IF I RULED THE WORLD: A WISH LIST FOR UNLOCKING CAPITAL MARKETS IN EUROPE

The barriers to bigger and better capital markets in Europe – and how to overcome them

September 2015

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For all the progress that has been made towards a single capital market in Europe over the past few decades, significant barriers remain. These inefficiencies cost the European economy many billions of euros every year in lost investment and unnecessary costs.

Ahead of the publication of the European Commission's action plan on capital markets this month, this paper outlines a sort of 'fantasy capital markets'. It is based on a series of workshops with senior market practitioners from different sectors of the capital markets organised by New Financial this year to identify the main barriers to deeper capital markets in Europe and how to overcome them.

As part of each session we asked participants to imagine they were an omnipotent but enlightened ruler, and to think of the one thing they would change – however unrealistic – that would have the biggest impact.

The first part of this paper is a selection of some of the responses to the question 'if I ruled the world…' In most cases, the items on this wish list are beyond the realms of possibility. So we have attempted to map out proposals that are a little more practical but which retain the overall spirit and direction of the original suggestion. The second part of the paper is a more detailed analysis of these suggestions. And the third part is a comprehensive appendix of the different barriers to deeper capital markets raised during our workshops along with some suggested solutions.

The dominant theme throughout is that European capital markets would benefit from much more competition, particularly across national borders. The best way to catalyse this is by pulling down the often artificial national barriers to competition across Europe and significantly increasing the quality and comparability of available information in European capital markets to enable all market participants to make more informed decisions.

Part 1: Summary of responses to the question: ‘If I ruled the world…’

Here is a summary of some of the best responses to the question: ‘If I ruled the world ’. They are intended to be directional rather than strictly practical policy suggestions.

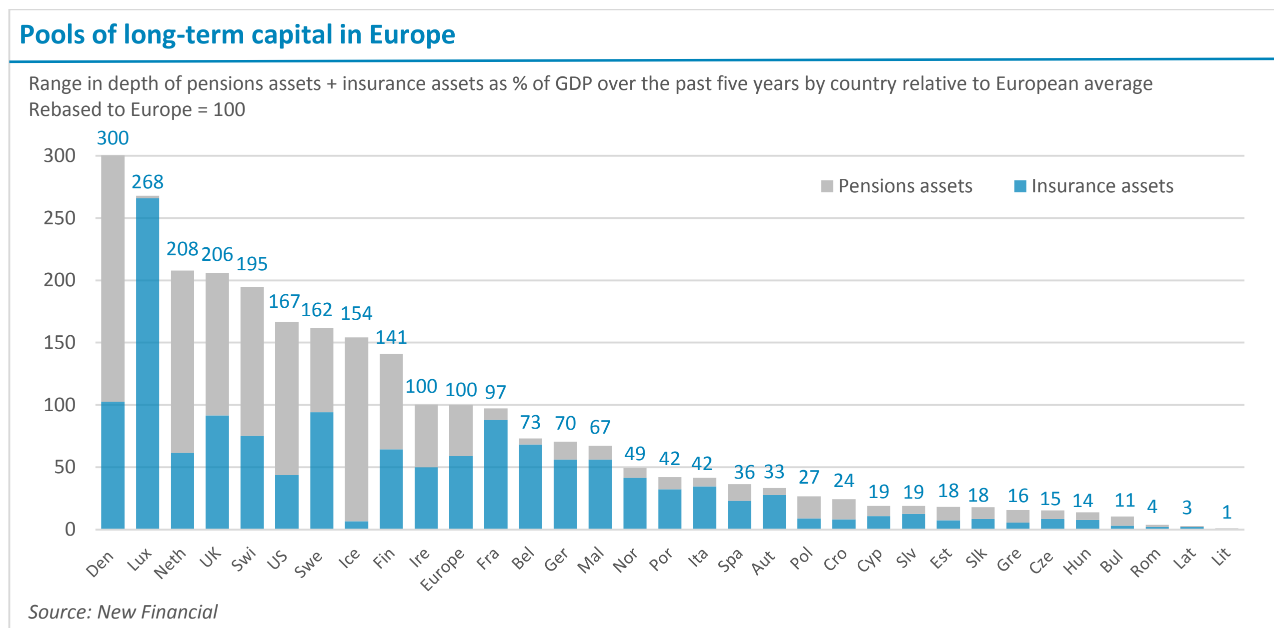
Wish list	Proposal
1) An honest debate on pensions	Requiring governments to come clean about the affordability of their future pensions liabilities would kickstart a more honest debate on pensions. And nudging individuals to take more responsibility for their own future – with the help of a pan-European personal pension product – would encourage deeper pools of capital.
2) A single portal for information	A single pan-European platform for filing and distributing comparable information on issuers (a sort of ‘EuroEdgar’) would be a great leap forward towards a single capital market. This platform could include credit data on SMEs, and could also act as a central portal for managing corporate governance and shareholder voting.
3) A single set of standards	The same level of comparability of information could apply to the capital markets industry itself. More comparable information on fees, costs and performance across different segments of the capital markets would encourage competition and help customers (and policymakers) make better decisions.
4) Back to the future in trading	The obsession with ever faster continuous trading has created an unwinnable IT arms race across the industry while at the same time fragmenting liquidity. Concentrating trading across asset classes in a smaller number of auctions each day could significantly increase liquidity and reduce costs.
5) A single stock exchange	There are too many exchanges and clearing houses in Europe and not enough competition between them. Airline-style code-sharing arrangements between exchanges and other market infrastructure providers would help create four or five competing blocs that could help concentrate liquidity and significantly reduce costs.
6) A single driving test	The concept of a passport is at the heart of the single European capital market – but many countries require additional visa requirements. Passports could be replaced by driving licences: all driving tests in Europe are different, but you don’t have to sit a new test every time you drive across a border.
7) A single platform for funds	There are thousands of funds available to investors in the EU but the complexity of distribution fees and marketing rules are a significant brake on competition. A single pan-European fund comparison site – perhaps MyEUfundsupermarket.com - would provide more comparability, and could also act as a single point of entry for fund managers to register and market their funds and manage their tax-reporting.
8) A level playing field on tax	Tax breaks and regulatory waivers could begin to address the bias towards debt over equity and the endemic short-termism in European capital markets. For example, the cost of raising equity could be made tax deductible, and capital gains tax (or a future FTT) could be reduced or abolished for longer-term holdings.
9) A single digital investment passport	A digital passport for individual and institutional investors would help bring the capital markets into the 21st century and massively reduce the administrative burden for all market participants. It could also provide a shot in the arm to cross-border investing.
10) A single insolvency regime	A single insolvency regime may be about as realistic a prospect as adopting a single European language but it was one of the most common items on our wish list. Previous work on convergence and adopting minimum levels of efficiency between national regimes could be accelerated, as could the development of a 29th regime.

