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The Transnational Financial Industry and the Politics of Capital Markets Union in the EU

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Introduction

“To improve the financing of our economy, we should further develop and integrate capital markets": with these words the lead candidate of the European Popular Party to the presidency of the European Commission, Jean-Claude Juncker, presented to the European Parliament in July 2014 a major pillar of his political agenda to bring the EU out of the sluggish growth and deflationary environment which threatened its prospects of economic development and social legitimacy. As soon as elected President of the Commission, Juncker followed up on his commitment to fixing the project of a 'Capital Markets Union' in the same title of the Directorate General charged with financial services. Such a Capital Markets Union (CMU) promised to unlock financial market-based financing to the real economy, and in particular to SMEs, so to offer alternative funding sources in a situation of shortage of bank lending. By aiming at expanding the role and size of the capital markets in Europe, the CMU signaled in its premises a remarkable shift in the EU financial regulatory approach emerged after the 2007/08 global financial crisis. While the post-crisis years saw the EU policy-makers' committed in a regulatory tightening of the financial markets and institutions, resulting in a process of down-sizing of the financial sector, the plan for a revitalization of capital markets implied a renewed EU effort to boost its financial market players. The latter has been identified by several commentators as the true only beneficiaries of the CMU, more than the small business to which the Commission explicitly address (SOMO 2015, Dorn 2016, Pesendorfer 2016, Quaglia, Liebe and Howarth 2016). Yet, the influence of these gatekeepers of the financial markets' funding sources in the emergence and development of the CMU plan has been a neglected issue in the literature available.

Aim of the proposed paper is thus to investigate the role of cross-border banks and other key corporate actors in the building up and shaping of the CMU project. My argument is that the transnational financial market incumbents played a crucial role in the shaping the agenda-setting leading to the CMU package and its main legislative initiatives on relaunching the market for securitization and removing hindrances to capital markets' sources of funding for business. The CMU represented a window of opportunity both for watering down some of the most burdensome regulatory measures implemented or still under negotiation both at the EU and international level, as well as for dismantling national barriers to cross-border financial markets harmonization. The potential beneficiaries of a further round of capital market expansion successfully met the diffuse interests coming from large and export-led industrial sectors, as well as the demands coming from EU institutions and policy-makers in search of policy solution to deliver investments and growth. Yet, moving from the agenda-setting to the policy-making process, the influence exerted by the transnational financial industry was less straightforward, due to the difficulties to forge successful lobbying alliances with diverse financial and economic interests, to the resistances of the international standard setting-bodies and the EU regulators, and – not least – to the weakening of the City of London after the outcomes of the Brexit referendum in June 2016.

By relying on a Critical IPE approach, I will focus both on the agency of the transnational financial markets incumbents as the primary drivers of the CMU and their capability to forge successfully pro-change coalitions in the EU policy-making process. The more the industry-led coalition would gather potentially diverging economic and societal interests, so building up consensus around possibly contentious issues and better responding to the demands from the EU policy-makers, the more it would have chances to successfully lobbying the EU legislation. In will thus analyse through qualitative research techniques the lobbying efforts and outcomes of the different corporate and non-corporate actors at stake in front of the Commission, the European Parliament and the Council, by focusing on four different stages of the CMU plan, ranging from its emergence in the agenda-setting phase, to the final trilogue agreements of two pieces of legislation constituting the major pillars of the CMU Action Plan, like securitisation framework and the reform of the Prospectus Directive. By combining a critical IPE theoretical approach with well-established qualitative strategies in the EU lobbying literature, this paper intends to connect the two streams of research and thus to provide as well an original approach in the study of corporate influence and EU policy-making process.

The paper is structured as follows. In the first section, I will review the existing literature on the CMU, by highlighting its merits and shortcomings, moving from the latter to introduce and justify the approach here proposed. I will then provide the research design and formulate the main expectations of this study regarding the influence of the transnational financial players. The following sections will be dedicated to the different moments in the emergence and development of the CMU project. In the second section, I will analyze the whole agenda setting-stage in the years preceding the election of the Juncker Commission and then in the definition of the proposals to be included in the CMU green paper. Then, in the third section, I will briefly show the main issues at stake and cleavages in the Commission stakeholders' consultation leading to the publication CMU Action Plan. In the fourth and five sections I will provide an in-depth analysis of two case-studies: the framework for Simple, Transparent and Standardised securitization, and the reform of the disclosure requirements under the Prospectus directive. Lastly, in the conclusion, I will evaluate the initial expectations resulting from the approach adopted with the results of the empirical analyses conducted in the above sections.

1. Literature review and research design

A number of scholars already provided a preliminary assessment of the CMU and its underlying interests and goals. In his comment, Ringe stressed in particular the political significance of the CMU as "an attempt to repair the strained bond between London and Brussels", after the the eurozone-centred Banking Union, the German and French protagonism in the post-crisis regulatory tightening on financial regulation hindering the British competitiveness, and the "looming threat of an anti-EU referendum" promised by Prime Minister David Cameron (Ringe 2015: 3). The CMU project signaled a withdrawal from a post-crisis "market-curbing approach" and the return to a pre-crisis "market-building" style of law-making under the direction of a British Commissioner, like Jonathan Hill, particularly appreciated by the City of London. As a 'symbolic' and political message mainly addressed to the UK, the CMU actually falls short of representing a "Union" comparable to the Banking Union, inasmuch as lacking any major institutional innovation, like a single EU supervisor for capital markets, undesirable for the British financial industry (Ringe 2015: 4).

