INCREASING EQUITY FINANCING

RODRIGO BUENAVENTURA
Chair - Spanish Securities and Exchange Commission (CNMV)

It's all about the right incentives, not deregulation or supervision

It is evident that European capital markets have not developed sufficiently the last decade. We know that European companies will have to increase their equity in order to strengthen their balance sheets and fund massive investment projects. European citizens, on average, have a low level of participation in capital markets, which takes a toll on their long-term financial well-being. All this means that revitalising equity and long-term debt markets should constitute a strategic priority for the European Union.

However, we should not confound our diagnostic. The problem of EU capital markets is not one of lack of regulatory harmonisation, too much competition, or a lack of central supervision. The problem is that we are failing to attract companies and investors in sufficiently large numbers.

The rules in wholesale markets are identical. All key rules that affect issuers and trading venues end with a capital R (Regulation): MiFIR, EMIR, CSDR, Prospectus Regulation, MAR, IFRS reporting, etc. We do have already a pretty consistent single rulebook for companies that get listed. And a real tool (ESMA) to converge in its supervision.

Then there is a question of competition between exchanges and execution venues. Let's be clear: competition is not tougher in Europe than in the US or the UK. Alternative trading venues and firms compete for trading flow and that has benefited European investors. Should we promote the consolidation of venues? Well, competition should do that, not regulation. You can have deep markets with fierce competition among venues: ask the US if in doubt. You can also have true liquidity and market depth with the current EU market rules. Ask Sweden, if in doubt. But we definitely can not have them if long-term institutional investors (pension funds) are absent and if companies don't find the right incentives and environment in public markets.

Another debate is about whether centralised supervision would make a difference when attracting more companies and investors to EU capital markets or integrating them further, with more cross-border flows. I don't think central supervision is a good recipe for integration of intra-EU flows and consolidation. A perfect case is single supervision of large banks in the Euro area. It has been there for a decade and we have not achieved a banking Union yet. Cross border banking flows even went down in the years following the inception of the SSM; banks don't lend significantly in other EU countries; they don't merge between them and citizens don't deposit their savings in other Member States. The banking "union" in not the right reference for the capital markets union.

Centralization of supervision towards ESMA, indeed, can have its benefits in some areas, but is largely irrelevant when attracting companies in large numbers to capital markets. Does anybody think that SMEs would rush towards equity markets because their prospectuses or their financial reports would be approved or enforced by ESMA instead of their local supervisor? Does anybody think that a central supervisor is a cheaper and more efficient solution for issuers? This should not be the main driver. Instead, the energy that such project would consume would mislead us from our true main goal.

We need a new political consensus here, for sure. But it is not mainly about financial regulation, but about incentives and disincentives to get listed and invest in capital markets.

Some important measures we could take to attract more companies are in fact unrelated to financial rules: the asymmetry of tax treatment of interest versus dividends acts as a clear disincentive to get listed. Similarly, when we choose listed companies as a target group to introduce important rules to advance our societies, we widen the divide between listed and non-listed companies. If non-financial reporting on climate matters or gender diversity are important for our societies (and for sure they are), why do we require them differently for listed companies?

The banking "union" in not the right reference for the Capital Markets Union.

When we talk about attracting new investors to capital markets, we need to do that carefully, without exposing them to unnecessary risks. Greater financial awareness and a favorable tax treatment of their investments are essential. A larger weight of long-term collective investment, as we have learned from the US, is critical. But direct participation and stock-picking is not always the smartest solution. Collective investment can offer a professional, diversified and less risky alternative, provided that costs are fair.

Those two dimensions should be the main focus of our policies. Europe needs to identify concrete incentives to make markets more attractive to companies and investors, instead of looking for a silver bullet that does not seem to exist.

LUÍS LAGINHA DE SOUSA

Chair - Portuguese Securities Market Commission (CMVM)

Companies need to take center stage

If we believe that companies are essential instruments for value and wealth creation, then it is only natural that capital markets come to the forefront of our attention - they are an unmatched channel for equity funding, the foundation for competitiveness.

Equity investors and, to a variable extent, investors in debt securities, allow companies to invest in a variety of critical and capital intensive components such as research, product and infrastructure development and talent. The diversification of the companies' funding structure, lowering their dependency on bank financing, can positively impact their growth and shock absorption capacity.

