Proposal for a Financial Services Simplification Package

MFA welcomes the European Commission's efforts to strengthen the EU's capital markets as part of the Savings and Investments Union (SIU) objectives. As policymakers seek to boost the EU's competitiveness, attract global investment, and channel private capital into growth and innovation, it is critical that regulation fosters the depth, efficiency, and dynamism of EU markets.

To ensure that the EU regulatory framework supports these shared goals, MFA recommends the adoption of a Simplification Package dedicated to financial regulation, including a set of targeted reforms focused on three priorities:

- Reducing unnecessary burdens.
- Strengthening the functioning and resilience of EU capital markets.
- Future-proofing the EU regulatory framework to support innovation and sustainable growth.

1. Reducing unnecessary burdens

The Commission should seek to streamline reporting and regulatory requirements for financial firms. The aim should be to remove unnecessary complexity, improve efficiency, and make EU markets more globally competitive, while still providing regulators with the high-quality information they need to assess the market's health and cleanliness.

MFA recommends the following measures:

- **Create a single reporting hub:** Asset managers are often required to report the same information to multiple different National Competent Authorities (NCAs), which typically operate different reporting systems, report formats, and reporting frequencies. While direct supervision should remain with NCAs, a single central reporting hub – accessible by NCAs – would provide efficiency gains, consistency, and reduced fragmentation.
- **Implement single-sided reporting:** Various financial regulatory regimes – including MiFID/R and EMIR – require dual-sided reporting by both the sell-side and buy-side. This system should be replaced with a single-sided approach which addresses the duplicative and burdensome requirements, especially for smaller asset managers. Single-sided reporting would reduce barriers to entry in the Single Market and improve the consistency of data available to regulators.
- **Introduce a single form for pre-marketing notification for non-EU AIFMs:** At present, divergent national premarketing notification procedures create avoidable costs and delays. A common EU-wide template would provide clarity, predictability, and efficiency – making the EU a more attractive destination for international investment.
- **Continue the work to enhance transparency and affordability of market data:** The implementation of well-functioning consolidated tapes (CTs) for bonds equities will significantly

improve access to timely, accurate market data. MFA strongly supports the ongoing work on the CTs, and ESMA's measures requiring venues and data providers to justify their fees, break out costs by category, and explain differences across customer types. Greater price transparency will strengthen price discovery, improve liquidity, and align the EU with global standards.

- **Calibrate sustainable finance reporting obligations:** Interoperability and flexibility should be central in fine-tuning the SFDR and CSRD. The SFDR should better recognise tools like derivatives and short positions in driving companies toward more sustainable practices. At the same time, as reporting obligations are reduced for businesses, CSRD scope should be appropriately calibrated to avoid imposing disproportionate costs.

2. Strengthening the functioning and resilience of EU capital markets

These reforms aim to strengthen Europe's capital markets by improving liquidity, fairness, and global competitiveness, while maintaining resilience and investor protection.

MFA recommends the following measures:

- **Recognise the global nature of the securitisation market:** The Commission's proposed reforms to the Securitisation Regulation represent a positive step-forward, but a number of adjustments could further increase the effectiveness of the reforms and thereby increase the international attractiveness of the EU securitisation market. In particular:
    - Aligning due diligence requirements for EU and non-EU issuers to ensure a level playing field, attract global investment, and enhance competitiveness.
    - Allowing Alternative Investment Fund Managers (AIFMs) to sponsor securitisations, recognising their role in broadening participation in EU markets.
    - Clarifying definitions of private and public securitisations to reduce legal uncertainty and promote greater issuance.
- **Enhance short selling disclosure to support liquidity and price discovery:** Short selling is a widely used strategy that promotes liquidity, dampens volatility, enhances price discovery, and helps detect corporate fraud. The current public disclosure regime requires firm-specific disclosure of net short positions which limits the effectiveness of this tool, reduces activity, and encourages herding behaviour and volatility. Enhancements include:
    - Replacing firm-level disclosures with aggregate anonymised issuer-level disclosures. o Establishing a centralised EU reporting portal for short positions to ensure consistency across member states.
    - Limiting short selling bans to be a tool of last resort, given evidence that bans reduce liquidity, increase transaction costs, and distort price discovery.
- **Preserve global market access:** Delegation rules and National Private Placement Regimes remain essential to cross-border business models, providing EU investors with access to global

investment opportunities. Their continuation is critical to ensuring the EU remains integrated in global capital markets. Over time, these frameworks could be enhanced to enable even more seamless cross-border activity.

3. **Future-proofing regulation to support innovation and sustainable growth**

The scale of the current economic and social challenges requires the Commission to consider measures that would ensure EU capital markets remain adaptable, innovative, and resilient in the face of technological, demographic, and sustainability challenges.

As part of a future Simplification Package, as well as part of any future broader reform, MFA recommends the following measures:

- **Maintain a technology-neutral framework:** Existing EU regulatory frameworks for financial services (e.g. AIFMD, MiFID/R) effectively regulate activities rather than specific technologies. This approach should be maintained as AI and machine learning evolve. Overly prescriptive regulation could stymie beneficial technological development that enhances investor outcomes.
- **Proportionate treatment of nonbank financial intermediation (NBFI):** The NBFI ecosystem is diverse and should not be regulated as a monolith. Alternative asset managers, which serve sophisticated investors and do not pose run-risk, enhance liquidity and supply vital capital to EU businesses. Regulation should continue to recognise their distinct risk profile and contributions to growth and resilience.
- **Promote innovation and flexibility in pension fund management:** Alternative asset managers can enhance pension system resilience through diversification and risk management. The regulatory framework should encourage innovation in pension fund investment to help safeguard citizens' financial security while supporting EU-wide growth.