Part 2: More detailed responses to the question: 'If I ruled the world…'

1) An honest debate on pensions

Europe doesn't have a savings problem; it has an investment problem. One of the biggest challenges for European capital markets is how to encourage the growth of bigger pools of long-term capital.

Pensions and insurance assets in Europe are little more than half the size of the US relative to GDP and there is a wide range in the depth of pools of long-term capital across Europe. Too much provision in Europe is based on the conceit that tomorrow's taxpayers will pick up the bill. As a result, public pensions liabilities in Europe could be more than $80 trillion – or roughly five times GDP – according to research by Edhec. And there is a wide range in the depth of pools of long-term capital in Europe:



Two aligned approaches could help address this time bomb. First, governments could be required to come clean about their current and future pensions spending on the basis of agreed and comparable standards. This would kickstart a more honest debate about the affordability of future liabilities and help nudge governments into taking more realistic policy decisions.

At the same time, individuals could be nudged into taking action with more information about their likely future retirement income from the government, their employer and their own personal savings. For example, monthly payslips could outline an individual's likely future income and what they need to do about it, a little like the monthly reminder in German payslips of the 'reunification tax'. To encourage the wider adoption of employer and personal pensions provision, the Commission could fast-track work on a single pan-European personal pension product that is fully portable across borders and between employers and operates on an opt-out basis.

2) A single platform for information

A single pan-European platform for filing and distributing information on companies and issuers across Europe would be a great leap forward towards a single capital market. While anyone can look up every filing by every issuer in the US on their mobile phone via the Edgar system operated by the Securities & Exchange Commission, there is no such comparability in Europe. Access to information was highlighted by institutional investors as the biggest single barrier to deeper capital markets in Europe in a recent report by AFME (p4).

