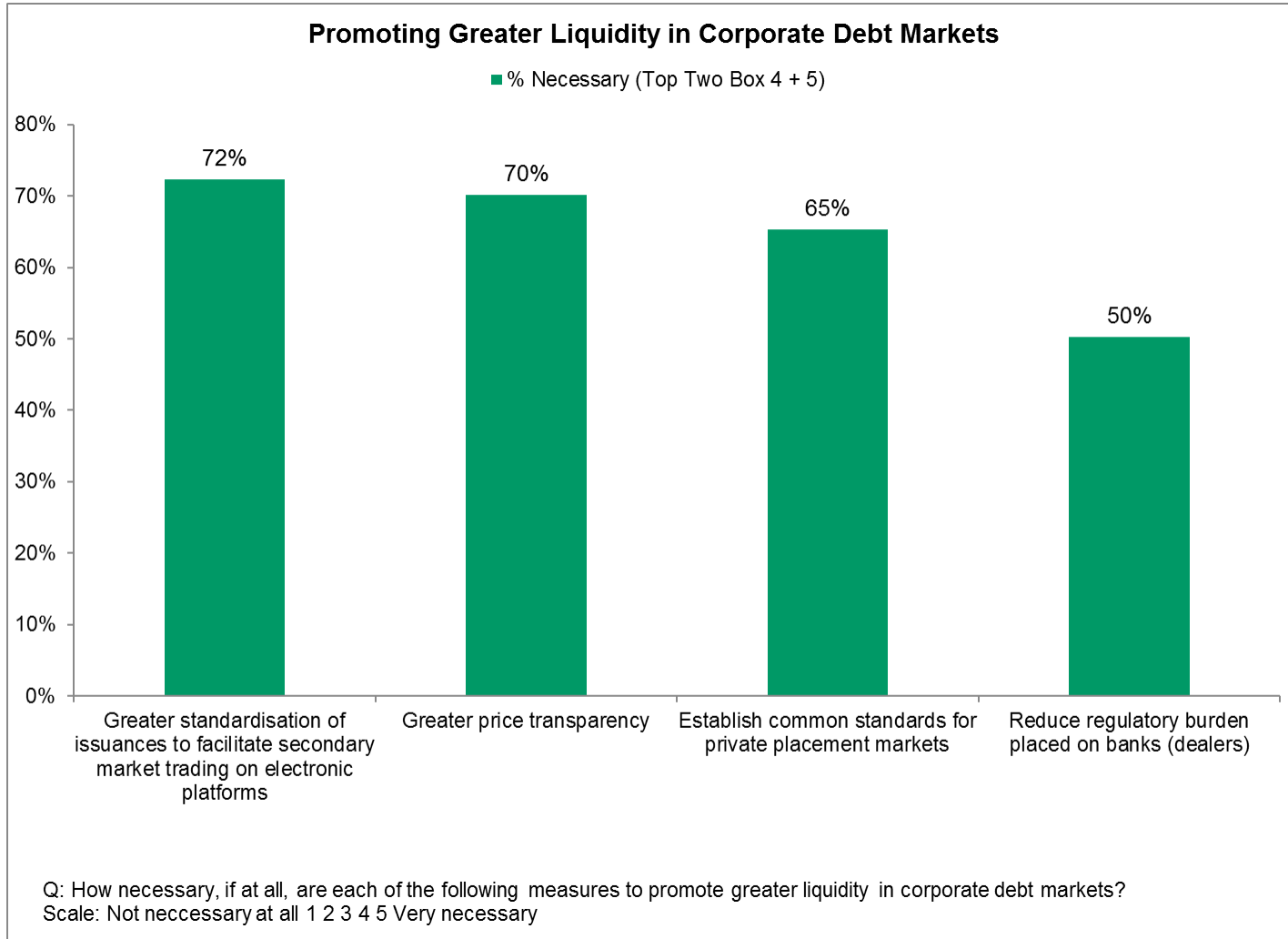


Survey Results

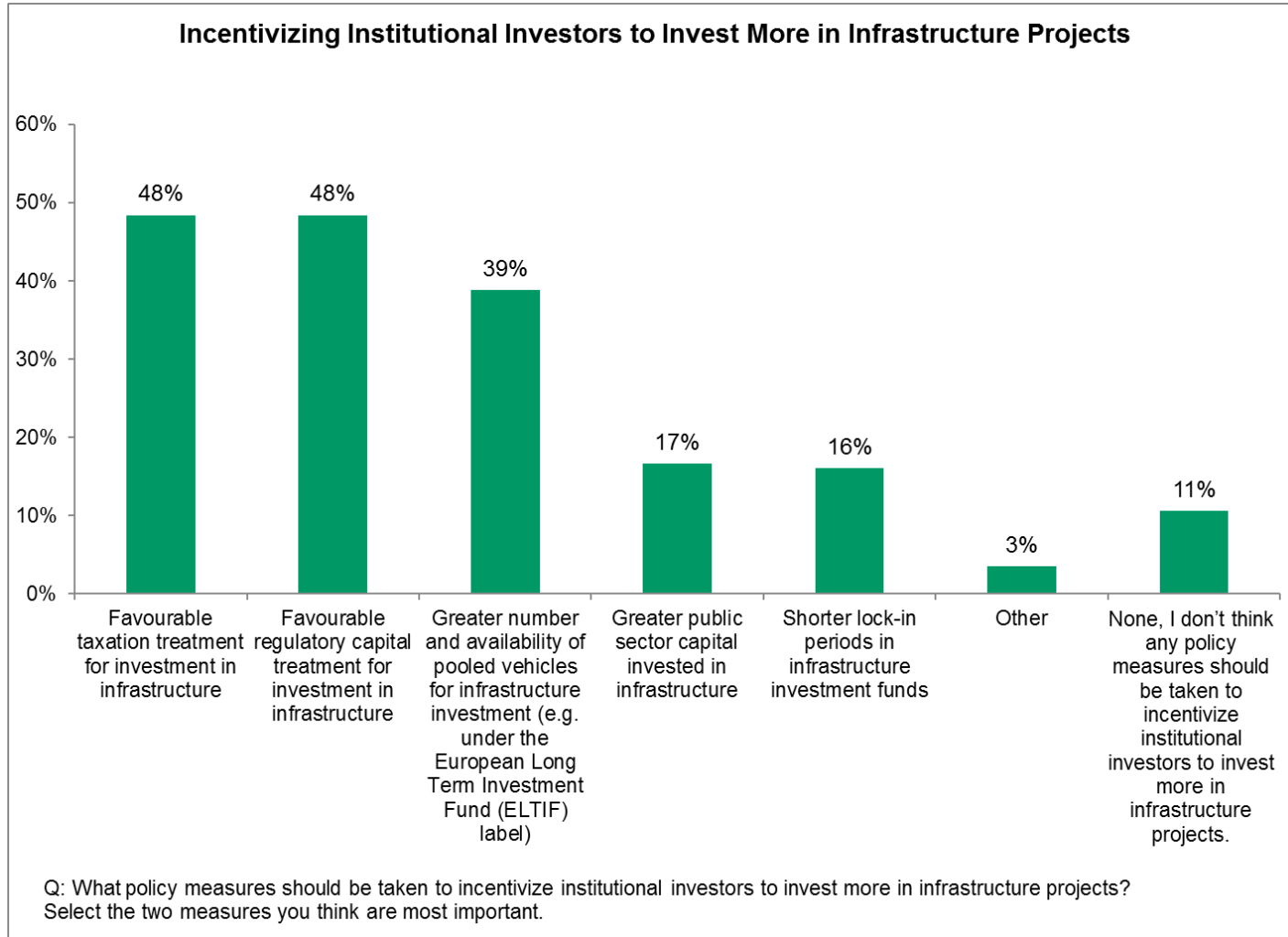
The biggest barriers respondents see to the development of European Union Capital Markets are differences in taxation treatment across jurisdictions and differences in legal frameworks surrounding the ownership and transfer of securities.