While sharing an interpretation of CMU as instrument to heal the rift between the ins- and outs- of the Banking Union, Dorn highlighted the political turn implied in the Commission project in terms of a new "public-private regulatory partnership" and constituting an "[i]n-principle public-private symbiosis of financial markets regulation, with public and private regulators inviting each other to articulate a co-governance space" (Dorn 2016: 85). According to the author, differently from a pre-crisis 'private governance' model when the financial industry benefited from a "harbour that is safe from the stormy weather of public regulation", the CMU inaugurates a post-crisis approach – after the 2009-2013 hard regulatory wave - in which "the public authorities keep a firmer hand on the tiller", while establishing a transparent partnership with the industry (Dorn 2016: 95). Main feature of such a policy shift, as noticed even by Pesendorfer, has been the sudden reversal in the vision of US capital market-based financial system: from "source of devilry" to a model to emulate for the EU policy-makers in order to overcome the shortage of credit in the European bank-based systems and to unlock larger and diversified pools of capitals to boost the economic recovery (Dorn 2016: 89; Pesendorfer 2015: 202). Yet, the pretended novelty identified by Dorn regarding an unprecedented public/private partnership, in respect to a pre-crisis formal "separation", is debatable: indeed, public/private policy-making were already 'transparent' and more or less formally recognized even before, as the literature on transnational private governance showed (Graz and Nölke 2008). However, Dorn fruitfully identified in the CMU project the emergence of a new 'deal' between European policy-makers and financial industry, signaling the end of the post-crisis regulatory grip and reorienting the policy priorities towards a "market-based" model of financial integration. However, apart from a focus on the EFSI, Dorn does not provide empirical insights on such public/private partnership in the specific case of the CMU plan.

From a domestic-based approach, Quaglia, Howarth and Liebe firstly drew a comprehensive picture of the cleavages between the likely winners and "foot-draggers", taking into account the structural features of the different EU Members States' financial systems and subsequently analyzing the responses to the Commission stakeholders' consultation on the CMU plan. According to the authors, internationally oriented investment firms and universal banks, together with the large, open and most diversified EU financial centres (foremost the City of London) are to be identified as the likely winners of the CMU, in respect to domestic-oriented and bank-based financial sectors, the less competitive financial infrastructures and the bank-dominated Continental States, notably including Germany and France (Quaglia, Howarth and Liebe 2016: 198; see also Pesendorfer 2015: 206). Yet, by focusing on the Member States' preferences as explanatory variable, these scholars tell us little on the political agency and influence of those same transnational interests which would have benefited most form the CMU. Member States' governments did not represent the only relevant political terminal for financial actors with an international and pan-European scope to foster regulatory change at the EU level, as assumed by liberal intergovernmentalism. Supranational institutions and policy entrepreneurs played indeed a crucial role as the CMU emerged as major policy initiative of the newly elected Juncker Commission in 2014, warmly supported by the ECB, and soon gaining a broad consensus both within the European Parliament and the Council. In order to account for the emergence of the CMU as political priority in the EU agenda as well as to explain its main outcomes so far, a broader perspective linking the driving economic interests underlying the CMU plan with key supranational and national policy-makers is thus needed.

