

Consultation response

Establishment of a European single access point (ESAP)



AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled more than €3 trillion in 2019, directly supports more than 4.9 million jobs in Europe, and generates billions of euros annually in income, trade and research and development.

Introduction

The American Chamber of Commerce to the EU (AmCham EU) has long supported the European Commission's efforts to develop a deep, frictionless Single Market for financial services, including the first Capital Markets Union (CMU) action plan in 2015. Five years on, in its second CMU action plan, the European Commission outlines a comprehensive strategy to further unlock the potential of capital markets across Europe, which AmCham EU also welcomes.

This renewed effort is particularly needed to address the continued fragmented state of Europe's capital markets, which Brexit risks exacerbating and which represents an obstacle to cross-border investments and the efficient allocation of capital. Thriving and globally connected capital markets will play a critical role in the economic recovery from the current crisis.

As such, AmCham EU believes that ongoing and future CMU initiatives should strive to avoid fragmentation of liquidity, help diversify sources of funding and improve the flow of investment information. Importantly, the Action Plan recognises that EU capital markets are stronger and more attractive when they are open to global financial markets. Whilst we understand the political drivers underpinning the Commission's objective for EU markets to achieve 'open strategic autonomy', we are concerned about the inherent tension embedded in that objective – and urge policy makers to ensure that concrete initiatives taken do not undermine the commitment to openness.

Establishment of ESAP

AmCham EU supports Action 1 of the Capital Markets Union Action Plan, the creation of a European single access point (ESAP), which is something AmCham EU called for in response to the European Commission's initial CMU consultation in 2015. AmCham EU is convinced that increasing transparency, availability and timeliness of information, in particular financial statement information, will provide the greatest benefit to creating deeper EU capital markets. A standardised repository with complete and timely information on company financials has the potential to greatly enhance investor participation in financing European companies, especially SMEs.

Financial statement information is the most important piece of information in evaluating the credit riskiness of a private company. A large hurdle for investor participation in SME capitalisation is the availability of complete and timely information. While the lack of corporate data is less of an issue for listed companies, the vast majority of European SMEs are unlisted. At present, no Europe-wide private company database is available. There is, similarly, no accepted definition of what constitutes a micro-cap, small or medium-sized company due to the huge differences in the corporate set-ups in various European countries. Creating an ESAP could alleviate the fragmentation faced by international investors.

As is recognised in the Action Plan, it will be important to avoid duplicating companies' reporting burden. For this purpose, we recommend a phased implementation of the ESAP which should first focus on the development of the European Single Electronic Format (ESEF) to ensure coherent approach across EU legislation and to leverage existing framework. As stated in the first paragraph, it is essential for there to be a clear use case and purpose for the ESAP and avoid confusion. We support and agree with the Commission stated ambition that the ESAP should not aim to require the disclosure of additional information nor to modify the content of existing disclosure requirements but address the way in which they are collected and disseminated. Hence, we propose the EU should focus on collecting existing company level financial and non-financial information. It would be impractical and unviable to include value add services such analytics from the Non-Financial Reporting Directive or benchmark ESG disclosures as proposed in the consultation.

After an initial set-up stage, AmCham EU believes the scope of the ESAP could be expanded, to include further corporate disclosures, such as "material loan agreements". Furthermore, the ESAP could help with the harmonisation of EU shareholder disclosure requirements. For example, national rules on notifications of major shareholdings under the Transparency Directive vary significantly across the EU. In particular, there are differing thresholds, differing deadlines for disclosure, differing methods of calculating levels of investment and no centralised reporting channel for notifying issuers.