



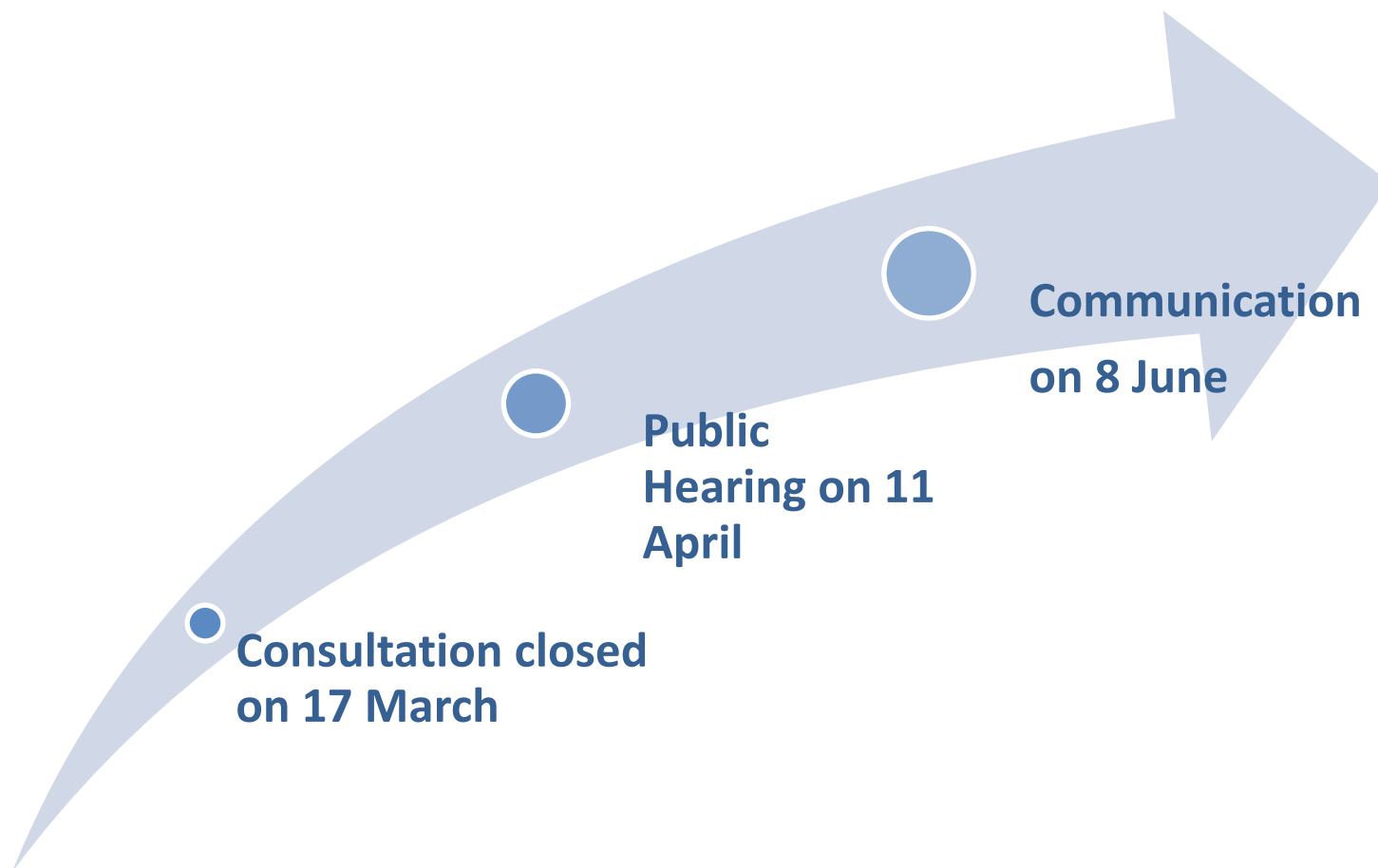
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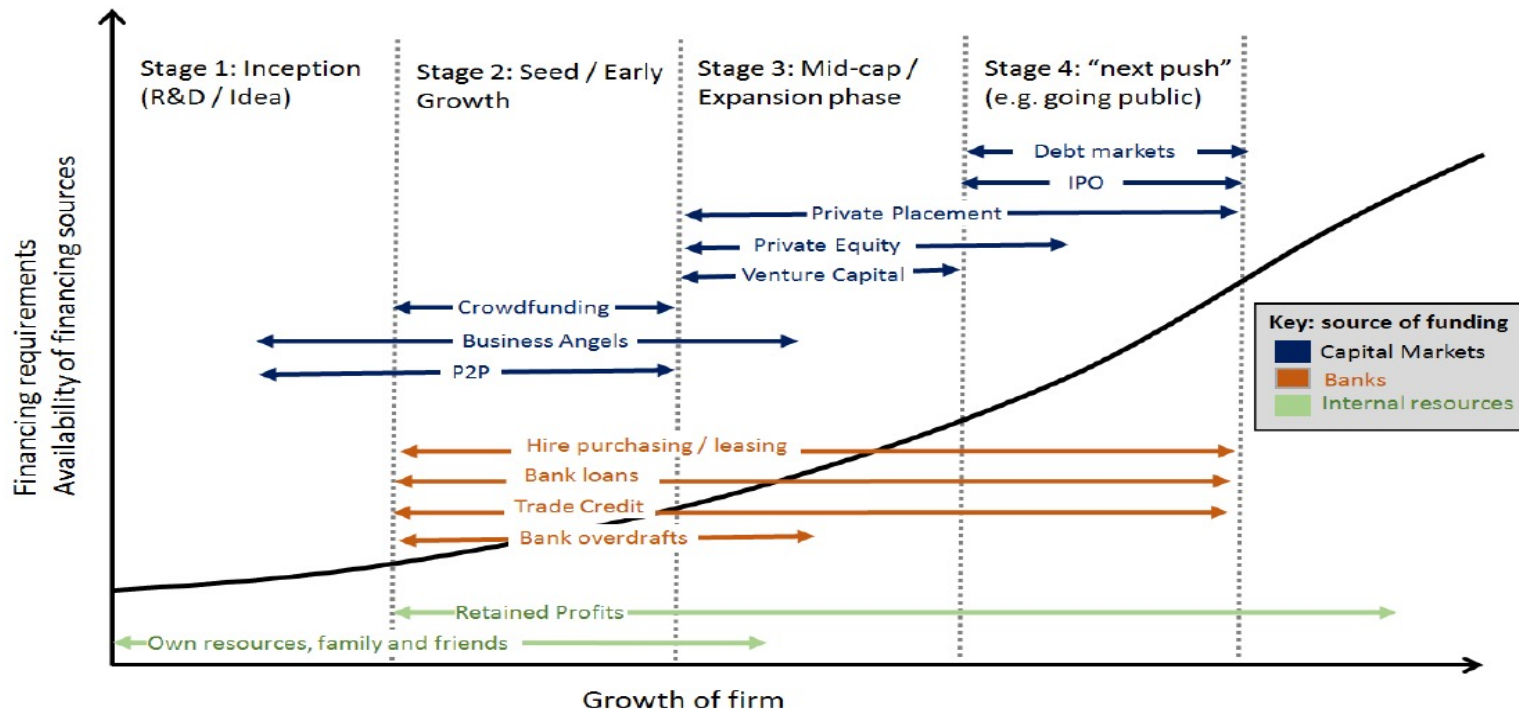
*"The Experience of
Schuldscheindarlehen in Germany and the
Comparison with Mini-Bonds in Italy"*