As I maintain here, a transnationalist approach based on a critical IPE theoretical framework best fits with an account of the politics of CMU. According to the latter, transnational economic and financial interests are the main drivers of regulatory change aiming at EU capital markets' expansion and integration. The former is shaped by competitive concerns in front of regulatory burdens hindering their positions and strategic opportunities to improve their market power at the international level. Core EU financial actors, foremost universal banks, master material and lobbying resources granting them significant institutional power within EU Member States and supranational institutions so as to constitute elite-level public/private regulatory communities (Mügge 2010: 30; Underhill 2003; Underhill and Zhang 2008). Yet, resourceful corporate interests cannot be assumed to control as such the policy-making process whatever is the political environment and the societal conditions (contrary to Mügge 2010). As different scholars showed, depending on the public saliency cycle of the regulatory issues at stake and on the degree of opposition raised by relevant domestic-oriented economic competitors, transnational corporate interests could enjoy exclusive regulatory partnership with public authorities (what Culpepper named 'quiet politics': see Culpepper 2010) or, facing hostile public opinion and adverse economic interests, being constrained to forge broader intra- and inter-sectorial, as well as political, alliances. From the narrower, public/private regulatory niche to the wider consensus among diverging societal and political groups, companies and individual corporate interests need to coalesce and to forge successful lobbying alliances in order to get the preferred policy outcomes. The higher the political saliency at stake in the prospected policy change, the more the need to build up 'hegemonic' coalitions by mediating with diverse economic interests and policy-makers responding to their constituencies (Apeldoorn 2002, Bieling 2003, Macartney 2011). Change-agents and their countervailing forces have thus been fruitfully framed in terms of competing coalitions of EU economic interests and policy-makers struggling over the tenets, instruments and goals of specific policies shaping the EU financial governance (Quaglia 2012, Moschella and Tsingou 2013a). Yet, while most of these coalition-based approaches focused on enduring and structured blocs of interests based on shared view about the economic governance – often mirroring the prevailing models in the 'varieties of capitalism' theories (see Sabatier 1998; Quaglia 2010a, 2010b) - I will adopt here a more issue-specific definition of public/private coalition, relying on the literature on lobbying and regulatory capture. According to the latter, different lobbying groups and policy-makers actually pursue relatively overlapping policy-objectives responding to different and complementary motives, by making a flexible and strategic use of shared ideas, without assuming deliberate efforts in building up formal and long-lasting alliances (Klüver 2013: 54; Mattli and Woods 2009). Both the streams of research elaborated useful demand/supply models to conceptualize the relationship and influence between private interests and public officials, which fit with a critical IPE approach here advanced. While societal and economic stakeholders generally demand influence over the legislative process, on their part the policy-makers demand the broadest support from their constituencies by both supporting and controlling the financial market players as crucial sources of funding for the real economy in a capitalist system. In a phase of expansion of the financial capital, as in the pre-crisis period, the main cleavage for policy-makers regards the conflicts between international- and domestic-based interests, while non-corporate, consumers and diffuse pro-regulatory concerns on the social sustainability of financial-led growth are weak and silenced. On the contrary, when a crisis occurs, the contradictions and failures of the prevailing pre-crisis model come to the spotlight, so to empower those same pro-regulatory voices in front of policy-makers and to unleash a reshaping of the regulatory framework. Indeed, the global financial crisis brought about a new regulatory wave in the international and EU financial governance, whose scope and depth are matter of contention (see for example Heller and Paraglider 2011, Moschella and Tsingou 2013b, Lall 2012, Young 2013). The subsequent outburst of the sovereign debt crisis in the eurozone, together the policy and institutional responses to the latter, triggered a prolonged phase of recession followed by sluggish growth, encroaching a process of (re)regulation and deleveraging mostly affecting a banking system representing the backbone of the EU financial source of funding for the business sectors.

Based on the above tenets, I lay down the following general hypotheses linking the capability of the corporate interests to build up transversal and cohesive coalitions, the policy-issue public saliency and the degree of influence towards policy-makers.

> *H1. The less contested is the policy issue at stake and the more the corporate coalition merges diversified economic and societal interests, the more it will be its lobbying influence on the EU policy-makers and the higher the chances to attain the preferred regulatory changes.*

While in reverse:

> *H.2 The more the policy issue at stake is contested and the less cohesive and representative the corporate coalition, the less the chances of lobbying success.*

Against such a background, we can identify the following main determinants of the demands from corporate and non-corporate groups, together with policy-makers preferences, at the eve of the CMU plan (so assuming 2014 as year of reference), thereby formulating corresponding expectations.

Financial industry interests. As of 2014, the EU banks faced a deep process of deleveraging and strengthening of their capital positions in the wake of the new Basel III standards and their transpositions in the capital requirements legislation in the EU. At the same time the percentages of NPLs and continuing risk-aversion behavior in the markets, in a context of looming recession and tougher supervision and disclosure requirements for the banks in the EU, brought to a substantive contraction of banks' profitability and overall share in the European financial sector. The profitability of EU banks sharply declined from 2007, with an average return on equity (RoE) standing between 3% and 4% from 2013 to 2015, a net income average of 1,3 as percentage of total assets, higher cost-to-income ratio (at 63% in 2014), soaring non-performing loans (NPL) level, and higher capital requirements (with the tier 1 ratio at 17% of risk weighted assets in 2014 in respect of 8% in 2008), while the level of loans lagged at the level 2008. Large EU banks were particularly hit, with highest capital requirements in respect to middle and small banks (Tier 1 at 19% on average in 2014) and low profitability in respect to pre-crisis levels. Looking at the domestic banking sectors, indeed the Southern-deficit countries suffered the lowest levels of profits and increasing NPLs (Italy, for example, experienced a RoE of -3,5% in 2014), while Northern-surplus countries and other large financial systems dominated by transnational champions (like France) performed comparatively well (Germany and France, for example, having a RoE of 2,5% and 4.5% respectively). What is noticeable and crucial for our argument, the City of London, - being the European core financial center - registered the most dramatic fall in profits. According to the analysis of *Financial Times,* "British banks are making nowhere near as much as they did pre-crisis, with profits at the UK's biggest banks 63% lower in 2015 than in 2007, when banking profits peaked", while in contrast, "European banks, while still making substantially less than in 2007, are just 34% less profitable than back then" (Business Insider 2016). The British financial industry faced at the same time potentially more competitive Continental eurozone financial markets, whose institutional integration and stability have been strengthened with the ECB-led Banking Union. Next to the competitive pressures coming from the EU neighbours, the City of London (and the EU cross-border banks) was threatened as well by the US large banks, whose profits soared since the financial crisis according to the Federal Reserve, with a "combined net income of J.P. Morgan, Citigroup, Bank of America, Goldman Sachs and Morgan Stanley annually averaged $41.73 billion" from 2009 to 2014, in respect to an "annual average of $25.08 billion from 2002 to 2008" (Reuters 2015). Looking at East, competitive threats were looming for the EU financial markets from the Asian capital markets: though being still comparatively small in respect to the European and US ones, they were growing with a formidable pace since 2009 (Euromoney 2014; Deloitte 2015).