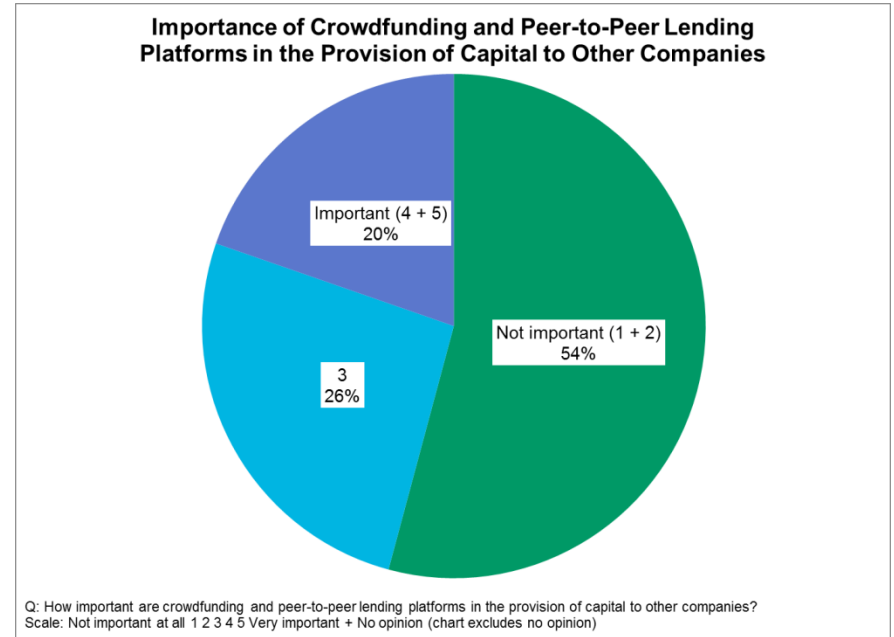
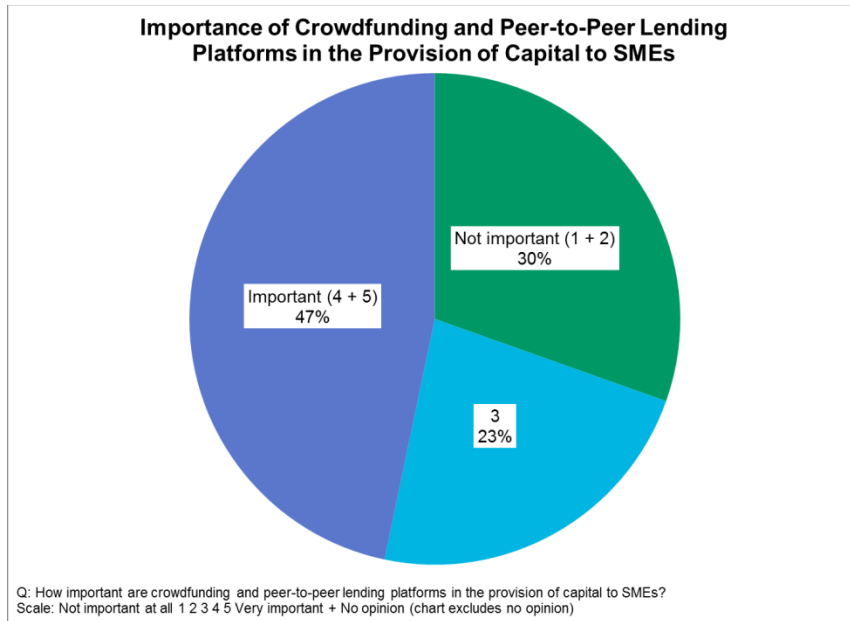
Over 70% of members think greater standardisation of issuances to facilitate secondary market trading on electronic platforms and greater price transparency are necessary to promote greater liquidity in corporate debt markets.



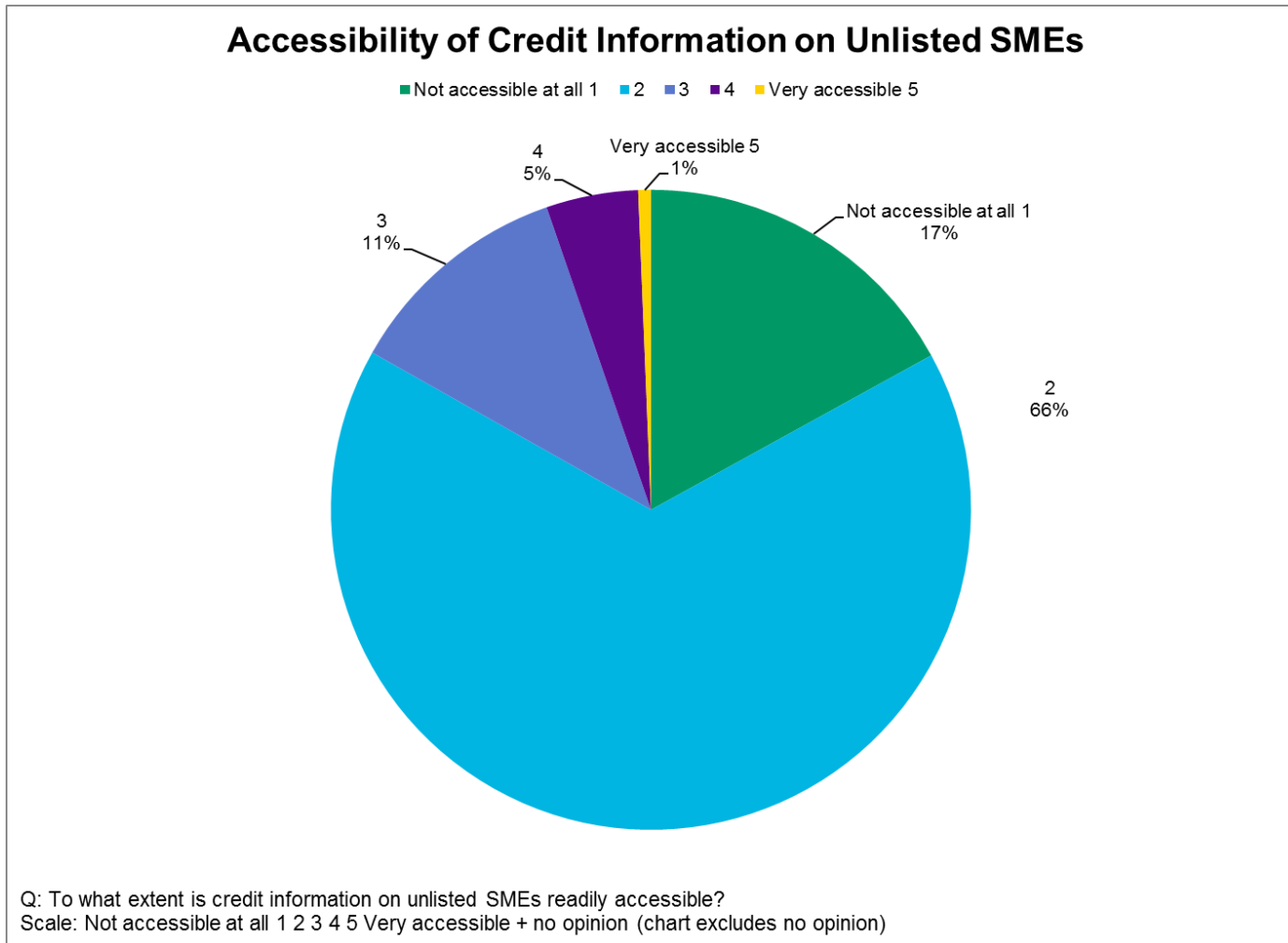
89% of members think policy measures to incentivize institutional investors to invest more in infrastructure projects should be taken, including favourable taxation treatment and favourable regulatory capital treatment.



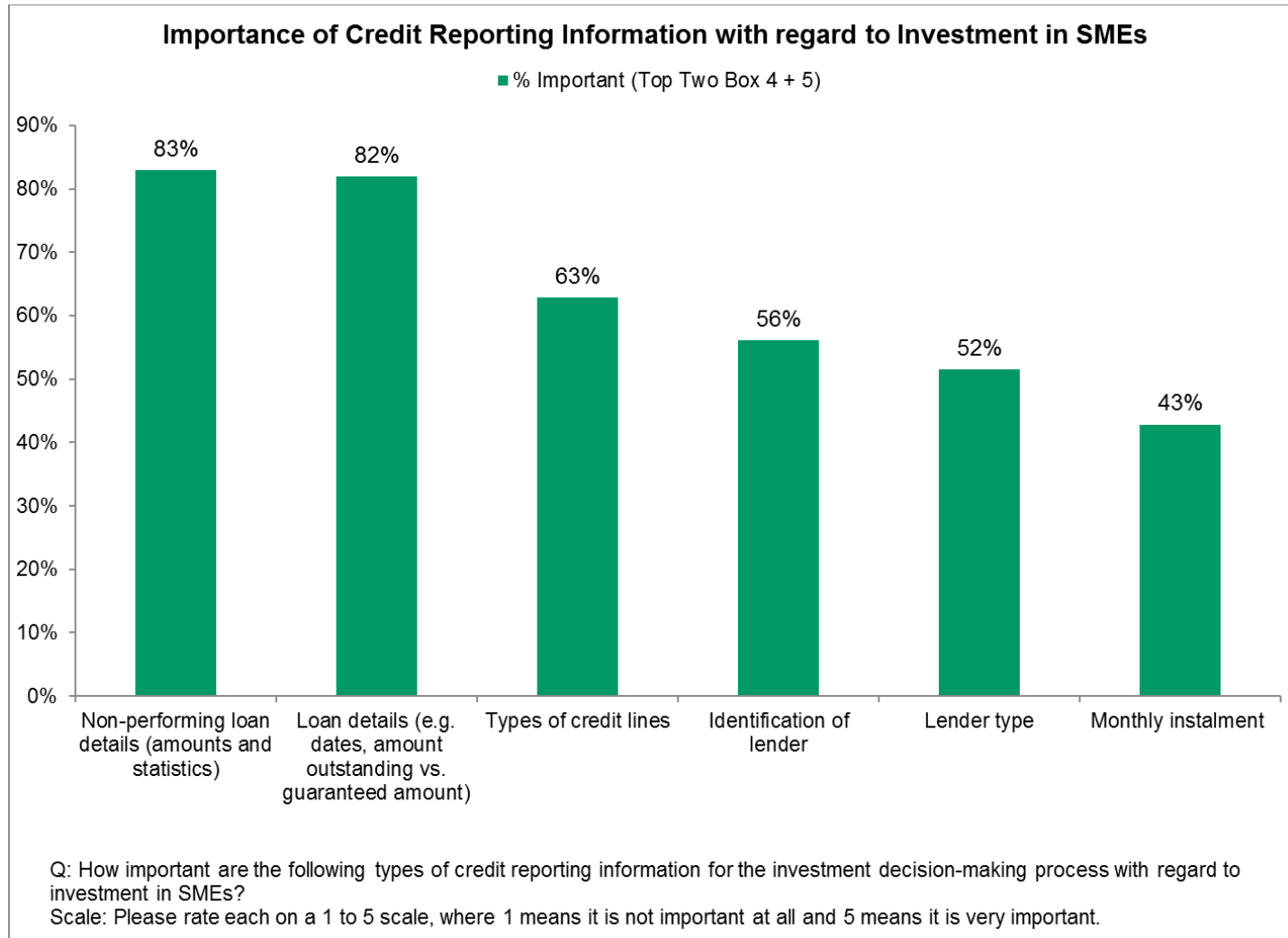
47% of members think crowdfunding and peer-to-peer lending platforms are important in the provision of capital to small-to-medium sized enterprises (SMEs), whereas only 20% think they are important in the provision of capital to other companies.