Moreover, capital markets are a very democratic mechanism, since they give access to anyone wishing to share both the risks and returns of companies. This aligns the interests of investors with the company's success, fostering a collaborative and long-term relationship that contributes to more stable economic conditions. It also allows investors to affirm their societal values as well as environmental concerns through their investment choices, given that companies play a decisive role in these domains too.

It is worth noting that these benefits derive both from public and private capital markets.

If companies and investors are able to adequately explore the potential benefits of capital markets, European economies will be better equipped to face the numerous and complex challenges ahead.

Venture capital funds and private equity funds form a segment that has significantly grown in Portugal over the last five years, and recent regulatory changes intend to further stimulate it, considering that Portuguese figures still lag behind other Member States' ones.

However, as the OECD reported in 2020[1] and is still valid, "with a remaining high dependence on bank loans, a decreasing number of listed companies, lack of new listings and scant presence of institutional investors, Portuguese capital markets have not developed to their fullest potential." This is also the case in Europe, as attested by various international organizations, such as the International Monetary Fund[2].

In the CMVM's view, this is not primarily deriving from inadequate market structure or regulatory framework, even if we must continue to improve it, mainly by introducing simplicity, proportionality and the flexibility needed to address constant change.

That is why CMVM is very committed to contributing to the discussion on the CMU's initiatives being negotiated and also on its way forward. Initiatives such as the listing act and the retail investment strategy, where we need to strike the right balance between competitiveness and investor protection, require ambition.

We need to promote more competitive companies if Europe truly wants to have a leading seat in the global markets.

More importantly, we need to go beyond frameworks on capital markets and adopt an holistic and interdisciplinary approach, paying attention to the overall outcomes of our political and regulatory choices in the economy, society, environment and global competitiveness.

The sustainable finance agenda is an example of a valuable initiative that only at a later stage was complemented by RepowerEU and Net Zero Industrial Act, building blocks of a much desired comprehensive agenda for sustainable growth in Europe, where companies must take center stage.

Bearing in mind that achieving deep and integrated (which is different from centralized or concentrated) European capital markets, is dependent on stronger national ones, it is our view that we need to further address national specificities in defining priorities. Fiscal and insolvency frameworks are certainly to be considered.

In Portugal, we need to go further in dealing with the financial literacy levels and the proportion of household savings invested in capital markets, acknowledging as well that there is a bank based finance prevalence, alongside the fact that SMEs represent more than 99% of our economic fabric.

Building on this context, the CMVM has developed specific projects to promote the Portuguese capital markets. The Issuers Guide, the Roadmap for market-based financing and the sandbox Market4Growth (M4G) are tools for companies wishing to know more about market access rules and costs. The sandbox M4G additionally enables a personalized diagnosis of the level of preparation of companies to access public or private capital markets and to allow them to simulate the entire process, including after listing or the first investment operation.

The CMVM is committed to increasing market-based financing and promoting more competitive European companies, a road to be built and travelled together if Europe truly wants to have a leading seat in the global markets.

1. *OECD Capital Market Review of Portugal 2020: Mobilising Portuguese Capital Markets for Investment and Growth, OECD Capital Market Series. http://www.oecd.org/corporate/OECD-Capital-Market-Review-Portugal.htm*
2. *IMF Background Note on CMU for Eurogroup, JUNE 15, 2023*

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Capital market development – Combined effort at national and EU level

With rising geopolitical tensions, fragmentation and urgent challenges such as the climate change and digital transition, European Union and their member states need to bolster its resilience to shocks and invest strategically. One of the central elements of this strategy is the creation of an integrated capital market – a vision set out by European Commission in 2015, commonly known as capital market union.

There is no doubt that there have been considerable policy achievements during the last years. However, despite some major improvements, the EU has not closed the gap in capital market financing and continues as predominantly bank lending-based economy.

Developed capital market is critical for financing the green and digital transition and for boosting the innovation and growth. Capital market financing is more suited for specific growth sectors and there is some evidence that equity financing is positive for emission mitigation. Banks are generally less suited to financing innovative firms and significant infrastructure projects, start-ups and small firms heavily investing in R&D that are often riskier and have few tangible assets to pledge as collateral.