EU banks and in particular the large cross-border groups were thus caught in the grip of regulatory tightening and multiple competitive threats within and outside Europe. We can thus lay down two main expectations regarding the banking industry stance towards further regulatory initiatives. By generally suffering from burdensome capital and regulatory requirements, as well as from low profitability, both large and smaller banks *would supposedly push to prevent further regulatory tightening and to soften (or water down, whenever possible) the on-going regulation*. Yet, while *smaller and alternative domestic-oriented banks would have little incentive to promote further measures to deepen financial market integration at the EU level,* on the contrary, *large cross-border banks and financial firms would favour a decisive turn from the post-crisis regulatory wave towards a new market-led expansive phase in the EU financial markets, in order to gain renewed competitive positions at the EU and international level.*

Business interests. The European business generally suffered from sluggish demand in the context of enduring deflationary fiscal policies and the squeeze on bank lending mostly concentrated in the deficit eurozone countries. While the share of bank financing in total NFC financing stood at around 70% between 2002 and 2008, in 2016 such a percentage contracted to 50%. As the ECB showed, the export-oriented large firms compensated the reduced bank lending with a corresponding increase in financial market financing, while SMEs remained primarily reliant on bank lending (ECB 2016: 29). The low-interest rates environment favored the issuance of corporate bonds and equities by large non-financial corporates, but – as the Commission noticed - such issuance "has also been concentrated in larger markets, rather than markets where corporate funding problems have been most severe" (Commission 2015a: 7-8). Indeed, SMEs' poor market-based financing is rooted in the high costs and little capacity for small business in issuing bonds and securities, as well in the locally structured relationships established with the banking sector with respect to the international and 'anonymous' capital markets. Therefore, a financial industry initiative countering a regulatory tightening on financial market-based funding and rather pushing for deepening capital markets in Europe would have been supposedly supported more by those large companies already relying on securities issuances, than by small and medium business. Yet, even the latter would have possibly favored an effective free up of banks' capital for lending resulting from a dedicated relaunch of securitization. As expectation, we can thus suppose that *large companies would mostly favor initiatives to deepen EU capital markets integration in respect than SMEs, while the both would favor measures to unlock bank lending.*

Non-corporate and pro-regulatory interests. This category points at those interest groups from Civil society pushing for regulatory measures ensuring stability, consumers protection, social and ecological sustainability and reducing the overall size of the financial system with respect to the real economy. Post-crisis reform of financial governance empowered these groups in a context of high public saliency of the issues relating to financial regulation (Woll 2013, Young 2013, Chalmers 2015). Yet, from the outburst of the eurozone crisis onwards, in the EU such a saliency largely collapsed. By using as a proxy for public issue saliency the frequency of key words (in this case "financial regulation") in general and economic news in a given time frame (following Pagliari 2013), we can notice a reduction of more than 45% between 2011 and 2016, in the news relating to financial regulatory issues, from about 32.000 documents to about 14.500[1]. Ambitious regulatory initiatives, like the introduction of a Financial Transaction Tax and the banking structural reform, were progressively marginalized and watered down in the debates preceding and following the 2014 European elections. Yet, overall commitments by Member States' governments and EU policy-makers not to reverse to a pre-crisis "light-touch regulation" were generally reiterated, while relevant financial regulatory initiatives at the international and EU level were still on-going in 2013/2014, like the

1 Source: Factiva database. Last accessed 3 July 2017.

reform of the international standards for securitization. However, as we already noticed, the capabilities of non-corporate actors to successfully lobby international regulatory fora, like the Basel Committee, are tendentially poor. In such a situation we can expect *non-corporate and pro-regulatory interests to push for further regulation with a decreased capability of influence, mirroring the lowering public issue saliency of financial regulatory issues.*