Rome – 14 June 2017

CMU mid-term review in June 2017



• Fixing the EU funding escalator



Source: European Commission.



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EU Private Placement Markets

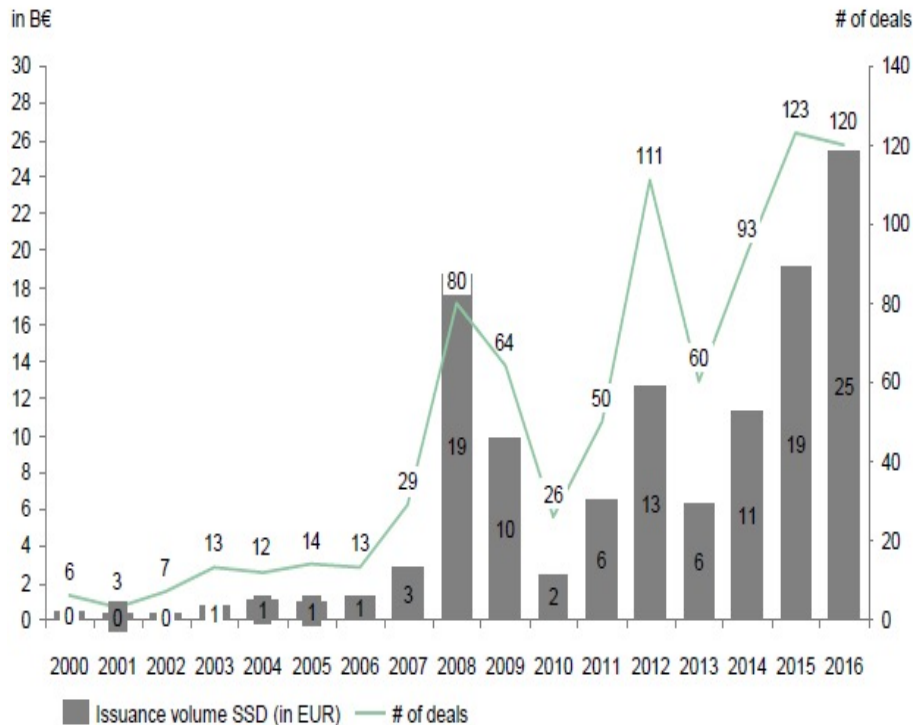


Where does private placement fit in the CMU story?