European capital markets are relatively small. The market for equity, measured as a size of the total market capitalization of listed domestic firms relative to GDP, is much larger in the US and in Japan than in Europe. But even within Europe there are major differences. There are a handful of countries (Luxembourg, Ireland, Sweden, Denmark, the Netherlands) where total market capitalization is much higher than in other EU countries. Looking at EU capital markets in different sectors of capital market activities in all EU member states, there is a huge range in depth that show little sign of narrowing. According to the latest report by New Financial, Luxembourg`s capital market are 35 times deeper than Latvia`s, while Dutch markets are twice as deep as in Italy. The range between member states is greater than the range between the EU and the UK. This is one of the reasons why harmonizing capital markets is necessary but challenging.

Baltics have a developed and integrated capital market infrastructure. Nasdaq Riga is the only stock exchange in Latvia and belongs to the Nasdaq Baltic Exchange group. It is part of unique structure, consolidating the common market platform and capital market infrastructure for the three Baltic States. The Baltic Exchange provides a trading platform for shares for companies from Latvia, Estonia, Lithuania, and maintain bond listings for companies from all three Baltic countries.

For effective capital market we need to combine efforts at national and EU level.

In private equity and venture capital sectors, despite being a relatively young market, the Baltic industry has shown substantial growth and is reaching record heights in its latest year`s activities. Since 2010, the Baltic private equity and venture capital sector has demonstrated rapid growth, with 2.2 billion euros of total capital raised. Capital raised by Baltic funds in 2022 reached 298 million euros, with the amount raised by venture funds reaching an all-time high of 244 million euros, a year-to-year increase in capital raised of over 130%.

As in other countries, capital markets for Baltic businesses are an increasingly important source of finance. Seeking alternatives for bank financing and considering high risk aversion of banks, companies are looking for opportunities to tap Baltic, Scandinavian and Eastern European exchange with bond and equity listings.

Latvia`s corporate sector, including state owned companies, is over reliant on bank financing and large share of firms remain credit constrained. Moreover, SME sector which plays a pivotal role in the economy, has a low level of capitalization and significant share of credit constrained companies.

Latvia has three pillar pension system, but the limited development of the domestic securities and equity market is preventing pension funds for diversifying their portfolios toward more investments in Latvia.

Considering the relatively low starting point there is potential significantly increase the depth and liquidity of our capital market. Listing the minority shares of state-owned companies, diversify the access to finance for SME`s that have capabilities to grow and become more significant players in respective economy and abroad is priority areas of the government. Considering that raising equity capital for SMEs is more challenging due to investor preferences for size in market capitalization, state supported special accelerator SME IPO fund is in implementation stage together with Lithuania.

For effective capital market we need to combine efforts at national and EU level as there are member states that have significant room for growth in market-based financing and potential to promote a more effective use of citizens savings.

IGNACIO GUTIÉRREZ-ORRANTIA

Head of Europe Cluster and Banking - Citi

Increasing equity financing: a joint role for public and private sectors

Since the European Commission introduced a new Action Plan on the Capital Markets Union (CMU) at the beginning of its current mandate, much has been achieved to facilitate the financing of European companies through external equity. Thanks to the joint ambition of the Commission and the co-legislators, important initiatives have passed such as a European Single Access Point for investor information, a review of the European Long-Term Investment Fund Regulation (ELTIF), Solvency II, and others. We have seen important improvements to Europe's post-trading landscape with the adoption of the Central Securities Depositories Regulation (CSDR) review.

Anticipated changes to new listing rules for companies as well as important structural changes to secondary markets in the Markets in Financial Instruments Directive (MIFID) review will have positive effects on both the primary and secondary markets in European equities. Investors are looking forward to improved transparency and availability of market data and measures to streamline the level-playing field between execution venues.

Notwithstanding these laudable developments, more work remains to be done to reduce Europe's overreliance on bank finance and create a thriving single market for capital. The need is enormous. The Commission estimates Europe's financing requirements until 2030 at 620 billion euro for the green transition and a further 125 billion euro for digitization – per annum. Funding of this magnitude simply cannot come from government budgets and bank lending alone.

What Europe needs is a structural shift to market-based financing. This will take a joint effort by both private and public sectors and Citi will play its part. As one of the world's largest banks, our unique global network allows us to connect European companies with 160 markets. We move trillions of dollars daily - across borders and currencies. Every day, our bankers meet European companies at every stage of their development and get inspired by their leaders speaking about their growth potential.

