



HOUSE OF LORDS

European Union Committee

House of Lords
London
SW1A 0PW

Tel: 020 7219 3616
euclords@parliament.uk
www.parliament.uk/lords

John Glen MP
Economic Secretary to the Treasury
HM Treasury
1 Horse Guards Rd
London SW1A 2HQ

18 September 2020

Dear John,

COM(20) 280: Proposal for a directive of the European Parliament and of the Council amending Directive 2014/65/EU as regards information requirements, product governance and position limits to help the recovery from the COVID-19 pandemic

COM(20) 281: Proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2017/1129 as regards the EU Recovery prospectus and targeted adjustments for financial intermediaries to help the recovery from the COVID-19 pandemic

Annex to the regulation of the European Parliament and of the Council amending Regulation (EU) 2017/1129 as regards the EU Recovery prospectus and targeted adjustments for financial intermediaries to help the recovery from the COVID-19 pandemic

COM(20) 282: Proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation to help the recovery from the COVID-19 pandemic

COM(20) 283: Proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards adjustments to the securitisation framework to support the economic recovery in response to the COVID-19 pandemic

EU Capital Markets Recovery Package – Commission Staff Working Document

COM(20) 284: Report from the Commission to the European Parliament and the Council on the creation of a specific framework for simple, transparent and standardised synthetic securitisation, limited to balance-sheet synthetic securitisation

Thank you for your Explanatory Memorandum dated 26 August on the Commission's Capital Markets Recovery Package, which was considered by the EU Services Sub-Committee at its meeting on 17 September.

Amendments to MiFID II

The first part of the Commission's package consists of legislative amendments to the Markets in Financial Instruments Directive (MiFID) II and one of its implementing Regulations. You explain that the Government "broadly supports" these changes, specifically citing those aimed at stimulating investments in SMEs and in energy derivatives.

The Commission proposes revisiting the MiFID II research unbundling rules. While the Financial Conduct Authority previously found that these rules had not resulted in a material reduction in research coverage, the Commission argues that they have accelerated the trend towards reducing research expenditure and contributed towards an under-provision of small and midcap research. What, therefore, is the Government's current view about the impact of the MiFID II research unbundling rules on the research coverage of SMEs listed in the UK? Do you support the introduction of a carve-out from most aspects of these rules for SME issuers, as proposed by the Commission?

You explain that Member States will have nine months to transpose the proposed changes to MiFID II, meaning they will not have to be adopted in the UK. We note that there was no mention of such changes to MiFID II in the financial services update provided by the Chancellor of the Exchequer on 23 June 2020. However, given your broad support for the Commission's proposal, does the Government now intend to introduce similar amendments to the UK regime after the end of the transition period?

Amendments to the Prospectus Regulation

The second part of the package consists of amendments to the Prospectus Regulation. You explain that the Government supports the Commission's intention to reduce the financial and administrative burden of producing prospectuses, in order to assist companies in raising the capital they need and support the economic recovery from COVID-19.

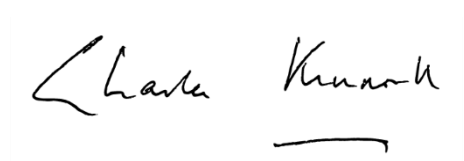
A key element of this is the proposed creation of an 'EU Recovery Prospectus', which would provide listed issuers with simplified disclosure rules for a secondary offering of equity securities for a time-limited period of 18 months. What is the Government's view of the proposed EU Recovery Prospectus? What discussions have you had with relevant stakeholders, such as the London Stock Exchange, to ensure that the proposal delivers on its objective of improving businesses' access to capital?

Amendments to the securitisation framework

The third part of the Commission's package introduces changes to the EU's securitisation framework. You explain that the Government recognises the potential involvement of securitisation markets in the post-COVID economic recovery, and that amendments to the framework may be beneficial in revitalising securitisation markets. However, you also note that any changes "must be completed in the context of ensuring prudential standards are not reduced and financial stability is upheld". What is your view of the potential opportunities and risks in the Commission's proposed changes to the securitisation framework?

We retain the items under scrutiny and look forward to your response in the standard 10 working days.

I am copying this letter to Sir William Cash MP, Chair of the Commons European Scrutiny Committee; Jessica Mulley, Clerk to the Commons Committee; Les Saunders, Cabinet Office, and James Chandler, HM Treasury.

A handwritten signature in black ink, appearing to read "Lord Kinnoull". The signature is written in a cursive style. Below the signature, there is a horizontal line that is slightly curved at the ends, likely indicating the end of the signature or a specific part of it.

Lord Kinnoull
Chair of the European Union Committee