A EuroEdgar system could involve issuers across Europe filing an agreed minimum level of comparable information based on common standards, with a fee structure based on issue size, with reduced fees for smaller issuers and incentives for filing in multiple languages. It would build on the existing work by ESMA to harmonise the filing and distribution of information across the existing national patchwork of portals.

EuroEdgar could also operate a pan-European credit database on SMEs to encourage the development of more cross-border lending and to help unlock alternative forms of SME financing. And it could also act as a central portal for corporate governance through which issuers and investors could manage their corporate actions and shareholder voting, which would significantly reduce the cost and bureaucracy of cross-border investing.

3) A single set of standards

The same level of comparability of information that investors and banks would like to see from issuers could also be applied to the capital markets industry itself. A single set of standards across Europe for measuring and disclosing fees and performance across all sectors of the industry - from asset management and pensions, to investment banking and exchanges, and private equity and venture capital - would be a good start. This would force less efficient organisations to raise their game, drive competition (particularly across borders), encourage consolidation and efficiency, and significantly reduce costs for all market participants.

This approach would enable customers to make better and more-informed decisions, encourage a greater focus on providing value for money, and improve the alignment between market participants and their clients, particularly end users.

Greater comparability would help address the sort of concerns recently raised by the likes of Calpers, the $300bn Californian pension fund, on the complexity of fee structures in private equity, and the difficulty highlighted recently by the $160bn New York City pension schemes in comparing fees and performance between different providers in different asset classes. Initially, this process could be driven by public sector pension funds or issuers, but eventually it could expand to include the entire market.

4) Back to the future in trading

The obsession over the past few decades with ever faster continuous trading has created an unwinnable IT arms race across the industry while at the same time fragmenting liquidity. A single auction for each asset class each day may not be possible, but concentrating trading in each asset class and security on different platforms in a small number of auctions each day would help pool liquidity, significantly reduce the complexity of trading, reduce the amount of limited capital that investment banks would need to allocate to trading, and shift the balance in favour of investors.

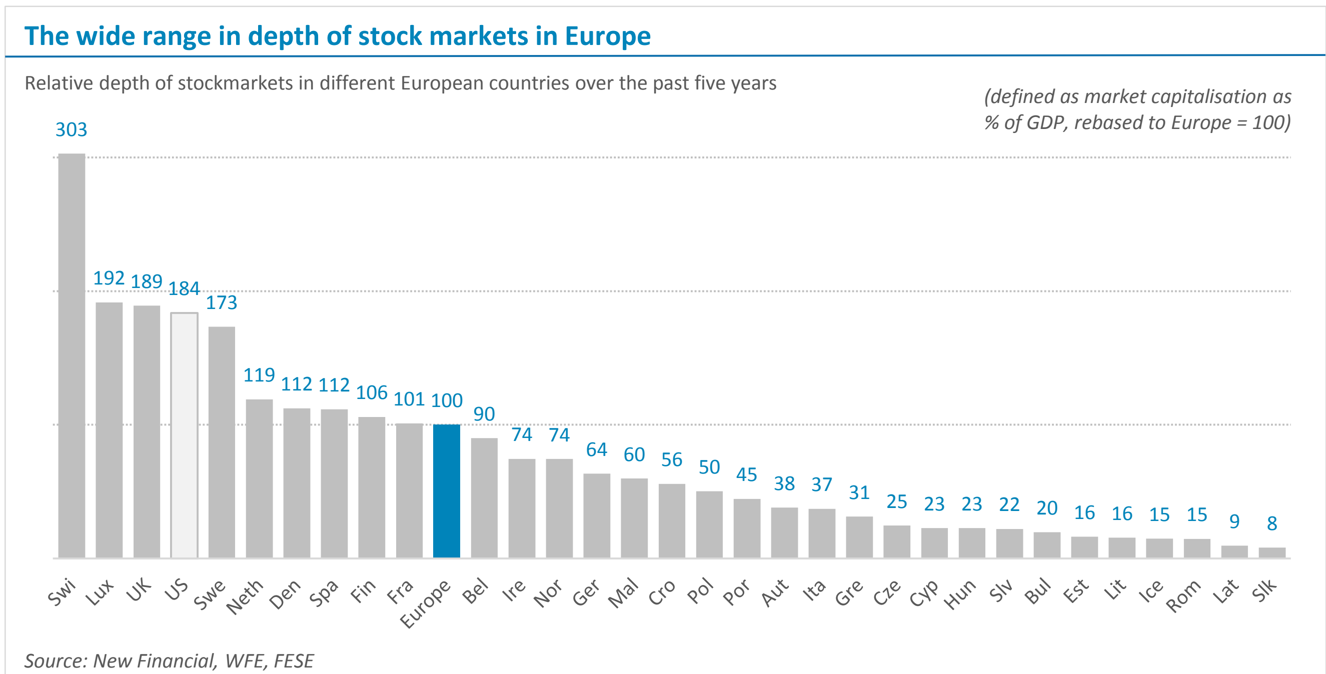
Recent academic research at Chicago Booth has shown that interrupting trading with periodic auctions – even mini-auctions held many times a second – improves liquidity and reduces costs. And big institutional investors such as Norges Bank Investment Management have recently questioned whether continuous trading is in the interest of all market participants.