EU policy-makers. As Klüver well synthesised, policy-makers in the EU generally demand at least three kinds of 'goods' to achieve legitimacy, consensus from their constituencies and then prospects of re-election (in the case of the European Parliament and the Council) and reconfirmation in office (in the case of the Commission): control of economic resources, policy-relevant expertise and citizens' support (Klüver 2013: 40). The political content shaping above demands indeed hinges upon the power relationships both within and among the Commission, the European Parliament and the Council. If the Commission has an institutional mandate to promote EU integration according to the free market principles enshrined in the Treaties, its President is now elected by the European Parliament on the basis of an agreement within the Council, so to mirror the prevailing political forces within the two EU legislative bodies. Within the Council, the increasing economic asymmetries between Southern-deficit and Northern-surplus countries reflected corresponding political hierarchization under the 'reluctant' leadership of Merkel's Germany (Paterson 2011). At the same time, the project of Banking Union under the aegis of the ECB deepen the divisions in the EU financial market integration between euro and non-euro countries, with a risky marginalization of the City of London, on which already lingered the spectrum of a referendum on Brexit. A concern indeed shared in the European Parliament renewed in the 2014 election, in which the European Popular Party (EPP) – the major EU political group supporting the German-led austerity policies - certified its electoral success, winning 220 out of 751 seats. EPP's lead candidate to the presidency of the Commission, former Eurogroup president Jean-Claude Juncker, was successfully elected by the Parliament in July 2014, so to lock-in a political continuity with the previous approach in the EU economic governance, sponsored by the European popular parties and the German government. Therefore, we can suppose two main determinants of the EU policy-makers positions in the EU economic and financial governance. Firstly, *if an overwhelming priority was to be assigned to policies boosting growth and investments, the prevailing political orientation in the three EU institutions supposedly inclined towards market-led measures to not retract the austerity policies adopted as response to the eurozone crisis*. Secondly, *future ambitious initiatives regarding the EU financial markets would have aimed at reconciling the UK and the City of London in the process of EU financial integration.*

In order to analyse the different influence of corporate and non-corporate actors and to verify the above hypotheses and expectations, I will rely on process-tracing of the policy-making process and adopt the preference attainment method (that is, comparing the actors' initial preferences with the final policy outcomes), as well-established qualitative research strategies in lobbying studies for small N analysis (Dür 2008, Klüver 2013). Thus, I will focus on the following core stages in the CMU project: the agenda-setting phase, the issuing of the general CMU Action Plan, and the legislative processes of two crucial policy-proposals of that plan, like the framework for Simple, Transparent and Standardised Securitisation and the reform of the Prospectus Directive. As sources for the preferences of the actors involved, I relied on the documents, statements and position papers publicly available, as well as on the disclosed responses to the Commission consultations.

2. The emergence of the CMU agenda

At the peak of the eurozone sovereign debt crisis, the European cross-border banks and investments firms announced a first broad market-led initiative to relaunch the markets for securities in the EU. In June 2012 the European Financial Services Roundtable[2] (EFR) and the Association for Financial Markets in Europe[3] (AFME) launched the Prime Collateralised Securities (PCS) Label, an industry-made quality mark for securitisation "which meet best practice in terms of quality, transparency, simplicity, and standardization" (EFR-AFME 2012: 1). The initiative was aimed at revitalizing the European securitisation markets in Europe and boosting business access to capital market funding through new "agreed market standards" for high-quality securities, together with a PCS Association and Secretariat to administer and ensure the industry compliance to these standards. The development of the PCS label has been followed and welcomed by the European Banking Authority and the ECB: in his comments president Draghi declared that “[t]he ECB has been able to follow this project since 2009 and we are pleased to see you are ready to launch the labelling process” (EFR-AFME 2012: 3). The PCS eligibility criteria referred to instruments "that are backed by asset classes that have performed well thorough the financial crisis" and being "of direct relevance to the real economy", with the exclusion of complex securities like "CMBS, CDOs, synthetic securitisations, re-securitisations and residential mortgages which do not meet defined quality criteria" (EFR 2012a: 1-2). Such a private-led initiative constituted the most significant forerunner of the EU initiative of a framework for Simple, Transparent and Standardised Securitisation, which will be the first pillar of the future CMU plan.

Together with the PCS initiative, the two organizations of the EU and international cross-border banks structured detailed policy proposals to imprint a decisive turn to the hard regulatory approach adopted after the financial crisis. In November 2012, the EFR published a report advancing an overall approach and a list of policy recommendations thought to make regulation fit to "preserve the contribution of financial firms to economic growth" (EFR 2012b). The report denounced the effects of the EU post-crisis regulatory overburdening on the financial sector in stifling investments and growth, by curbing financial risk-taking and so restricting the bank- and market-based channels of funding to the 'real' economy (EFR 2012b: 20). In respect to the on-going reform initiatives, foremost the Basel revision of the securitisation framework started in 2012, the cross-border banks and insurance firms asked the policy-makers to adequately 'calibrate' the legislation in order to not hinder the financing transmission to business, as well as to "ensure that the competitiveness of the European Financial services industry is maintained vis-a-vis other parts of the world" (EFR 2012b: 22). The traditional industry interconnection of the two conditions – funding to the real economy and promotion of the EU financial sector competitiveness – were reaffirmed as grounding principle of an "effective and efficient" regulation. Yet, the roundtable of bankers and insurers also proactively advanced a number of proposals regarding future regulatory initiatives designed to enhance the funding capacity of the EU financial markets. Thus, the report recommended the establishment of a "policy-framework" incentivizing the "provision of more long-term finance via the capital markets – for example, for infrastructure projects or low-carbon technology", while – in referring to the PCS initiative – the EFR put the revitalisation of the securitization market as a main priority for the EU (EFR 2012b: 21).