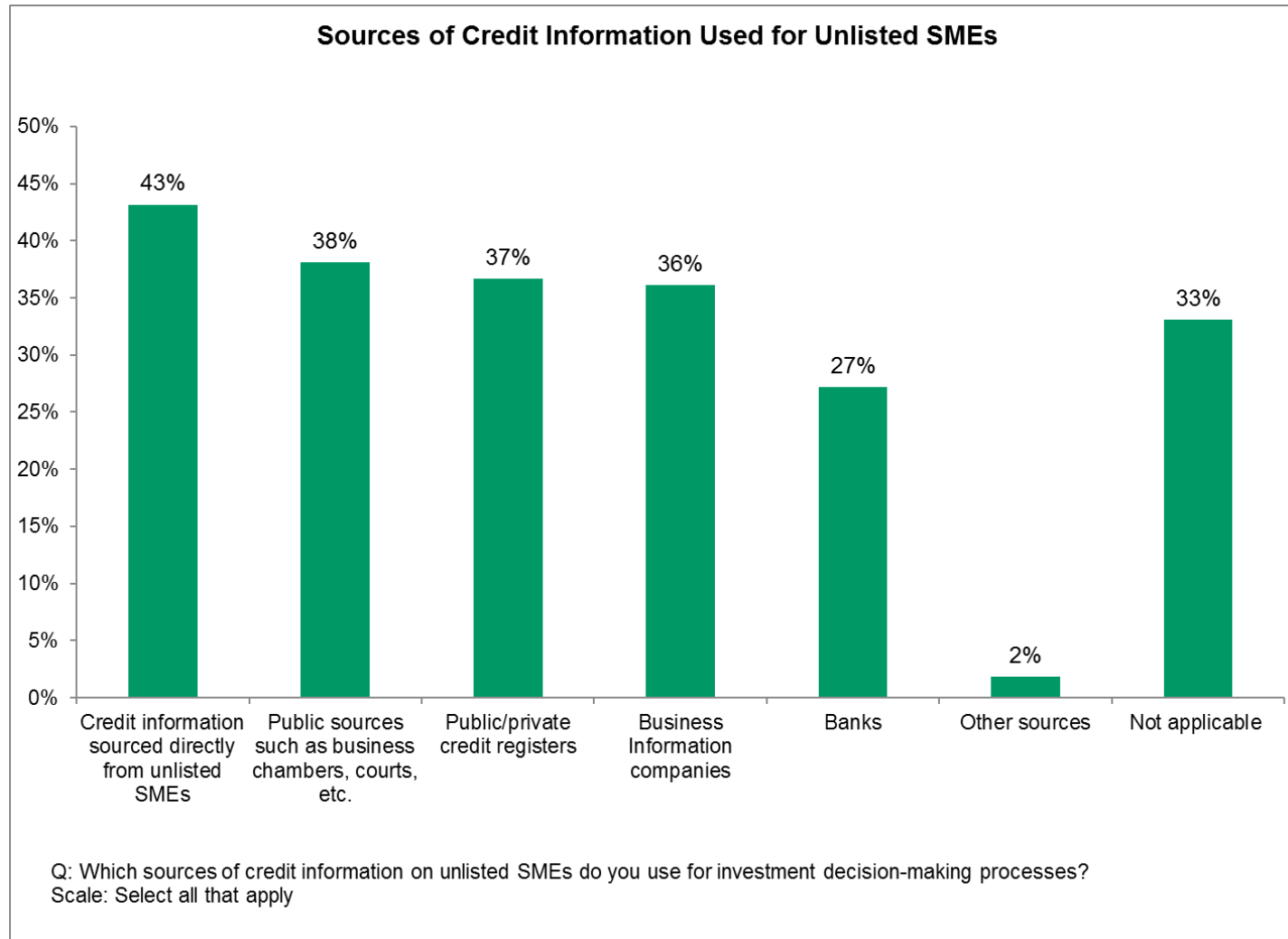
Less than 6% of members think credit information on unlisted SMEs is readily accessible.



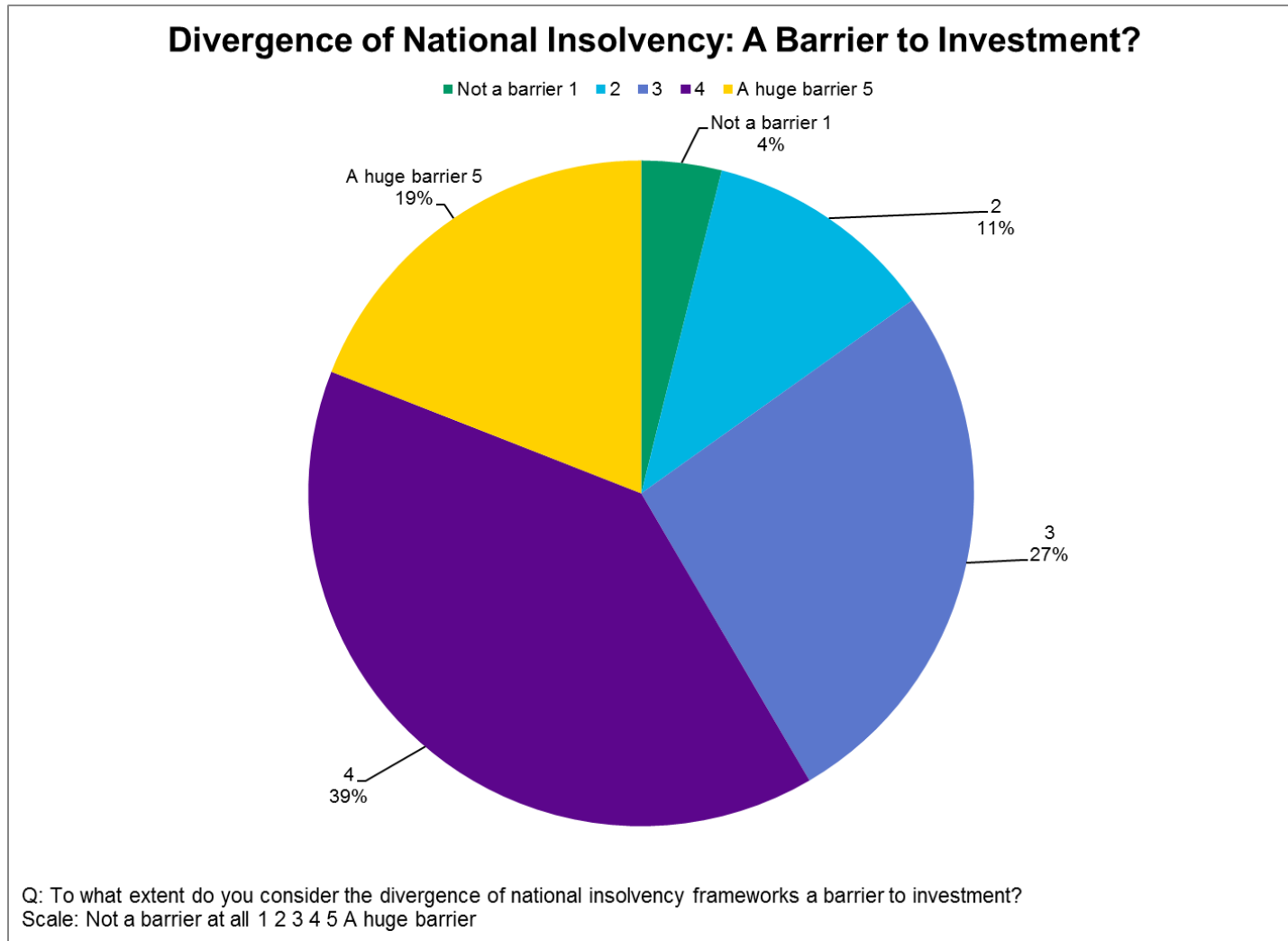
Members rated non-performing loan details (amounts and statistics) and loan details (e.g., dates, amount outstanding vs. guaranteed amount) the most important types of credit reporting information needed for the investment decision-making process with regard to investment in SMEs.