Already the opening and closing auctions on the London Stock Exchange and NYSE account for one third of all trading volumes and both exchanges are planning a third auction each day. BATS Chi-X Europe has also recently announced plans to introduce auctions during the day. Trading during auctions could be incentivised through lower fees and lower transaction taxes. And the prices that come out of the auction would of course feed into a consolidated tape.

5) A single stock exchange (and post-trade platform)

There are too many stock exchanges in Europe and not enough competition between them. In Europe, there are at least 18 different stock exchange groups operating more than 31 national stock exchanges, supported by 20 different clearing platforms and 28 different settlement engines (compared with two exchanges, a few dozen trading platforms and one clearing and settlement platform in the much larger US market). This contributes to the fragmentation in the depth of markets across Europe (see chart below).

While many of the participants in our workshops said that a single open access European stock exchange and single clearing and settlement platform would be their ideal solution, a more realistic alternative would be to develop an airline-style code-sharing arrangements between competing groups of stock exchanges.



This would help create four or five blocs of exchange and clearing providers across Europe competing for listings, trading, clearing and settlement on price, liquidity and service, rather than the accident of geography. Exchanges within each a bloc could offer access to trading in all stocks in that bloc, and eventually this could create enough critical mass for the blocs to compete with each other for trading in each other's stocks. These blocs would help pool fragmented liquidity, link the many national efforts to encourage the financing of growth companies, and significantly reduce costs for all market participants. This approach could also be applied to the growing range of bond trading and crowdfunding platforms to encourage competition and consolidation.

6. A driving test for listings

Listings and new issues have traditionally been treated like passports – but many national listing authorities require issuers to get a country-specific visa as well. This makes the listing process more cumbersome and expensive, and helps embed the existing inefficiencies within the market. It limits competition between exchanges and means that the vast majority of companies in Europe that list do so on their domestic market.

An alternative approach would be to treat listings more like driving tests. There are significant differences between the training and test requirements in different European countries for someone to pass their driving test, but once you have passed your test in one country you can drive anywhere in the EU without sitting an extra test at each border crossing even though the highway code and traffic signs are different in each state.

Under this model, once a company had approval for a listing from one national listing authority it would have the right to list anywhere in Europe. This would help break the link between national listing authorities, exchanges and indices. It would reduce fragmentation across sectors, and encourage the development of deeper sector clusters across Europe (such as technology in the UK or engineering in Germany). This could be combined with a standardised and much shorter prospectus (filed on EuroEdgar) using a shelf-registration system that would separate company information from details of the issue itself.

7. A single platform for funds

There are tens of thousands of funds available to investors in the EU but the complexity of distribution fees, notification fees, payment agents, marketing and compensation rules, and other costs – often on the same fund in different countries – are a significant brake on cross-border competition. For example, more than twice as many funds are listed on the UK website of Morningstar as on its Italian website. A pan-European comparison platform for funds – perhaps something like MyEUfundsupermarket.com - would provide investors with much more comparable information on fees and performance on available funds based on a common set of standards around risk appetite and suitability. Funds could be incentivised to file in multiple languages, replacing the ad hoc translation of existing marketing literature today.

This level of comparable information would shine a spotlight on less efficient providers, reduce the fragmentation of the European fund landscape (the average fund size is less than half that in the US) and reduce costs. Any reduction in distribution fees for third party distributors or captive networks would be more than made up by an increase in volume for well-managed funds.

The back end of this platform could provide asset managers with a single point of entry for the registration, notification, marketing and tax reporting for all of their funds across all jurisdictions. This could be combined with greater harmonisation of marketing and financial promotion rules, as well as investor compensation programmes, which could adopt the same 'driving test' principle as prospectuses for new issues.