A few months later, the Commission offered a first great opportunity for the financial industry to formally advance the above views and proposals. In March 2013 the Commission issued a Green Paper on the "Long-

2 The EFR gathers the Chairmen and chief executives of the leading EU cross-border banks and insurance firms, with a variable membership.

3 Formed in 2009 by the merger of LIBA (London Investment Banks Association) and European arm of the international Securities Industries and Financial Markets Association (SIFMA), AFME represents the cross-border investment banks in the EU, including the large US banks operating in Europe.

Term Financing of the real economy", opening a stakeholders consultation on the hindrances and possible initiatives to unlock both public and private sources of funding to business and SMEs. In particular, the Green Paper seeks industry views on the unintended cumulative effects of post-crisis regulation in affecting the overall funding to non-financial institutions, as well as on the development of non-bank financing channels. This consultation represented the very first blueprint of the future CMU initiative, promoted by the outgoing Commission Barroso.

The consultation revealed significant imbalances in the stakeholders' composition both at the sectorial level and geographical scope[4]. As the first main target of the Commission consultation, 120 out of a total of 292 respondents came from the financial industry. Next to the financial sector, *representatives* of business (53 responses), mainly from the European and national industry associations, with just 5 respondents specifically representing SMEs and the significant absence of the European association of SMEs (UEAPME). Lastly, as the less represented stakeholders, we find trade unions (5) consumer organizations (2) and NGOs (6), and representatives of alternative/sustainable finance (7). The respondents' provenance witnessed the prevalence of the cross-border global and European financial industry: two-thirds of the respondents came from UK (60 respondents), followed by EU wide organizations (57), France (43) and Germany (31).

The European-wide associations of the financial industry, together with the national organizations from the Member States with developed financial systems, largely agreed in pointing at the negative impact of the post-crisis and on-going regulatory wave on long-term financing of the productive sectors. The financial industry jointly call for a review of the already enacted regulation, a consequent 'recalibration' of those pieces of legislation still in negotiation – foremost on the market infrastructures and exchanges (MiFID II and EMIR), and the liquidity requirements under Basel III (the Liquidity Coverage Ratio and Net Stable Funding Ratio). At the same time, new regulatory initiatives like the introduction of a Financial Transaction Tax and the structural separation of banks' deposit-taking and investment operations were broadly targeted as a fatal blow for financial industry competitiveness and funding capacity. (AFME 2013a: 10-11; EBF 2013: 12-14; EFR 2013a: 3-6, 16-18; InsuranceEurope 2013: 9-10). The financial industry in almost its entirety called for a "regulatory pause" and a "period of observation" and corresponding "calibration" (AFME 2013a: 16). Cross-border banks and financial firms, their European associations and the national associations of investments firms, were the major supporters of the Commission ideas on a relaunch of securitisation and market-based financing to complement the EU bank-based model. In order to deepen the European capital markets, the transnational financial industry recommended the revision proper calibration of corresponding regulatory frameworks – especially the Basel proposal of securitisation framework –, the introduction of tax reliefs for equities, incentivizing the capacity of banks to issue SMEs securitisation, revise the capital requirements for asset backed securities of and the promotion (and adequate regulatory treatment) of high quality securitisation like that promoted by the PCS label initiative (AFME 2013a: 14-15; 2013b; EFR 2013a: 19-21; InsuranceEurope 2013: 11; ICMA 2013: 7; BBA 2013: 15). The European bankers' federation (EBF) supported the development of capital-market financing, under the proviso of reaffirming the need to preserve the central role of the European banking intermediation in respect to a US-like "anonymous" market-based financing (EBF 2013: 14-15). According to the EBF, the EU policy-makers had to "encourage prudent growth in its capital markets, give banks scope to use these markets to a greater extent in managing their business, and allow banks to maintain their central role in relationship-based financing" (EBF 2013: 4). Sharing similar proviso, the European large business organizations aligned with the transnational financial industry in reaffirming that "the EU should encourage more diverse forms of finance – including non-bank finance" (BusinessEurope 2013: 3), improving SMEs access to capital markets and deepening corporate bonds and private placement markets (ERT 2013: 2; BDI 2013: 3).