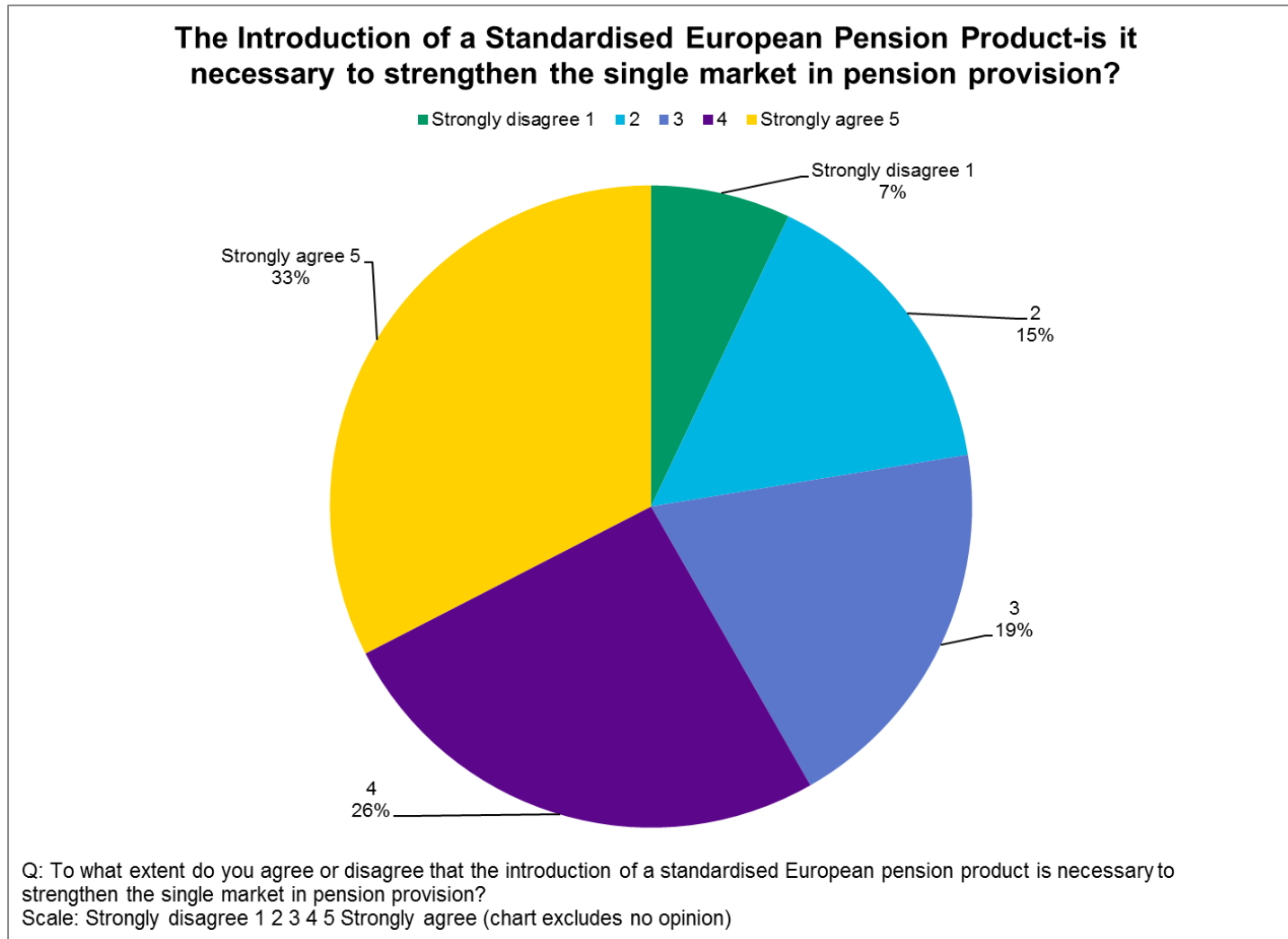
The most commonly used sources of credit information investment decision-making processes for unlisted SMEs are credit information sourced directly from unlisted SMEs, public sources, public/private credit registers, and business information companies.



58% of members consider the divergence of national insolvency frameworks a barrier to investment.



58% of members agree that the introduction of a standardised European pension product is necessary to strengthen the single market in pension provision.



Results Breakdown by Market

The tables below display the survey results for all countries with at least 30 respondents to the survey. Statistical significance testing was run at the 95% confidence level. If a cell is blue in color, this indicates a statistically significant result; that is, that there is a significant difference between that cell and at least one other cell in the same row. Column letters are used to interpret statistically significant results of Pairwise tests. If one or more column letters appear in a cell, it indicates that the cell containing the letter has a value that is significantly larger than the cells referenced by letters. For example, in the first table on barriers to the development of EU capital markets, each country has been assigned a letter (A-I). Within the blue colored cells, letters indicate significant differences that have been found. 82% of members in the Netherlands said differences in legal frameworks surrounding the ownership and transfer of securities is a barrier. The letters A, B, C, D, E, H and I in this cell tells us that 82% is statistically significantly higher than the proportions in all of the other countries corresponding to those letters (in this case all other markets except Spain).

| To what extent are each of the following a barrier to the development of EU capital markets? <i>(Scale: 1 - not a barrier at all to 5 - a huge barrier)</i> Top two box % displayed (4 + 5) | UK (A) | Germany (B) | Switzerland (C) | Italy (D) | France (E) | Spain (F) | Netherlands (G) | Poland (H) | All other (I) |
|---|-------------------------|------------------------------|----------------------------------|----------------------------|-----------------------------|----------------------------|----------------------------------|-----------------------------|--------------------------------|
| Differences in taxation treatment across jurisdictions | 59% | 65% | 67% | 71% | 71% | 83% | 79% | 61% | 62% |
| Differences in legal frameworks surrounding the ownership and transfer of securities | 62% | 60% | 63% | 59% | 60% | 71% | 82% | 58% | 63% |
| Lack of investor demand for SMEs | 30% | 18% | 14% | 33% | 23% | 14% | 35% | 33% | 33% |
| Insufficient secondary market liquidity in corporate debt markets | 50% | 32% | 38% | 43% | 38% | 51% | 50% | 67% | 54% |
| Administrative burdens associated with the issuance of securities (including prospectus and filing requirements) | 41% | 48% | 54% | 52% | 40% | 59% | 38% | 55% | 51% |
| Protectionist policies inhibiting cross-border mergers and acquisitions | 56% | 36% | 67% | 45% | 40% | 66% | 73% | 39% | 41% |

| How necessary, if at all, are each of the following measures to promote greater liquidity in corporate debt markets? <i>(Scale: 1 - not necessary at all to 5 - very necessary)</i> Top two box % displayed (4 + 5) | UK | Germany | Switzerland | Italy | France | Spain | Netherlands | Poland | All other |
|---|------------------------|------------------------|--------------------------|-------------------------|---------------|---------------------------|-----------------------------|------------------------|------------------------|
| | (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (I) |
| Greater price transparency | 70% B | 55% | 73% B | 81% BE | 60% | 82% BE | 76% B | 67% | 73% B |
| Greater standardisation of issuances to facilitate secondary market trading on electronic platforms | 72% | 60% | 73% | 71% | 69% | 83% B | 88% B | 70% | 75% B |
| Reduce regulatory burden placed on banks (dealers) | 55% E | 51% E | 63% DEI | 43% | 26% | 63% E | 50% E | 45% | 45% E |
| Establish common standards for private placement markets | 61% | 53% | 62% | 60% | 63% | 83% ABCD | 85% ABCDEI | 79% B | 69% B |

| What policy measures should be taken to incentivize institutional investors to invest more in infrastructure projects? | UK | Germany | Switzerland | Italy | France | Spain | Netherlands | Poland | All other |
|--|------------------------|------------------------|--------------------|-------------------------|------------------------|--------------|--------------------|------------------------|------------------------|
| | (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (I) |
| Favourable taxation treatment for investment in infrastructure | 50% B | 37% | 46% | 62% BG | 51% | 40% | 38% | 58% B | 52% B |
| Favourable regulatory capital treatment for investment in infrastructure | 43% | 53% | 42% | 52% | 43% | 54% | 59% | 52% | 50% |
| Greater public sector capital invested in infrastructure | 15% | 19% | 17% | 17% | 11% | 9% | 18% | 6% | 20% |
| Shorter lock-in periods in infrastructure investment funds | 16% | 12% | 21% | 10% | 26% B | 23% | 15% | 21% | 14% |
| Greater number and availability of pooled vehicles for infrastructure investment (e.g. under the European Long Term Investment Fund (ELTIF) label) | 37% | 37% | 40% | 38% | 54% H | 43% | 35% | 30% | 39% |
| Other | 5% | 1% | 1% | 2% | 3% | 9% | 6% | 3% | 4% |
| None, I don't think any policy measures should be taken to incentivize institutional investors to invest more in infrastructure projects. | 13% | 17% I | 12% | 5% | 3% | 9% | 12% | 9% | 8% |