8. A level playing field on tax

European capital markets are heavily distorted by the bias towards debt and by short-termism. In an ideal world, all tax breaks on different asset classes and types of funds might be abolished so that we could start from scratch in building a simpler and more balanced tax regime for capital markets across Europe. In the real world, tax breaks and regulatory waivers could begin to address the more obvious distortions.

First, the tax bias in favour of debt funding could be tackled by making equity much more attractive. For a start, the costs of raising equity capital (and ongoing listings costs) could be made tax deductible. Equity capital could attract tax credits or some form of equity allowance, while the taxation of capital gains and dividends could be reduced over time (via taper relief and indexation) particularly for retail investors and longer-term investors.

Second, the endemic short-termism in capital markets could be addressed by abolishing quarterly reporting, rewarding issuers and investors that take a longer term view with lower levels of regulation, disclosure and tax (such as indexation and taper relief on capital gains tax, or exemptions from stamp duty), and replacing the bonus cap with legislation requiring pay and bonuses in the capital industry to be calculated over longer time periods than a calendar year. This would help align the interests of market participants more closely with those of their clients.

9. A digital passport

In a world of instant information and online banking, it is remarkable how much paperwork investors and intermediaries have to fill in every time they open or close an account, or transfer assets from one firm or one country to another. It's like having to apply for a new passport every time you want to travel overseas (or, to use a previous analogy, having to resit your driving test every time you drive across a border).

A digital passport for individual and institutional investors based on a common standard for background information would provide an instant identity check while at the same time massively reducing the administrative burden and cost for all market participants and encouraging more cross-border investment. The system could operate on an opt-in basis and work like the existing application process for e-passports in different European countries today. The digital investment passport could include data on the holder's investment and product history to help create a more accurate profile of their risk appetite and suitability.

Concerns over meeting requirements on money-laundering and 'know your customer' rules could be addressed by developing an industry-owned utility to pool the vetting and relevant checks on new customers and manage client 'on-boarding'. This would significantly reduce the duplication and overlap between different market participants administering their own checks today.

10. A single insolvency regime

The wide range in bankruptcy and insolvency regimes across Europe is a significant brake on the willingness of banks or investors to back the sort of higher risk but potentially higher growth businesses that Europe needs to help kickstart its recovery, particularly across borders.

A single insolvency regime was the most common item on the wish list of participants at our workshops. The problem is that it is about as likely as the adoption of a single European language or single European football team.

While it takes an average of three and half years to resolve a bankrupt company in Greece, it only takes two years in France, one year in the UK and just six months in Ireland. These differences – in particular the balance between the efficiency of insolvency proceedings and the protection of employees – are deeply rooted in national cultures and legal systems.

Perhaps the best way to tackle the problem is to resurrect and accelerate work already done by the Commission in encouraging member states to adopt minimum standards around early restructuring, the time-frame for discharging bankrupts, and resolving cross-border insolvencies. At the same time, the Commission could start work on a 29th regime that could reflect the system in the US: insolvency law operates at a federal level, but state law plays a significant part in proceedings.

(and finally…the decomplexification of capital markets)

Finance is complex but it doesn't have to be so complicated. One of the many reasons why the capital markets industry is not as trusted by clients and policymakers as it would like is that its structure and processes have become so complicated. This does not always send a clear signal that the industry is acting first and foremost in its clients' interests.

A programme of regulatory and tax incentives could encourage the decomplexification of the finance industry, leading to simpler and more standardised structures, fewer participants in the chain, and a clearer focus on customer outcomes. Any reduction in margin for market participants would be more than offset by an increase in volumes that a more streamlined industry would probably attract.

This could be backed up by the adoption of an agreed glossary for financial markets so that discussion could be based more on facts instead of anecdotes, jargon or politics. At the same time, the industry could work with governments and regulators to develop a pan-European education programme. This could include a rolling information programme for companies at different stages of their development on how capital markets work and what options are available to them. It could even include a wider public education programme to teach the basics of investment and finance to individuals (and policymakers).

If, as a UK government minister once noted, '50% of the population don't know what 50% means', how can they be expected to make a rational choice between different investment options for their pension?