The financial industry can do a lot to grow capital markets in Europe. Additionally, policy interventions are needed. More regulatory obstacles to capital markets integration and development can be removed. National gold-plating should be limited in time and aimed toward convergence towards a common EU standard. Examples include the collection of withholding taxes and the processing of double tax treaty refunds, which cause important operational challenges. The harmonization of settlement finality rules would help safeguard the viability of clearing and settlement systems and of their participants. Securities and company laws should be reformed to ensure greater convergence, starting with a common definition of 'securities' and 'shareholders'. National rules around multiple voting rights shares, share classes, takeover and threshold rules, public offerings, and capital increases are further examples. The lack of legal certainty here reduces capital markets attractiveness and incentivizes the use of non-EU law. Greater harmonization across member states would reduce complexity and create a more level-playing field for investors.

Not least, making EU capital markets more attractive to international investors and companies is essential to gather additional sources of funding for the net-zero transition. This could be achieved by extending 'UCITS-style' labelling logic to pension funds, ELTIFS and infrastructure funds, enticing them to become more active in capital markets. Furthermore, expanding the opportunities for common EU debt issuance will help create a true European risk-free rate. There is also the clear need to develop an EU-wide standard for debt private placements. Public Eurobond markets are exceptionally deep but, given the investor requirement for liquidity issuance, size needs to be large. The documentation standards and costs involved currently limit access to large and often investment grade companies.

Greater harmonization reduces complexity and creates a more level-playing field for investors.

Much has been achieved since the last European elections. More needs to be done in the new legislative cycle. The recent political discussions on the need to distinguish between bottom-up and top-down measures promoting capital markets are helpful. Equally important will be that different measures taken at different levels of decision-making are well-coordinated and aligned. Now is the time for private and public sectors to work together to drive capital market integration forward and make equity financing more available and more attractive for European companies.

The future funding challenge remains vast. If not addressed, Europe's future competitiveness will be at stake. We at Citi stand ready to play our part in moving the EU forward.

ROLAND CHAI
President European Markets, Executive Vice President - Nasdaq

Nasdaq's Blueprint for a CMU that supports innovation and growth in the EU

The Nasdaq European market across the Nordics and Baltics (encompassing 22% of EU states) has become a success story of European equity financing over the last 10 years. It's a living blueprint for the success of the European CMU. This success story unfolds through a set of multiple necessary strategic initiatives which as a combination of initiatives transformed the Nordics into a thriving hub for international equity financing. These included regulatory dialogues, public and private investment, taxation and company law initiatives, leading technology, and strong national support across the financial ecosystem. As the leading European engine for SME listings with over 630 listings since 2014 on First North and the celebration of the 130th transfer from First North to Nasdaq's Main Markets in 2023 Nasdaq has shown how successful equity markets can help fund growth, innovation, and job creation across Europe.

Secondary market liquidity is critical to equity funding. On Nasdaq's European markets companies have raised over 26 times what was raised at the point of IPOs. The region has witnessed a harmonization of trading systems and rules, providing a consistent and seamless experience for members across all Nordic and Baltic markets. The inclusive market structures cater to a diverse range of investors and companies of all sizes, ensuring a fair and transparent price mechanism that serves as a stable reference price for the benefit of the whole market. This diversity is crucial for maintaining an active secondary equity market where over 300 SME companies raised 11,6 bn EUR in 2023 to support their growth journey.

Comprehensive stakeholder engagement across the whole ecosystem has not only allowed streamlining of for instance listing rules and processes but is the key to First North having developed into one of the best growth markets in the world. Nasdaq is currently initiating new rounds of 'IPO Task Forces'. Advisors, institutional investors, analysts, corporates, VC and private equity, retail brokers, CSDs, etc. All pieces of the ecosystem need to cooperate and contribute to efficiency and trust in the market.

Additionally, Nasdaq's emphasis on technological innovation underscores its commitment to market security and resilience on a global basis. This naturally includes the operations of markets in Europe. The integration of advanced cybersecurity measures and artificial intelligence in market surveillance ensures the safety and efficiency of the markets. Nasdaq's blueprint for an inclusive CMU extends beyond its own initiatives within the ecosystem, to the unwavering support it receives from the national political and regulatory environment.

The power of harmonising capital markets while leveraging the unique local identities.

Regulatory cooperation is a cornerstone, with supervisory colleges established for all Nasdaq markets, clearinghouses (CCPs), and central securities depositories (CSDs). The merging of four CSDs in the Baltics and Iceland is an example of improved operational efficiency and taking down barriers which had not been possible without political and supervisory support across the region.