| How important are crowdfunding and peer-to-peer lending platforms in the provision of capital to SMEs? | UK (A) | Germany (B) | Switzerland (C) | Italy (D) | France (E) | Spain (F) | Netherlands (G) | Poland (H) | All other (I) |
|--|-----------|----------------|--------------------|--------------|---------------|--------------|--------------------|---------------|------------------|
| Not important (1 + 2) | 29% | 52% ACDFI | 30% | 20% | 35% | 29% | 37% I | 34% | 20% |
| 3 | 21% | 23% | 28% | 17% | 19% | 19% | 20% | 28% | 24% |
| Important (4 + 5) | 50% B | 24% | 42% B | 63% BCH | 45% B | 52% B | 43% | 38% | 56% BC |

| How important are crowdfunding and peer-to-peer lending platforms in the provision of capital to other companies? | UK (A) | Germany (B) | Switzerland (C) | Italy (D) | France (E) | Spain (F) | Netherlands (G) | Poland (H) | All other (I) |
|---|-----------|----------------|--------------------|--------------|---------------|--------------|--------------------|---------------|------------------|
| Not important (1 + 2) | 63% I | 74% CDEGI | 49% | 50% | 52% | 57% | 47% | 59% | 42% |
| 3 | 18% | 17% | 31% AB | 31% | 21% | 25% | 43% ABH | 15% | 33% AB |
| Important (4 + 5) | 19% B | 9% | 20% B | 19% | 28% B | 18% | 10% | 26% B | 25% B |

| To what extent is credit information on unlisted SMEs readily accessible? | UK (A) | Germany (B) | Switzerland (C) | Italy (D) | France (E) | Spain (F) | Netherlands (G) | Poland (H) | All other (I) |
|---|-----------|----------------|--------------------|--------------|---------------|--------------|--------------------|---------------|------------------|
| Not accessible at all 1 | 15% | 12% | 14% | 24% | 17% | 26% | 17% | 29% B | 17% |
| 2 | 72% | 66% | 74% D | 56% | 63% | 56% | 69% | 58% | 64% |
| 3 | 9% | 17% | 9% | 15% | 10% | 11% | 7% | 10% | 13% |
| 4 | 3% | 3% | 3% | 2% | 10% | 7% | 7% | 3% | 6% |
| Very accessible 5 | 1% | 1% | 1% | 2% | 0% | 0% | 0% | 0% | 0% |

| Which sources of credit information on unlisted SMEs do you use for investment decision-making processes? | UK (A) | Germany (B) | Switzerland (C) | Italy (D) | France (E) | Spain (F) | Netherlands (G) | Poland (H) | All other (I) |
|--|-------------------|------------------------|----------------------------|----------------------|-----------------------|----------------------|----------------------------|-----------------------|--------------------------|
| Business Information companies | 29% | 34% | 39% | 50% A | 34% | 46% | 35% | 33% | 37% |
| Banks | 21% | 28% | 38% AH | 29% | 26% | 20% | 21% | 18% | 30% |
| Credit information sourced directly from unlisted SMEs | 40% | 38% | 48% | 43% | 40% | 40% | 44% | 52% | 45% |
| Public sources such as business chambers, courts, etc. | 32% | 36% E | 33% | 50% AE | 17% | 40% E | 53% ACE | 52% AE | 41% E |
| Public/private credit registers | 29% | 32% | 40% D | 19% | 29% | 43% D | 32% | 45% D | 46% ABD |
| Other sources | 3% | 0% | 0% | 2% | 0% | 0% | 0% | 0% | 4% |
| Not applicable | 42% HI | 39% I | 30% | 29% | 43% | 29% | 38% | 21% | 27% |

| To what extent do you consider the divergence of national insolvency frameworks a barrier to investment? | UK (A) | Germany (B) | Switzerland (C) | Italy (D) | France (E) | Spain (F) | Netherlands (G) | Poland (H) | All other (I) |
|---|-------------------|------------------------|----------------------------|----------------------|-----------------------|----------------------|----------------------------|-----------------------|--------------------------|
| Not a barrier ¹ | 5% | 6% | 6% | 5% | 0% | 0% | 9% I | 6% | 2% |
| 2 | 13% | 13% | 13% | 2% | 17% D | 3% | 12% | 27% ADFI | 8% |
| 3 | 28% | 31% | 22% | 20% | 31% | 24% | 24% | 24% | 27% |
| 4 | 40% | 34% | 42% | 44% | 29% | 47% | 44% | 33% | 40% |
| A huge barrier ⁵ | 15% | 15% | 17% | 29% AH | 23% | 26% | 12% | 9% | 23% |
| Top 2 (4 + 5) | 55% | 49% | 59% | 73% ABH | 51% | 74% ABH | 56% | 42% | 64% BH |

| To what extent do you agree or disagree that the introduction of a standardised European pension product is necessary to strengthen the single market in pension provision? | UK (A) | Germany (B) | Switzerland (C) | Italy (D) | France (E) | Spain (F) | Netherlands (G) | Poland (H) | All other (I) |
|--|------------------------|-------------------------|----------------------------|------------------------------|------------------------|----------------------------|----------------------------|------------------------|--------------------------|
| Strongly disagree 1 | 13% I | 5% | 10% | 3% | 3% | 3% | 3% | 17% I | 4% |
| 2 | 16% D | 21% DI | 31% ADFHI | 3% | 13% | 7% | 24% DI | 10% | 9% |
| 3 | 19% | 19% | 17% | 11% | 23% | 10% | 30% | 17% | 22% |
| 4 | 25% | 27% | 22% | 30% | 19% | 30% | 18% | 28% | 28% |
| Strongly agree 5 | 27% | 28% | 20% | 54% ABCGH | 42% C | 50% ABCG | 24% | 28% | 37% C |
| Top 2 (4 + 5) | 52% | 56% | 42% | 84% ABCEGHI | 61% | 80% ABCGH | 42% | 55% | 65% ACG |

Open-Ended Comments

Other barriers to the development of EU capital markets:

- *A lack of investor protection with regards to micro-, small- and mid-cap listed corporates (i.e. AIM).*
- *A Tobin tax on securities trades would be a huge barrier.*
- *Absence of funded pension funds in many countries (i.e. France, Germany). / Indebted states have no interest to the development of a capital market union*
- *Bank regulation, both in place and anticipated reduces cross border availability of funds*
- *Cultural and political differences across countries (for instance between Germany and the UK)*
- *Cultural change to SME's to get financed on the capital market directly*
- *Cultural. Honestly it is politically incorrect to say so, but there are many cultural barriers.*
- *Difference in insolvency regimes*
- *Differences in insolvency laws*
- *differences in insolvency procedures / differences in access to SME financial data / no rating of SMES / differences in accounting standards*
- *Differences in investor protection and bankruptcy laws*
- *Differences in property / bankruptcy laws across jurisdictions is a barrier for ABS and covered bond markets.*
- *Enormous - and growing - number of regulations.*
- *equity requirements for pensions funds, life insurances, etc. Minimum rate of return requirements on an annual basis.*
- *EU post trading layer, in particular in the a solution to CCP fragmentation*
- *Failure to address pan European pensions.*
- *Heterogeneity of EU countries which may not be perceived as 1 zone in itself.*
- *Higher regulatory capital requirements for securitisations, particularly for real estate, than for loans and corporate bonds.*
- *Importance of bank financing for corporate; no real tradition for capital market instruments*
- *investment knowledge of the public*
- *Kindly note that abbreviation SME might not be clear to everybody.*
- *Lack of centralised electronic bond dealing platform*
- *Lack of fiscal union with EMU*
- *Lack of harmonized taxation of capital income*
- *Lack of Institutional investors with a long term view (italian pension funds are usually giving 1y mandate to asset managers and allow limited leeway vs benchmark)*
- *lack of integration in settlement systems cross-borders / lack of adequate offer of OTC debt trading platform for private clients /*
- *Lack of publicity and education of public on nature and functioning of capital markets.*
- *Lack of rule of law, and especially equal and fair treatment of shareholders.*