Part 3 – Appendix of the barriers to bigger and better capital markets in Europe

This appendix is a summary of the many barriers to bigger and better capital markets in Europe that emerged from our workshops with market practitioners this year. Under each theme we have listed the obstacles as well as some suggestions as to how to address and overcome them.

Barriers	*Potential remedies*
1. Tax	
• Tax bias in favour of debt relative to equity. • High capital gains taxes and high wealth taxes (relative to US). • Wide range of different national tax breaks and incentives on different asset classes, funds and securities. • Complexity of national tax law on investment for cross-border investors, particularly national taxes that discriminate against cross-border activity. • Complexity of tax reporting and withholding taxes in different jurisdictions. • Existing and potential stamp duty / FTT. • Lack of European framework for taxation of pensions.	• Conduct a comprehensive review of differences in tax treatment of different asset classes, securities, funds and pensions across the EU and encourage the sharing of best practice in terms of tax levels and incentives. • Encourage national governments to make cost of raising equity capital (and ongoing listing costs) tax deductible. • Accelerate work on the harmonisation of withholding tax (and develop single platform to enable asset managers to manage their tax reporting on different funds in different countries). • Encourage and accelerate work by EIOPA on the creation of a 29th regime for a fully portable European personal pension product.
2. Culture	
• Cultural resistance to risk capital among investors. • Lack of retail investment culture (in both equity and debt markets) and attachment to savings via bank deposits (encouraged by €100k bank deposit guarantee). • Lack of understanding among many retail investors and small institutions of markets and investment. • Cultural attachment among companies to bank relationships and bank lending. • Lack of an entrepreneurial / risk-reward culture. • Short-termism of investors and issuers, exacerbated by regulators, accounting standards, pensions fund reporting. • Lack of widespread pensions culture and over-reliance on public provision for future retirement. • Obsession with property as an investment (particularly in UK), reflected and encouraged by government policy and tax breaks. • Cultural hostility towards capital markets among many policymakers and the wider public.	• Encourage and require better public disclosure by governments on current and future pensions liabilities to help nudge governments and individuals into investing more for their retirement. • Conduct a comprehensive review of different pensions systems across the EU and encourage the sharing of best practice, particularly around auto-enrolment / opt-out pension schemes. • Conduct a comprehensive review of the barriers across Europe to greater retail participation in capital markets, share best practice, and develop incentives for issuers and intermediaries to encourage greater direct participation. • Develop a common information programme for companies at different stages of development on their financing options and a common education programme on the basics of investing and capital markets for individuals and policymakers. • Develop incentives for longer-term investing (such as reduced / indexed CGT or stamp duty) and require fund managers to disclose the cost impact of their trading activity. • Encourage greater long-term alignment between intermediaries and asset owners with more transparent and variable fee structures, and more skin-in-the-game.

<table>
<tr><th>Barriers</th><th>Potential remedies</th></tr>
<tr><td colspan="2">3. Trust</td></tr>
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Lack of trust in capital markets among customers and policymakers.

Lack of clear purpose of many areas of capital markets.
Complexity of capital markets.
Lack of transparency around fees, pricing and performance.
Intangibility of capital markets.
Mis-aligned incentives between intermediaries and customers.
Desire by public and policymakers to punish industry – still seen as part of the problem.
Lack of vision / lack of single voice for the capital markets industry: lots of sectors (and countries) defending vested interests.

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Develop a consistent and comparable set of standards and definitions for intermediaries to publicly disclose fees and costs in percentage and cash terms.
Create a kitemark system for intermediaries based on transparency, simplicity, fee disclosure (and potentially conduct).
Consolidate and rollout across Europe (and globally) the work of bodies such as the Banking Standards Review Council and FICC Market Standards Board.
Encourage more consistent and comparable disclosure around pay and bonuses, and align revenues and pay more closely with client outcomes.
Develop a single data collection system for European capital markets and a glossary of agreed terms and definitions to encourage a clearer fact-based debate.
Incentivise the ‘decomplexification’ of capital markets through lower capital requirements, lower tax and lighter regulatory burden for simpler corporate structures.