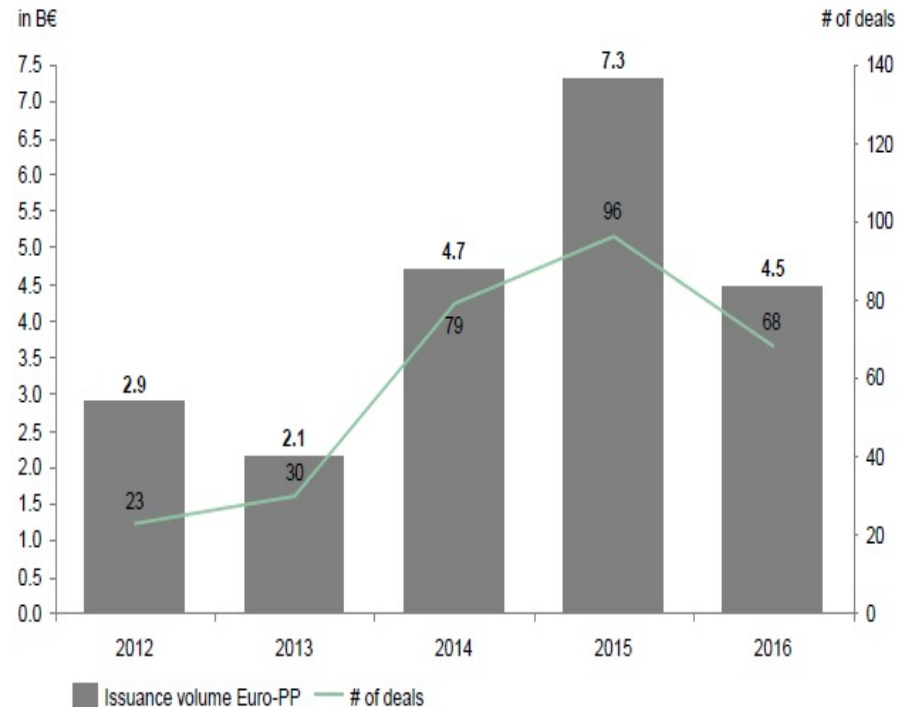
- **Advantages of PPs for mid-sized firms:**
 - Diversification of funding away from bank-lending
 - Confidentiality (at least for unlisted transactions or privately-owned companies)
 - First step towards access to public markets
- **Advantages of PPs for institutional investors:**
 - Higher yields for investors
 - Asset diversification
 - Long-term liabilities matching

EU Private placement markets

Schuldschein - gross issuance and number of deals



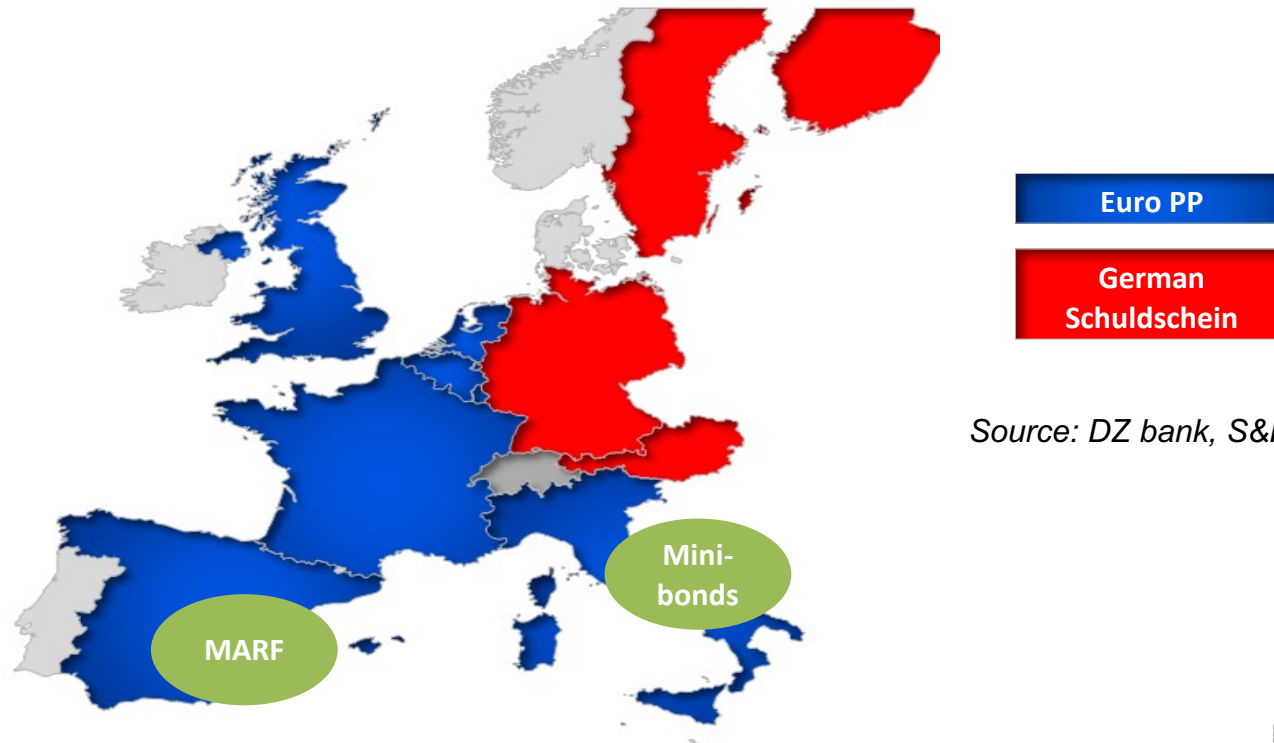
Euro-PP – gross issuance and number of deals