Private and public investment is crucial. The pension systems in the region play a pivotal role, with national pension funds actively investing locally in both main and growth markets. Individuals are empowered with the choice to allocate their pension funds, aligning with the vision of an inclusive CMU.

Retail investments are encouraged through administratively simple Investment Savings Accounts (ISK) and tax incentives that foster active investments as well as entrepreneurship. The integration of financial literacy into school curricula aims to nurture an equity culture and the ability to engage on one's private financial situation from a young age.

Company laws, like allowing companies to have dual class shares, support active long-term ownership. Principles-based Corporate Governance Codes allow flexibility for optimal decision-making, fostering an environment conducive to sustainable growth. In conclusion, Nasdaq's blueprint for an inclusive CMU is a testament to the impact of leveraging local strengths and initiatives on a global scale.

Nasdaq's successful growth of the Nordic and Baltic markets showcases the power of harmonising capital markets while leveraging the unique local identities. As Nasdaq continues to champion these principles, the region stands as a beacon for the future of equity financing within the broader context of the European capital market.

The Danish philosopher Soren Kierkegaard introduced the concept of the individual's interconnection with society rooted in historical and societal context as a precursor to actualizing the potentialities and possibilities in one's existence. Equally in European Capital markets we are at a unique point where we can take the diversity and complexity that makes our markets great to another level by understanding and actualizing the potentiality of these markets.

GELSOMINA VIGLIOTTI

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How to create future champions with equity finance

Equity finance is essential to support young and innovative firms. This type of funding enhances productivity, competitiveness, and economic growth. However, equity markets in the European Union are struggling as demonstrated by two trends. First, companies in EU countries rely more on bank financing than in most developed economies, and the capital market is fragmented. We still don't have a true EU capital markets union that could get more finance flowing across borders and provide businesses with a greater choice of funding at lower costs. Second, the EU equity market's positive developments over the long-term are still insufficient to make up for the gap with more developed markets.

Political and economic uncertainty

According to the European Investment Fund's 2023 European Small Business Finance Outlook and the data from the trade association Invest Europe, the upward trends have been hurt by geopolitical turmoil, macroeconomic uncertainties and rising interest rates. In 2022, investments by equity funds in the EU dropped 11% and equity exits dipped 27%, a negative trend that continued in the first half of 2023. The total funds raised by private equity reached unprecedented levels in 2022, resulting in record amounts of uninvested cash. But in 2023, this funding is decreasing below the levels of the last five years. In this gloomy scenario, two positive elements emerged. First, the decline is more moderate than what we witnessed after the dotcom bubble and the great financial crisis. Second, surveys and experts agree that investment activity will soon start recovering.

Public sector must work harder

To help the EU close the gap with more developed equity markets, public institutions need to work harder. We need more effective regulation to open the markets and more active participation.

Equity markets need more support to grow. This can be done by offering more incentives to make investments in equity funds. Given that Europe's financing system is organized around bank savings, working on the link between banks and capital markets would be an important step. Securitisation markets transform illiquid loans to small and medium businesses into an asset class with adequate market liquidity. This frees capital that banks can use for risk finance. In Europe, national banks and the EIB Group play an important role in the development of this market, acting as direct buyers and guarantors. Looking at the issue of channelling more savings into the equity market, another striking difference with the United States is how little pension funds participate in equity funding in the EU. The EU launched the pan-European personal pension product in 2022 to give people more ways to save for retirement, but the initiative has encountered a lot of difficulties that need to be addressed.

Building the tools

On the investment side, the instruments needed to support the EU equity market are harder to address. A full recovery will be driven by two factors: the incentives funds have to invest the money they raised, and a stabilization of the macroeconomic outlook. Public actors can also contribute to the recovery of investments.

Regulatory, legal and linguistic differences across countries create a fragmented market and make it hard for companies to expand across national borders. The lack of information on cross-border investment opportunities, the preference of investors to invest locally and differences in tax incentives are among key factors hurting investment. Reforms that support information sharing and a level playing field are essential.

Public financial institutions need to effectively address market failures, help underserved sectors and provide thematic investment where most needed. Perhaps the most striking example of EU equity market failure is the area of scale-up financing. Scale-ups are high-potential young companies that need substantial investment to grow and evolve into large companies after the start-up phase. For these companies, the financing gap is severe. In the EU, firms in the scale-up segment need more rounds of financing and more time to reach a $500 million market valuation, compared to their US peers. This gap forces highly innovative companies to look beyond the local capital market, and it leads to investments by foreign buyers and often relocation abroad.