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<tr><td colspan="2">4. Macro-economic</td></tr>
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Lack of economic growth prospects in Europe.
Negative long-term demographic trends.
Short-term pressure on budgets forces governments to kick long-term issues down the road.
Cultural attachment to a social welfare / pensions model that is increasingly unaffordable, while high unemployment, low growth and spending cuts make solutions politically difficult.
High level of small family-owned businesses and a large number of SMEs (particularly micro-companies with fewer than 10 employees).
Fragmentation along national lines means:

a lack of supply of significant cross-border issuers, and a lack of depth in industry sectors with limited sector comparability.
a lack of scale among investors which can limit resources available to make investment decisions, reduce liquidity, and increase cost
artificial support for too many small local intermediaries protected by national boundaries

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Conduct a comprehensive review of the level of implementation and gold-plating of different regulations and the impact of national legal, regulatory and tax regimes and competition policy on cross-border business.
Encourage and require better public disclosure by governments on current and future pensions liabilities to help nudge governments and individuals into investing more for retirement.
Develop a set of standards and definitions for intermediaries to publicly disclose fees and costs in percentage and cash terms to give clients better visibility and encourage cross-border competition.
Encourage greater female labour participation to boost economic output and increase investment.

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<tr><td colspan="2">5. Legal</td></tr>
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Lack of harmonisation of company law and insolvency law.
Wide range in treatment of legal liability, legal action, and asset ownership rights.
Inconsistent implementation of EU-wide directives and regulations, ranging from gold-plating to incomplete implementation.

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Conduct a comprehensive review of the level of implementation and gold-plating of different regulations and the impact of national legal, regulatory and tax regimes and competition policy on cross-border business.
Commission a comprehensive review of insolvency law and feasibility of 29th regime or mutual recognition of existing regimes.

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Barriers	*Potential remedies*
6. Regulatory	
• Regulatory reform: too much, too fast, too complex. • Lack of regulatory certainty and politicisation of regulation – what is the end game? • Lack of clarity over sanctions and fines. • Increasingly complex and overlapping regulatory structures at national and regional level. • Regulations that push in different directions (eg. long-term investment vs Solvency II, CMU vs FTT). • Wide range in the implementation of existing regulation by member states in terms of duplication of effort and discriminating against cross-border business (eg. notification, marketing and distribution rules for funds, and different listing procedures). • Regulatory restrictions / disincentives on what insurance companies and pension schemes can invest in (eg. private placements, sub-investment grade, non-listed assets, cross-border assets). • Regulatory pressure on banks post-crisis limits has undermined markets such as securitisation. • Regulations that discourage retail participation in capital markets eg. minimum €100k denominations on some bond issues. • Lack of proportionality of regulation for smaller issuers and smaller investors. • Out of date disclosure requirements (eg. publishing fund prices in newspapers). • Excessive paperwork and cost for individuals and intermediaries each time they buy a product	• Conduct a comprehensive review of the level of implementation and gold plating of different regulations and the impact of national legal, regulatory and tax regimes and competition policy on cross-border business. • Review impact and effectiveness of regulatory structures across the EU to identify issues such as funding, overlap and conflict. • Require a full cost benefit analysis for all new regulation, and include review period and sunset clauses in all new regulation. • Conduct a full review of existing restrictions on asset owners and asset managers on which assets they can / cannot invest in, and encourage sharing of best practice. • Develop third status between private and listed companies and adjust regulatory burden accordingly. • Develop third status between qualified investor and retail and adjust regulatory burden accordingly. • Abolish requirements to publish fund prices and prospectuses in print media. • Develop a single digital passport for individual and institutional asset owners to reduce duplication of paperwork and administration.
7. Capital-raising process	

• Wide range of listings procedures and requirements across 28 different countries and wide range of implementation of existing pan-European rules.
• High costs of raising capital and maintaining ongoing listing (particularly for smaller issuers).
• Too much disclosure / too much variation in disclosure requirements – too much 'boilerplate liability disclosure' (particularly for secondary issues).
• Vertical link between national listings authority, exchanges and index providers reduces competition.
• Unwieldy capital raising process
    o Timing / content of prospectus.
    o Access to information / research blackout / wall-crossing and pilot-fishing.
    o Lack of transparency in the allocations & pricing.
    o Issuers do not have enough interaction early enough with investors to align interests.
    o Bias in favour of hedge funds and against long-term / retail investors.
    o Previous experience of private equity sellers.
	• Develop a shelf-registration process to replace the current prospectus using common standardised documentation broken into several parts including a) essential company information b) specific offer and securities information and c) referencing back to annual or quarterly information that has been published within the previous 12 months.
	• Develop a code-sharing system between stock exchanges to enable a single local entry point for companies in one jurisdiction to a larger bloc.
	• Break link between national listing authorities, exchanges and indices to encourage greater competition for listings.
	• Create a third status for issuers between private and public and develop a proportionate regime for issuers.
	• Create a third status for investors between retail and qualified and develop a proportionate regime for them.
	• Remove blackouts for research and require issuers to provide full access to banks not involved in the issue.
	• Broadcast IPO roadshows.