- *Lack of standardisation*
- *Lack of true understanding amongst policymakers and the general public alike on the relevance for the overall economy of well-functioning money, capital and derivatives markets.*
- *Language*
- *Language / Fragmented stock-and bond market (try buying a bond listed on nordic omx from Austria)*
- *Language Barrier*
- *legal handling of corporate bankruptcies and distressed business could be more harmonized among EU members.*
- *local companies may lack proper corporate governance as well as compliance with general recognised reporting standards/ transparency requirements*
- *Overregulation of financial industry is a huge barrier. / Oligopolistic position and closed architecture of big banks in some markets like distribution of investment funds is a huge barrier. /*
- *Political uncertainty*
- *Protectionism by certain EU governments of 'strategic' industries*
- *Reckless policies by ECB, especially QE/OMT (or whatever they call their money printing) / Regulation that effectively restricts access of certain subgroups of investors. Eg in the UK, private investors cannot hold a gold (or commodity) ETF with an execution only broker because it is "too complex", although this is a far safer investment than a savings account, in my view*
- *Regulatory treatment (relevant for financial sector entities) of exposures towards securitization positions is likely to impede financial sector entities' investments into corporate debt (this has consequences for SMEs that are likely to avoid financing through the capital markets and instead refinance themselves via financial intermediaries).*
- *research coverage / level of trust in foreign institutions / regulators /supranationals*
- *Secondary market liquidity is still very poor, we see big bid/offer gap. Lack of centralised clearing house/trading platform is another issue. For legal framework it is more lack of coordinated bankruptcy procedure than ownership/transfer. There are demand for SMEs, increasing number of SMEs are now accessing bond market.*
- *Stability, consistency, predictability of regulatory, taxation and legal environment are very important when analyzing long term investment opportunities. It is crucial that investors are comfortable that government interference will not change the outcomes of their investments and that the investor rights will be properly and effectively secured and enforced. When governments distort markets by interventions they change the rules. The increasingly complex and changing regulations make orientation of investors more difficult and question comes whom is this serving? Investors? Issuers? Advisors? Or the advisors, administration, bureaucrats, politicians? Please, standardize, simplify make more efficient capital markets. And then do not change it for a few years - decades, just because some interest group or some investors did not make homework or took wrong decision and lost money! Markets need to be fair and have to allow investors to make as well as lose money.*
- *Surprise surprise, LANGUAGE*
- *The anti EU sentiment.*
- *The main barrier to the development is capital markets participants estimate of how high their remuneration should be for the services they render.*

- *The most significant and here missing point is insufficient support to private pension funds in EU. First of all, relying on pay-as-you-go pension system is a true hazard in current demographic development. Secondly, introduction of private pension system with mandatory contribution would help to develop both local equity as well as credit markets.*
- **TO ELIMINATE BANKS CARTEL**
- *Transaction levies such as in UK, Ireland and France. / Intransparent treatment of securities transactions in foreign currency. / Intransparency of cross border transaction costs. / Lack of protection against abusive behaviour by HFTs*
- *unified supervisory regimes*

Other measures that are needed to promote greater liquidity in corporate debt markets

- *As an active manager, any institutional investors should be able to do his/her own due diligence on documentation. Don't see needs at all for standardisation for PP, issue terms are already fairly standardised.*
- *By nature corporate bonds are not very liquid as the issuers often will be much smaller than for instance a government - so even though you use a lot of effort I would not expect liquidity to improve much. However that is not a hindrance to invest in corporate bonds as long as you're compensated price wise*
- *Claiming an overload of regulation is a rather dishonest way of trying to have an unfettered access to markets on behalf of participants.*
- *Co-ordination between the different clearing-houses. / Some confidence-building system for cross-border investment that does not create moral hazards (e.g. equal protection for foreign and local investors, personal responsibility of auditors to potential investors)*
- *Create a "European" secondary market similar to the stock markets for corporate debt.*
- *Encourage growth in non-bank entities who can match trades - not capital intensive but very effective at increasing liquidity*
- *Equal tax treatment.*
- *Establishment of global debt trading platforms providing transparency across different regions.*
- *Harmonised tax regimes*
- *increased credit rating transparency*
- *introduce incentive for dealers to list prices on exchanges /*
- *involve retail and increase individual investors direct participation like in equity markets*
- *Making markets has become particularly difficult for dealers (balance sheet impact), but also investors are often hindered if they want to trade (accounting rules, capital rules, etc.). Overall, this creates an environment in which markets cannot properly*
- *More preferred shares and perpetual bonds so as to eliminate the complexity stemming from different maturities.*
- *Need for only a few trading venues to concentrate liquidity*
- *Provision of standardised data in XBRL (or similar) to ease reference and language barriers*

- *Reduce regulatory burden on banks and insurances from investing in exclusively A rated bonds; create an inexpensive and uncomplicated alternative rating system for small bonds issued by SME's*
- *Reduce requirements for withholding and link reg cap to actual performance during the crisis and with respect to the underlying collateral for secured debt*
- *Reduce the number trading venues and make it attractive to list.*
- *Regulatory burden prevent when not prohibiting bank and insurance to invest in corporate debt and thus provide a first layer of demand. / / Investment through funds (regulated ucits) should be favored.*
- *Solvency II Rules*
- *Standardized prospectus with collective action clauses.*
- *Tax rules often make cross-border transactions very inefficient. Efforts to build an infrastructure to support these transactions will be entirely wasted because even if everything else is in place the transactions will still not be made because of the tax rules. Consequently the focus should be firmly on supporting transactions that are consistent with tax treatment.*
- *TO ELIMINATE BANKS CARTEL*

Other policy measures that should be taken to incentivize institutional investors to invest more infrastructure projects

- *Better risk sharing between investors and governments*
- *Clear defined projects; not politically driven; clear conditions; independent management*
- *development of a secondary market for investments in infrastructure*
- *DFI's are overly burdensome and standardization of requirements would be big step.*
- *Differences in legal frameworks surrounding the ownership and transfer of securities*
- *Don't know*
- *Greater commitment on the part of the EU to capital formation - no one needs infrastructure if industry and individuals leave due to disastrous policies that jeopardise the EU and Euro (e.g. excessive government debt, QE, depositor bail-ins, Russia sanctions etc.).*
- *Inflation link, availability of the infrastructure projects with acceptable risk, availability of construction risk and technology risk mitigation*
- *Infrastructure projects are ideal for institutionals. However, infra. projects should be shield from local political interest*
- *Less strict risk charge under Solvency II*
- *Lower initial capital requirements*
- *more incentives & limits for private and state pension funds to invest in infrastructure projects vis bonds, equity or any kind of mix*
- *more regulatory certainty over tariffs (see Spain reneging, see Greece reneging, see Norway changing their regime, see OFWAT crushing UK water company ROEs*
- *more transparency in the design of the potential financing vehicles and structure of the project*
- *more transparency of the project structures*
- *National governments need to develop dedicated revenue streams to finance infrastructural projects.*

- *Privatize infrastructure assets. Create stable regulatory frameworks to govern privately owned quasi-monopolies.*
- *regulatory stability*
- *Solvency 2 treatment of such investments is a brake*
- *the capital is there for deals when ownership and revenue structures are clean, secure and transparent*
- *To ease the transferability of securities. Risk in projects is very high during the construction period (and no securities are available except the authorization which is usually not a transferable security), high at the start of commercial operations and during the ramp up period, and very low thereafter. Securities are usually taken at the conclusion of the construction period and not easily transferable, which make the investor to be stuck in the bond until maturity. In reality different risk profiles should suit different investors and create room for higher liquidity in the project bonding markets (including the possibility to issue different asset classes with different securities)*
- *Vehicles should be listed and tradable like the BDC structure in the US (regardless of the asset type)*
- *Withdrawal of government from the financing of infrastructure projects.*

Barriers to cross-border crowdfunding and peer-to-peer lending

- *absence of proper counterparty risk management and understandable legal certainty and peer comparison possibilities /*
- *Actual importance is still relatively low except, but importance of platforms will undoubtedly rise significantly.*
- *Anti-Money Laundering / Europe wide regulation / Secondary markets in p2p loans*
- *Barriers include non-regulation and fragmentation. Crowdfunding really just gives retail investors the transparency and low free structure that they don't usually get in investment products.*
- *Clarity about regulatory environment for these platforms could help to boost investment and further development.*
- *Compare to banks' loans, crowdfunding is not relevant. However, it has bright future as banks, insurance and other regulated investors are handicapped by regulations.*
- *Crowdfunding is small, a fad, and most capital raises are probably in violation of securities laws.*
- *Crowdfunding the way it is currently structured benefits only one of the three links in the chain: borrower - intermediary/structurer - lender. Guess which one? Lenders believe they are lending to the borrower, borrowers believe they are borrowing from the lender. Everything goes through SPVs with profits for the structuring agent and risk for the others. Serious oversight of this scam is necessary.*
- *Differences in legal frameworks/more administration required*
- *differences in regulation, taxation, investor protection*
- *Different regulations.*
- *Especially peer-to-peer lending platform can play an important role - however, appropriate regulation seems to be key here*
- *Fertile breeding ground for crooks!*
- *If other companies means larger companies, then probably not important at all. I see it as a funding tool mainly for micro to small companies that cannot access more conventional financing due to limited trading history, i.e. even for medium size companies it is not likely to be very important, except perhaps on a project basis.*

