

Paris January 28th, 2016

The SFAF (<http://sfaf.com/>) thanks the European Commission for the opportunity which is given to it to participate in this consultation and to represent its 1 600 professionals listen of the finance, each physical persons exercising their activity with Investment services providers, with assets management and brokers without forgetting the independent financial advisers.

They are analysts (sell-side, buy-side, ESG, Immaterial), asset managers or adviser in M&A, fund raising, allocations of assets.

The SFAF is a member of the EFFAS (<http://effas.net/>), European association of the financial analysts which includes 15 000 members in 26 national associations. The members of these European associations lean on the ACIIA (<http://www.aciia.org/>), international association getting a professional and flexible qualification recognized in 35 countries in the world and including more than 100 000 members.

Preliminary remarks:

First and foremost, we would like to highlight that our profession (analysts and asset managers) is the most watched profession and banks and asset management companies are probably the most regulated financial service entities in the EU: asset management companies are regulated themselves, in addition to their products' design and products' distribution, as well as other services they may provide (UCITS, AIFs, MiFID services).

SFAF would like to draw the attention of the European Commission to the following top priorities:

I) Ensuring the global competitiveness of the EU financial regulatory framework.

Ensuring the global competitiveness of the EU financial regulatory framework should be one of the top goals of the EU institutions and in particular considering how obligations / constraints / costs / prohibitions imposed on EU-based asset managers and funds affect their competitiveness. The EC should look at how the European legislation compares to that of third countries: it is crucial to ensure that the EU regulatory framework for financial services remains competitive vis-à-vis that of the rest of the world.

II) Improving the EU Financial Regulatory process and framework

Need for consistency and coordination

SFAF considers that enhancing the evaluation of the consistency and relevance of European financial regulations and assessing their cross-sectoral impact, individually but also cumulatively, is a key priority.

Need for realistic implementation timelines

Too short or unrealistic implementation deadlines lead to legal uncertainty and cause serious challenges for EU asset managers in the implementing phase of EU financial legislation.

Need for regulatory stability

European authorities have to be careful to keep a reasonable pace of legislative production, and make sure **first that the enforcement of existing rules is ensured**, in a fair way among regulators and across Europe, **before launching any new legislative initiatives**.

Legislative reviews are often undertaken **too soon after legislation's implementation**. Moreover post-implementation reviews should be more focused on identifying and assessing **side effects and unintended consequences**.

Need for a better application of the proportionality principle set out in the EU Treaty

In the context of its Capital Markets Union Action Plan, the EC wished to adopt a pragmatic approach. Such an approach should in particular recognise the key importance of the proportionality principle. In our opinion, there are three aspects to the proportionality principle:

- the calibration of the rules,
- the modulation of their implementation
- and an adaptation of the supervision through a risk-based approach.

Without this flexibility factor in legislative texts, there is a risk that only large players are able to implement the substantial and complex body of law that currently exists, which may have the unintended consequence of a market concentration. The principle of proportionality should be a tool providing some flexibility to the rules in order to facilitate their implementation in accordance with the regulatory aims set in terms of market integrity and investor protection.

The EC also has to defend this aspect of proportionality with issuers while defending a just balance between the quality requirement of information for the investors' world and the production cost of this information for issuers.

Need for ensuring bank and non-bank direct lending in line with the objectives of Capital Market Union

The responses to this *call for evidence* but also any future legislative initiative should be assessed against the following objectives:

- Facilitate investments in instruments that complement bank direct lending;
- Mitigate the insufficiency of the stockholders' equity of the non-financial sector (especially the ETI and SME) by organizing the complementarity of the banking and not banking financing
- Preserve the banking maturity transformation;
- Minimise the impacts of the Basel III framework on the financing of companies;
- Ensure favorable conditions for companies regarding the use of alternative long-term financing channels.