Barriers	*Potential remedies*
○ Information asymmetry for smaller issuers and retail investors. • Companies less comfortable with capital raising / public status relative to bank-lending: ○ Higher initial and ongoing costs. ○ Longer time to execution relative to bank lending. ○ Uncertainty of funding. • Greater public scrutiny / regulatory burden relative to staying private or bank-lending.	• Increase the transparency of the allocation and pricing process to encourage participation (eg. on privatisations, top 25 allocations and holding periods should be disclosed). • Incentivise asset managers to allocate 1% of their equity assets under management to IPOs and another 1% to pre-IPO funding. • Encourage national governments to make costs involved in raising equity (and ongoing costs incurred by listing) tax deductible for issuers. • Remove / reduce minimum €100k denomination level for bond issues.
8. Market structure	
• Fragmented and costly market infrastructure – too many exchanges, too many CCPs, too many CSDs. • Fragmented market along national lines with many participants acting as quasi-monopolies. This limits competition, demand and liquidity, and artificially raises costs for trading, market data, clearing and settlement. • Lack of transparency and comparability in costs and fees. • Too many assets are not traded electronically. • Too many different bond structures and issues reduce liquidity and raise costs. • Captive distribution channels and lack of transparency on costs distorts pricing. • Lack of harmonised settlement period in loan markets. • Large number of sub-scale platforms for P2P lending and crowdfunding with limited transparency for consumers and regulators.	• Conduct a comprehensive review of barriers to cross-border competition in exchanges and post-trade and its impact on cost of capital raising & trading. • Harmonise disclosure on listing, trading and post-trade costs, particularly for cross-border business. • Tougher capital requirements on CCPs and CSDs that do not allow full open access. • Encourage development of competing blocks of exchanges with system of airline-style code-sharing. • Encourage standardised bond issues above €1bn with tax and disclosure incentives. • Commit to the creation of a consolidated tape for European equities led by a market-driven solution, and adopt a regulatory solution if no working solution within three years. • Develop standards for harmonisation of settlement for corporate loans. • Develop a centralised price comparison / aggregator for crowdfunding platforms across Europe to encourage completion and efficiency.
9. Information	
• Lack of consistent & comparable information on issuers, particularly credit information on SMEs • Lack of consistent & comparable information on fees, costs and performance of funds for end users. • Lack of a consolidated tape. • Inconsistent data disclosure and dissemination standards for trading, issuer information, corporate actions and governance. • Language barriers. • Divergence in national accounting standards. • Complexity and duplication of marketing requirements / financial promotion rules for the same product in different countries.	• Creation of a European Edgar-style corporate filing system for listed companies and public bonds. Incentivise filing in English (and other foreign languages) with reduced filing fees. • This platform could also include a credit database for SMEs available to all registered intermediaries. • Commit to a consolidated tape for European equities led by the market, and adopt a regulatory solution if necessary. • Develop a single pan-European framework for financial promotion and marketing disclosures on funds. • Develop a central governance platform for issuers to provide details of corporate actions and for investors to manage their voting. • Develop single model for metered independent investment advice.

Barriers	*Potential remedies*
10. Pricing	
• Lack of transparency and comparable disclosure of fees and impact on performance for end users (both retail investors and pensions schemes) eg. the compound effect of fees on long-term performance. • Lack of transparency and comparable disclosure of investment banking fees for issuers. • Bundled services and prices. • Lack of price visibility and transparency on individual products, particularly across borders. • Lack of pricing power of end users. • Perceived high cost and in some cases disconnect between cost and long-term value.	• Develop a consistent set of standards and definitions for all market participants to publicly disclose their fees and costs in percentage and cash terms. • Develop a consistent and comparable system for listed issuers and public sector pension schemes to disclose the fees they pay to intermediaries for what services. • Develop a single platform for comparing costs and performance of all funds in the EU (front end) and for asset managers for registration, notification, marketing and tax reporting (back end). • Encourage more consistent and comparable disclosure around pay and bonuses, and develop ways of aligning revenues and pay more closely with client outcomes.