While a plea for a review of most recent regulation generally united the European financial sector and large business, the issues related to an improvement of market-based financing as the solution to the banks reduced lending capacity divided the banking industry along the national varieties of bank-based and market-based capitalisms. Thus the British and French financial sectors and business associations showed a

4 Data retrieved from the Commission website (last access: 20 July 2017). http://ec.europa.eu/finance/consultations/2013/long-term-financing/contributions_en.htm

high level of internal consensus in calling for a Commission initiative to relaunch the role of capital markets in long-term financing. On the contrary, the German banking associations roughly voiced their concerns and oppositions towards any hypothesis of a shift from the European bank-based financial system towards a US-like capital market one. According to the German banking associations, for the majority of SMEs in any case "capital market financing would be too expensive and associated with excessively high obligations/requirements" (GBIC 2013: 9), so that a diversification of long-term financing through financial markets "appears questionable in the light of a debate on shadow banks and against the backdrop of the problems posed by the ‘originate to distribute’ model", so that, in conclusion "there is no reason to rely mainly on market-based types of finance in future" (BDB 2013: 2-3). Even Belgian bankers expressed cautions, stressing that it is "natural for some types of credit – such as SME credit –to be drawn from the bank balance sheets", and that evolution towards a more competitive and variegated capital market financing is already taking place, so that other policy initiatives are not needed (Febelfin 2013: 9-10).
Reflecting the concerns of the domestic small and alternative banks, the European association of savings banks allied with the above domestic banking associations in severely denouncing the Commission aim to encourage the competition from institutional investors, so paving the way for a fundamental shift from the European bank-funding model to the US model, based on capital market funding, which was deemed "not acceptable", in that it "does not allow for the protection of deposits and has demonstrated its flaws on the other side of the Atlantic" (ESBG 2013: 2).

Non-corporate stakeholders and representatives from alternative finance expressed a specific understanding and vision regarding the Commission views on securitisation. While voicing their opposition towards a revision and possible watering-down of the regulation already enacted, as well as defending new policy initiatives like the FTT and the Banking Structural reform, the European Trade Union Confederation, the European association of financial users (EuroFinuse) and Finance Watch – the largest NGO for alternative finance – cautiously opened to a relaunch of securitisation, though under precise conditions and limits. According to these organizations "a limited development of non-banking lending if properly supervised can provide a welcome additional funding source" (Finance Watch 2013: 5), provided that a new regulatory framework would confine securitisation to high-quality and long-term products (ETUC 2013: 9-10), and ensure strict requirements, like the obligation for banks to keep at least the 50% of the counterparty risk when securitizing their loans, as proposed by the financial users (EuroFinuse 2013: 14).

Table 1. Consultation on Long-term financing (March-June 2013): main issues and cleavages

Main issues	Pro		Against
Review of the post-crisis regulation and its cumulative effects on long-term financing.	EAPB, ESBG, BDB, GBIC	EU financial industry (AFME, EFR, EBF, EVCA, InsuranceEurope, EFAMA, FESE, ESBG); International (ICMA; ISDA); National financial ind. (UK: IMA, BBA, The City UK; Germany: BVI; France: AMAFI, FBF; Italy: FeBAF); Cross-border institutions (Deutsche Bank, BNP, ING, HSBC, Barclays, RBS, Santander, Unicredit, Aviva, Axa, BlackRock, London Stock Exchange) Business (BusinessEurope, BDI, MEDEF)	Trade Unions (ETUC; UNI Europe; Nordic Financial Unions); NGOs (Finance Watch)
Softening and/or watering down of regulations under discussion/negotiation (CRR/CRD IV, Solvency II, Liquidity requirements LCR and NSFR, MiFID II, EMIR, Short-selling regulation, proposals of a Financial Transaction Tax, Liikanen proposal on Banking Structural Reform).			
Revitalisation of EU capital markets and securitisation to support long-term financing	ETUC*, Finance Watch*, EuroFinuse*		ESBG, EAPB, GBIC, BDB, Febelfin, Nordic Financial Unions
Improve SMEs access to market-based financing			

*to a limited extent and under specific conditions
Source: Commission Consultation on Long-term financing

At the end of March 2014, soon before the end of its mandate and the elections of the European Parliament, the Commission published a a communication "on Long-Term Financing of the European Economy" which assumed the broad consensus emerged from the stakeholder consultation towards "the need to broaden the sources of long-term financing in Europe" (Commission 2014a: 3). Notwithstanding the ambitious aims traced in the green paper, and given the ending mandate of the Commission, the concrete actions advanced were rather limited. The Commission committed, among other issues, to assess the appropriateness of the regulatory framework in relation to long-term financing, taking it into account in the calibration of the liquidity requirements for banks and insurers, the MiFID II delegated act to minimize administrative burdens for issues and the transparency requirements of the Prospectus directive. On the revitalization of capital markets and SMEs access, the Communication set the path to further work "on the differentiation of 'high' quality securitisation products", for the improvement of private placements and in increasing the comparability of SME information and data across the EU (Commission 2014a: 10-12). More than for the concrete actions here advanced, this communication is relevant in that it constitutes the very first blueprint of a future initiative on the deepening of the European capital markets to be mandated to the next Commission in charge. An initiative further supported and promoted in the months preceding the election of the European Parliament, by both European financial industry, the European Central Bank and the Bank of England.