- *insufficient regulation*
- *Investor protection is necessary*
- *Lack of legal recourse against crooks who take the money and disappear*
- *Lack of liquidity on these platforms; "winner-takes-all" nature of these platforms leads to minimal market penetration; media hype far bigger than current reality*
- *Lack of market transparency (prices, default history), regulatory differences, insufficient debtor protection*
- *Lack of regulation; Lack of transparency*
- *Lack of regulatory control, also uncoordinated creditor protection schemes across countries.*
- *Most dangerous development I have ever seen*
- *No common legislative framework for these new financing models*
- *Not sure I consider PtP lending and crowdfunding important sources of funding for SME / corps yet*
- *peer-to-peer lending or crowdfunding platforms are mostly used by start-ups*
- *Regulatory rules so different from one country to another*
- *scale and credibility*
- *security creation and enforcement/ control over use of funds*
- *SMEs and other companies usually don't have the reporting information required by potential investors behind peer to peer lending and crowdfunding institutions to grant financing. Transparency and some kind of standardisation terms is also necessary to SMEs and other companies in order to access other sources of financing instead of bank loans.*
- *The amounts provided by crowdfunding are not likely to meet the capital needs of SMEs (except in the case of very small enterprises).. / Anyway, I have no opinion with respect to peer-to-peer lending platforms.*
- *The market needs to grow locally and then investment platforms could be put in place.*
- *There are huge barriers to cross border crowd funding and peer to peer lending ranging from tax issues, collateral issues, cultural issues, lender indemnity issues etc.*
- *This is still in its infancy*
- **TO ELIMINATE BANKS CARTEL**
- *Uncertain legal protection, difficulty of identifying fraudulent opportunities*
- *Unregulated / Lottery mentality*
- *When banks start to lend again (provisional on their ability to do so given their capital requirements) crowd funding etc. will soon be off the public agenda.*
- *Will get more and more important as alternative to over-regulated credit processes of the banks*

Other sources of credit information on unlisted SMEs used for investment decision-making

- *Audited balance sheets*
- *Bloomberg*

- *central bank risk database, insolvency reports, central bank payment incidents, trade registry*
- *Credit Rating Agencies*
- *European Data Warehouse*
- *Google*
- *p2p websites*
- *provided by p2p platforms*
- *publicly available information from customers/suppliers/competitors*
- *the financial statements of the company*
- *third party due diligence of SME*

Other comments

- *Divergences in regulatory frames in each EU country member may discourage a faster capital market integration and cross-border investment. A single regulation to protect investors rights that applies to all EU countries will set the base to increase capital market integration and cross border investment within the EU. / 2- Enhance a single report mechanism and supervision where SME and other EU companies could be listed in order to access financing. / 3- Faster implementation of single register for EU companies, don't need to register in each country.*
- *Differences in withholding taxes on dividends and interest payments. / 2. Lack of annual reports in other languages than english (e.g. Italian companies rarely publish reports in German, French etc. and vice versa).*
- *A cross border exchange should exist and make interactions, capital raising and capital flows as easy as possible in the EU. / In addition, a EU wide tax equalisation treating investments, capital gains and legal investment structures the same way.*
- *Absence of a unified legal, fiscal and regulatory framework across EU*
- *As usual. claiming structural barriers is an excuse used by financial markets participants to increase their oligopoly and uphold the oversized revenues they derive from selling services, revenues that make no sense if you consider the social benefit they provide. All is fair, indeed, but authorities need to fight back so that financial services are paid for reasonably and in proportion to the social good they provide, which is less than teachers and nurses.*
- *Availability of information in a timely manner in English is still a huge issue. So many of private companies disclose limited information only to existing lenders.*
- *Bank monopoly rules*
- *Banks should do their job, i.e. lend money, not play with the liquidity that is pumped into the markets. Harmonized tax and social and labor laws would help.*
- *Create a single EU securities markets regulator.*
- *Crowdfunding and peer to peer lending aimed at institutional as well as retail investors will be strategically very important going forward. Barriers should be reduced for these platforms and I'm sure they will have input to this consultation on the specifics of these.*
- *currency risk may altered institutionals behaviour for investing in capital markets*

- *development of pan-EU private placement framework*
- *Due to the lack of fiscal union, it is mad to talk about standardised European pension product. Each country is running its own pension regime under its own tax, i.e. ensuing redistribution of wealth within the border. Tweaking feature of pension product alone will not resolve the European problems.*
- *Equal and fair treatment of all shareholders by courts and governments is critical. US investment and capital markets are far ahead of the EU in this area.*
- *EU capital market integration will be a failure if driven by the EU 'machine' as they will attempt to execute it driven on their own beliefs an not what practitioners actually experience. / Cross border investment has been around for hundreds of years and will continue to grow naturally...the EU will create as many problems as it solves....*
- *EU CM integration is good for investors if it reduces burdens on them, but it should not mean the forced standardisation of regulations: let different the credit and investment markets of each countries compete for savers and borrows, but let people have a choice about which framework they like. For example, if British lenders prefer Ireland's tougher personal bankruptcy rules, then let them choose to use contracts under Irish law. Regulatory Competition is a good thing.*
- *exchange risks when investment is in another currency, the cost of hedging it can be significant*
- *For capital market integration to work there has to be a degree of institutional convergence amongst the different European countries. By itself easier access to capital via crowdfunding and other limited initiatives is not a recipe for growth and prosperity unless it is followed by regulatory and other constitutional reforms both at a union and country level.*
- *Freedom to transfer capital in the EU is diminishing due to regulatory ring-fencing or legal and tax obstacles. (i.e. different fiscal treatment for same legal vehicle between EU countries). Many authorities still see no advantage to promote cross-border investment and EU capital integration. First priority should be the setup of a single EU bond or EUR bond*
- *If EU wants to promote growth it has to consider how tight it should regulate banks - the more tight regulation the less likely is growth. Long term investors like pension funds can make a difference but they can't substitute banks.*
- **IN EUROPE (AND US ALSO) THERE IS A VERY STRONG BANKS CARTEL THAT IS A VERY HIGHT BERRIER TO BUSINESS DEVELOPMENT IN ALL INDUSTRIAL FIELDS**
- *It is also key to focus on the level of necessary disclosure. For historical reasons Italian corporates have a disclosure which is much higher than Luxemburg companies. But this makes issuers to prefer Luxemburg issuers so disclosure is lower. It is ky to bring a minimum level of disclosure for all issuers within the European Union. A lower level of disclosure boost the market in the short term but can have a negative and dramatic impact in the long run since investors could loos confidence in this market.*
- *It would also be very important to introduce a single authorisation for investment professional, particularly independent financial advisors, across the EU. This would facilitate the flows of all sorts os investments, including in SMEs, IPOs etc.*
- *Lack of common accounting and reporting standards for SMEs.*
- *Language skills, bureaucracy, corporate governance risks*
- *Legal and regulatory barriers could be increasing such as the FTT. It doesn't feel like we are moving towards a more integrated system but a more isolated.*
- *Long term view is needed while investor often have short term view. One year is not long term.*

- *Many investors prefer to invest locally, especially for SMEs, because they feel they have a better understanding of the "soft" factors and gossip (e.g. they may know the main shareholders better and get local gossip on failed ventures, management shake-ups etc). Also, a lot of institutional investors have geographical or currency constraints, e.g. some can only invest in stocks with main listing in Eurozone countries, some can only invest in Continental Europe, other in UK. / More generally, as noted above, I believe that many disastrous economic policies have undermined faith in the region and currency and made an EU/Eurozone breakup more likely (in that context, the lack of clear exit provisions is problematic). The legality of some of the ECB's actions is being challenged and the ECB is in the process of becoming a bad bank. I think the stronger nations stand to lose a large chunk of their savings eventually, with potentially disastrous consequences on local industry and thus long-term prosperity. Random decisions by unelected EU bureaucrats further undermine faith in the region. The Russia sanctions (mainly done on very flimsy excuses at the request of the US) have seriously hurt European businesses out of the blue and have sent a horrendous message to the entire globe that the EU is not a reliable business partner. With all of this in mind, who would want to invest in European infrastructure and European SMEs? We desperately need policies that support industry and capital formation, limit the damage that institutions (e.g. the ECB) and (debt-addicted) governments can do and a strong legal framework that will ensure investors that they won't suddenly have the rug pulled from underneath their feet.*
- *Member countries' own self interest.*
- *More asset classes (e.g. leveraged loans) should be available to retail investors, with appropriate reforms and regulation to ensure proper liquidity and information*
- *More level playing field; more alignment of legislation throughout the different countries*
- *National central banks and local regulators seem at times unwilling to abandon their policies in order to adopt a common policy which leads to fragmented, country based local markets.*
- *National politics and politicians' reluctance to give up their power to promise whatever they want to their electorates is a huge problem within the Eurozone and has a direct bearing on the EU's capital market integration.*
- *National tax rules are the dominant barrier to CMU, because (for obvious reasons) they are explicitly designed to make it difficult for income to be recognised in a second country when activity takes place in the first. This often make cross-border transactions very inefficient. Efforts to build an infrastructure to support transactions that are effectively ruled out by tax rules will be entirely wasted because even if everything else is in place the transactions will still not be made. Consequently the focus should be firmly on the achievable objective of supporting transactions that are consistent with current tax treatment. Unfortunately I fear that instead expensive attempts will be made at international standardisation that achieve nothing except increased cost.*
- *Pension and insurance-product unification necessary and with it the sales process, i.e. freedom to provide services. / But: You need to fix demand side first! The only developed capital markets in Europe are in countries with funded pension systems (NL, UK, Ireland, CH). e.g. not in Germany, Italy, France. / in the long-run CFA Institute should point out the need for funded pension systems. Medium term it is important that those people in countries with funded systems can buy products from other countries.*
- *Protectionist attitudes of national governments.*
- *Q 9 is the wrong question - there should NOT be a single market prior to the introduction of a single currency - do *you* want a pension denominated in A\$ or Rupees? / Q 8 mentions divergence of *national* insolvency rules - the 2007/8 crash in Europe was down to the divergence of insolvency rules *within* the USA and California's in particular.*