Source: Dealogic – analysis by BCG (2016)

Challenges to the development of EU PP markets

- The development of PP markets is uneven across the EU MS. Euro-PP or *Schuldschein* issuers are concentrated in few MS
- EU companies have been compelled to tap the US PP market



Source: DZ bank, S&Ps, Commission

Comprehensive study on Private placements

- In December 2016, the Commission launched a study aimed at identifying regulatory and market barriers to the development of PP markets in the EU
- **The economic part of the study will focus on:**
 - Stock-taking of well-functioning markets (FR, DE, US)
 - Costs-benefits of PPs
 - Assessment of growth potential of PP markets in the EU
 - Risk analytics of PP
 - Mapping exercise of innovation in the PP sector
- **The legal part of the study will focus on:**
 - Identification of legal best practices
 - Identification of legal barriers to the development of PPs
 - Legal management of risks in PP transactions
- **The outcome of the study is expected for October 2017.**

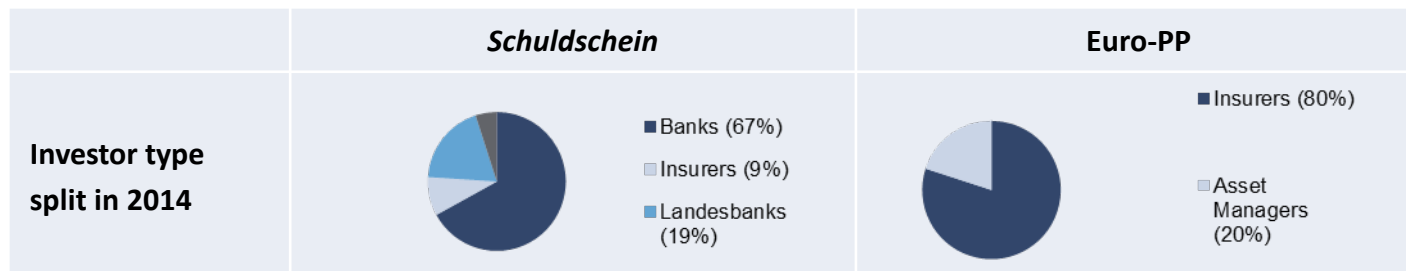


EU Recommendation on Private Placements (Q4 2017)

- **Based on the study, the Commission will publish a recommendation on private placements to:**
 - Take stock of the growth potential of PP markets;
 - Identify regulatory and market best practices;
 - Pinpoint regulatory obstacles at EU and national level that may prevent some MS from setting up a PP market or issuers from accessing the existing well-functioning markets
- **A legislative action on PP is not needed:**
 - Definition problem of PPs (loans, bonds listed or unlisted...)
 - PP are also diverse in terms of issuers and investors
 - A legal framework for PPs: What for?
 - This could be disruptive for the well-functioning markets
 - No appetite from stakeholders

Assessment of Solvency II calibrations for privately placed debt

- With 8.4 billion of assets under management, insurers are Europe’s largest institutional investors and can play an even bigger role in PP markets
- More than 80% of *Schuldschein* loans are bought by banks whereas the insurance companies are the largest investors in French Euro-PPs
- The Commission is assessing whether changes in capital charge calibrations for insurance companies investing in unlisted debt could be granted (Solvency II delegated act review 2018)
- COM sent a request of advice to EIOPA on the opportunity to modify capital charges for unlisted debt (February 2017) + call for evidence by EIOPA (April-May 2018)
- Potential modifications in Q1 2018



Source: HSBC, 2014



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Thank you!

14 June 2017