Public intervention in the form of venture funding helps scale-ups grow and succeed.

Public intervention in the form of venture funding (equity and debt) helps scale-ups grow and succeed, while attracting private funding. This is why some EU Member States, together with the European Commission and the EIB decided to set up the European Tech Champions Initiative (ETCI), a €3.75 billion fund of funds which supports large-scale venture capital funds and provides more growth financing to European high-tech companies in the late-stage growth phase.

This type of support, combined with the right regulatory incentives, are what the EU equity markets need. The hope is that tools and initiatives like ETCI will be increasingly used in Europe to support the growth of equity markets.

ARMAND KERSTEN

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Equity markets: from CMU and MiFIR review to a Schengen for financial markets

Pairing the CMU Action Plan and MiFIR cannot escape the consolidated tape briefly preceding an equity markets wish list with the retail investor slant to be expect from us.

Increased transparency on pricing and execution venues facilitates better, more efficient and fair price formation, and best execution. It does away with the artificial competitive advantage of systemic internalisers. The consolidated tape addresses the fragmentation of the markets.

A simple argument favours the pre-trade consolidated tape: attainment of best execution. Only with pre-trade data at their disposal can market participants establish on which markets their transactions can be performed at the most favourable (lowest) price,. A catalyst for true competition among trading venues, clearly promoting the interests of retail investors and facilitating optimal allocation of their financial contribution to the EU economy.

We applaud the MiFIR-outcome: a consolidated tape that provides the best bid and offer prices, as well as the transaction volumes. We do not close our eyes to the areas identified as potential drawbacks. We applaud that ESMA assesses whether the consolidated tape framework indeed mitigates information asymmetries.

What should take priority for the next political cycle? In driving the success of the CMU, on balance the emphasis ought to favour the demand side. *Flash Eurobarometer 525* reinforces this perspective. The reason for retail investors not having investment products is lack of prosperity. Worrisome: the youngest age group being invested in crypto-currencies 'explains away' their underrepresentation in financial products.

The CMU Action Plan's fundamentals on retail investor participation in capital markets are clear: investor protection expresses the universally known truth: retail investor participation hinges upon a drastic change in the equity culture – only to be achieved if retail investors are confident that acceding the capital markets is to their benefit and that their rights are adequately protected. Ensuring adequate legal protection. Retail investors should be persuaded to take greater responsibility for their financial future. This may only be expected if consumers are awarded greater protection, over and beyond being enabled to make informed choices.

Europe needs a 'Schengen' for financial markets; investing across the EU feels safe.ure retirement.

Investor protection is never a safe haven. There is always the threat coming from issuers and intermediaries not respecting investor' interests. *Flash Eurobarometer 525* tells a sorry tale: 45 per cent report feeling not confident. Client centricity (acting in the customers' best interest) is of the essence in developing new rules. Intermediaries and advisors must be legally forced to put their clients' interest first under all circumstances. This will do away with suboptimal incentive schemes and inducements. These are hardly ever in the real interest of investors.

The retail points of sale of investment services are the main source of investor information for EU citizens. Intermediaries' advice may be biased to products for which they are higher rewarded. There is little access to bias-free investment services, resulting in little access to investment products which are closest to the capital markets, and to the real economy.

The EU has made considerable strides on withholding taxes and insolvency laws. Another structural weakness remains: pan-European effective collective redress mechanisms. We wish to see more pan-EU investments. However, investing abroad is considered to be far more risky than investing domestically. Retail investors' access to redress abroad is absent in practice or extremely complex and costly. Retail investors shy away from this risk.

Wherever registered within the EU, companies must be liable for infringement of corporate reporting or disclosure obligations. There must be legal remedies allowing investor compensation across the EU. The Collective Redress Directive, faced implementation problems. Some member states pay lip service to accommodating effective collective redress.

We canvass further convergence and consolidation of financial markets' supervision and oversight. Each member state has its own (financial markets) supervisory authority, with diverging powers, mandates, and practices. Many existing divergencies are rooted in culture. A truly internal market, effectively protecting retail investors, and, importantly, a true European approach to awarding protection where foreign investors grant their business as well as their trust to financial industry players rooted within domestic cultures, stands to gain from a level playing field on market supervision and its enforcement.