- *Real unification of legal systems across countries should be accelerated. EU should have a single supervisory framework and a single supervisory body or at least get more actively involved in approving the heads and the activity of the local supervisory commissions. Or at least have a veto system on decisions. The legal system in EU should be restructured with greater central power to assure rights are properly implemented through-out EU. Then technical details on the financial system should also be unified.*
- *Regulatory constraints for investment companies in many regards; too much reliance on non-European rating agencies*
- *Risk adjusted return expectations. Private capital only flows to places where growth is already obvious, With other words one could say at places with enough growth is plenty of capital available. Where is no growth there is no return expected and no interest to invest by priat money. Everything else is of minor relevance in developed markets.*
- *Stability, consistency, predictability of regulatory, taxation and legal environment are very important when analyzing long term investment opportunities. It is crucial that investors are comfortable that government interference will not change the outcomes of their investments and that the investor rights will be properly and effectively secured and enforced. When governments distort markets by interventions they change the rules. The increasingly complex and changing regulations make orientation of investors more difficult. Please, standardize, simplify make more efficient capital markets. And then do not change it for a few years - decades, just because some interest group or some investors did not make homework or took wrong decision and lost money! Markets need to be fair and have to allow investors to make as well as lose money.*
- *Stronger legal frameworks are required to protect investors. Much like the like of tax and fiscal harmonisation across EU countries meaning that there is dispute between countries, the lack of a harmonised legal framework acts as fair representation for all investors.*
- *Tax harmonisation*
- *Tax havens are barriers to market integration*
- *taxation is the most important one, also, access for retail investors to markets outside of its country is sometimes difficult (or expensive) to obtain*
- *Taxation systems and labour force legislations should converge in the medium term to create a unique economic space.*
- *The failure to do this up to now is woeful. Giving the single financial market a new name is progress unless it delivers.*
- *The importance of a capital market union is indisputable. I do not think that this union will have direct benefits for SMEs but it will have indirect, since funds from the banking sector could be more easily released. It is necessary to understand the importance of the convergence of company laws, insolvency laws, taxation rules and accounting standards. Lowering barriers, such as making it easier and cheaper for firms to participate in markets is important, as well.*
- *The introduction of a single pension product makes much greater harmonization of national Pension Systems necessary, which in turn requires some form of fiscal union. Therefore I don't think this is a very realistic proposal at the current stage.*
- *The main barrier is different taxation*
- *The main barrier is provided by the cultural differences between the northern part and southern part of EU, that is reflected also in the financial field.*
- *The onus should be on leveling the playing field, not in theory but in the real world. What I mean, for instance, regulatory bodies such as those overseeing the capital markets in each country should have identical protocols/procedures. There is no point*

creating 'regulatory passports' if the authority in one country (e.g. Cyprus) is seen as weaker or laxer than in another one (e.g. UK)

- *The role of external auditors should be reassessed; firms as a whole should have more responsibility on their opinions. / Different Fiscal policies leading to subsidies, tariffs, etc. in different proportion across the EU, making difficult a true competition and the identification of the really good and profitable projects. / Tax regimes that are more favourable for big corporations than for SMEs. While the nominal rate may look equal or better for the latter, the former have more opportunities to get deductions and then achieve a lower effective rate.*
- *The sense of crisis is not high or acute enough to motivate involved parties want to give up individual or national solutions.*
- *The tax systems in continental Europe are too complicated. / Doing business as a non-native speaker in France and Germany is a huge barrier.*
- *too lengthy recovery judicial process in some countries*
- *Too much regulation.*
- *Uniform application of European Directive and major integration in the infrastructure (Market and CCP). On the settlement side a solution to eliminate barriers to the cross border investment will be implemented soon by ECB project (T2S).*
- *We find the barriers to effectively using the European Passport Regime to market across Europe a huge hinderance*
- *We should object further regulation and red tape from Brussels. While some standardization is desirable this green paper looks like an attempt to create more regulation, which has never helped any market. In particular the UK as financial centre could lose out if we are dragged down to Paris, Frankfurt and Brussels' levels.*
- *You should ask the guys at Finance Watch about this. <http://www.finance-watch.org/our-work/publications/998-position-paper-on-ltf>*

Survey Questionnaire

1. To what extent are each of the following a barrier to the development of EU capital markets? Please rate each on a 1 to 5 scale, where 1 means it is not a barrier at all and 5 means it is a huge barrier.

| [RANDOMIZE] | Not a barrier 1 | 2 | 3 | 4 | A huge barrier 5 |
|--|--------------------|---|---|---|---------------------|
| Differences in taxation treatment across jurisdictions | | | | | |
| Differences in legal frameworks surrounding the ownership and transfer of securities | | | | | |
| Lack of investor demand for SMEs | | | | | |
| Insufficient secondary market liquidity in corporate debt markets | | | | | |
| Administrative burdens associated with the issuance of securities (including prospectus and filing requirements) | | | | | |
| Protectionist policies inhibiting cross-border mergers and acquisitions | | | | | |

Please list any other barriers to the development of EU capital markets:

[multi-line text box]

2. How necessary, if at all, are each of the following measures to promote greater liquidity in corporate debt markets?

| [RANDOMIZE] | Not necessary at all 1 | 2 | 3 | 4 | Very necessary 5 |
|---|---------------------------|---|---|---|---------------------|
| Greater price transparency | | | | | |
| Greater standardisation of issuances to facilitate secondary market trading on electronic platforms | | | | | |
| Reduce regulatory burden placed on banks (dealers) | | | | | |
| Establish common standards for private placement markets | | | | | |

Please list any other measures you think are needed to promote greater liquidity in corporate debt markets:

[multi-line text box]

3. What policy measures should be taken to incentivize institutional investors to invest more in infrastructure projects? Select the two measures you think are most important.

[RANDOMIZE a-e]

- Favourable taxation treatment for investment in infrastructure
- Favourable regulatory capital treatment for investment in infrastructure
- Greater public sector capital invested in infrastructure
- Shorter lock-in periods in infrastructure investment funds
- Greater number and availability of pooled vehicles for infrastructure investment (e.g. under the

European Long Term Investment Fund (ELTIF label)

- f. Other (please specify): [text box]
- g. None, I don't think any policy measures should be taken to incentivize institutional investors to invest more in infrastructure projects. [ANCHOR, EXCLUSIVE]

4. How important are crowdfunding and peer-to-peer lending platforms in the provision of capital to SMEs and other companies, respectively?

SMEs: Not important at all 1 2 3 4 5 Very important + No opinion

Other companies: Not important at all 1 2 3 4 5 Very important + No opinion

Please list any barriers to cross-border crowdfunding and peer to peer lending:

[multi-line text box]

5. To what extent is credit information on unlisted SMEs readily accessible?

Not accessible at all 1 2 3 4 5 Very accessible + No opinion

6. How important are the following types of credit reporting information for the investment decision-making process with regard to investment in SMEs? Please rate each on a 1 to 5 scale, where 1 means it is not important at all and 5 means it is very important.

Scale: Not important at all 1 2 3 4 5 Very important

[RANDOMIZE]

Identification of lender

Lender type

Types of credit lines

Loan details (e.g. dates, amount outstanding vs. guaranteed amount)

Monthly instalment

Non-performing loan details (amounts and statistics)

7. Which sources of credit information on unlisted SMEs do you use for investment decision-making processes?

Select all that apply

[RANDOMIZE A-E]

- a. Business Information companies
- b. Banks
- c. Credit information sourced directly from unlisted SMEs
- d. Public sources such as business chambers, courts, etc.
- e. Public/private credit registers
- f. Other sources (please specify): [text box]
- g. Not applicable [EXCLUSIVE, ANCHOR]

8. To what extent do you consider the divergence of national insolvency frameworks a barrier to investment?

Not a barrier 1 2 3 4 5 A huge barrier

9. To what extent do you agree or disagree that the introduction of a standardised European pension product is necessary to strengthen the single market in pension provision?

Strongly disagree 1 2 3 4 5 Strongly agree + No opinion

10. Please provide any other comments on the barriers to EU capital market integration and cross-border investment:

[Multi-line comment box]