In the first half 2014 by both the ECB and the Bank of England (BoE) united their powerful voices to the industry call to include the relaunch of securitisation in the new EP and Commission agenda, so strengthening an already broad private/public coalition aiming at a major overhaul in the European capital markets governance. The common ground of such a variegated emerging coalition was the focus on the development of a market for qualified securitised products, as clarified in a first short paper of ECB on the impaired securitisation markets in Europe, prepared for the G20/IMF Spring meetings and issued in April 2014. The ECB detailed the benefits deriving from 'prudently designed' asset-backed securities (ABS) in improving the efficiency of capital allocation from illiquid assets to liquid securities and enhancing risk-sharing and diversification of portfolios for investors (ECB-BoE 2014a: 1). Moreover, according to the ECB, high-quality ABS could support "accommodative monetary policy", by free up banks' capital to lending and thus providing funding to borrowers unable to directly access capital markets, like SMEs (ECB-BoE 2014a: 2). If the arguments brought in support to a revival of securitisation overlapped with those already advanced by the financial industry, even the data provided by the ECB paper on the ABS market were taken from the reports of AFME, so to confirm the central role of corporate lobbying organization in providing relevant market information needed by EU institutions. In conclusion, the ECB echoed the concerns expressed by the industry coalition and identified as main obstacles of a kick-start of securitisation the Basel proposed changes in the regulatory treatment, still in discussion at the time, as well the treatment of securitisation in the EU implementation of the liquidity coverage ratio, raising uncertainties in the investors. For the ECB it would be a priority concern that "the authorities seek to ensure that new regulations at global and EU levels do not act to the detriment of the securitisation market" (ECB-BoE 2014a: 6).

In May the ECB and the Bank of England issued a discussion paper and opened a stakeholder consultation on the foundations of a "robust securitisation market in the European Union", focusing on the impediments and possible policy options to advance to realize it (ECB-BoE 2014b: 3). The discussion paper recalled the benefits already exposed by the ECB in transferring credit risk away from the banking sector and providing an alternative channel for long-term investments, listing related regulatory impediments like the excessive capital charges and risk retention requirements envisaged at the international and European levels. The main policy actions leading to such a renewed securitisation market were identified in a substantive broadening of the investors base for securitisation and in the development of criteria for high quality securitised assets "backed only by real economy loans as opposed to re-securitisations", alongside the PCS label initiative. Specific regulatory capital treatment for such a qualifying securitisation would then be required while taking account the specificities of the different national markets through harmonization of standards at the UE level, but not in a regulatory stringent "one-size-fits-all" approach (ECB-BoE 2014b: 5).

In response to the ECB-BoE consultation, soon before the election of the President of the Commission, AFME presented its own programme and priorities to build up "large and liquid capital markets" serving the needs of non-financial companies, in line with the Commission roadmap for the long-term financing of the European economy (AFME 2014a: 2). Interestingly, the paper showed the growing consensus around a securitisation agenda by providing a list of quotations by policy-makers which openly supported it, from officials of the IMF to the highest representatives of the BoE[5] and the ECB[6].

Echoing the ECB-BoE calls for 'adequate' regulatory treatment, AFME stressed again three urgent regulatory issues hindering a true relaunch of securitisation, like the Basel III draft proposals on revised capital requirements for securitisation, the Insolvency II capital weightings for insurers, and the streamlining of capital, liquidity and transparency requirements in the EU legislation. As proof and signal of a unitarian and strong coalition covering the EU financial sector and industrial groups, the paper referred to the call

5 “... securitisation could be the "financing vehicle for all seasons" if proper standards are maintained [...]. In a world where we are squeezing risk out of the banking system we would want a simple, safe, vibrant set of channels for non-bank financing to emerging and securitisation is one of those", Andrew Haldane, Director of Financial Stability at the Bank of England, December 2013, quoted in AFME 2014a: 7.

6 “We think that a revitalisation of a certain type of [asset-backed security], a so-called plain vanilla [asset-backed security], capable of packaging together loans, bank loans, capable of being rated, priced and traded, would be a very important instrument for revitalising credit flows and for our own monetary policy", Mario Draghi, President of the European Central Bank, Financial Times, March 2014, quoted in AFME 2014a: 7.

made by one of the biggest and powerful industrial sector in the EU, like the German Car Industry Association, not to hinder securitisation with the new Basel III and liquidity requirements, which would have “serious negative repercussions for the refinancing and therefore the sales, of the German automotive industry", consequently demanding "the adoption of a differentiated treatment of the most important securitisation segments, to which Auto ABS clearly belong" (VDA, BDI, AK: 1,3). As Reinhard Kudiss, Senior Economist at the German industry federation, put it:“[s]ecuritisation is an important form of funding for the real economy in Germany... We are very concerned that this area could suffer under present and upcoming regulations.” (AFME 2014a: 13). The German industry thus sided as the main ally of the European financial industry in pressuring against tougher regulatory requirements on securitisation, constituting the strongest pillar of the business interests in a broad European corporate coalition striving to set the agenda of the newly elected EU institutions on capital markets.

After candidate Juncker's pledge in July 2014 to work on a "Capital Markets Union" as primary initiative of its Commission Presidency (Commission 2014b) and soon before the parliamentarian vote on it in October 2014, the Federation of European Securities Exchanges (FESE, representing 35 exchanges in equities, bonds, derivatives, commodities), published a detailed 'blueprint', followed few weeks later by an "agenda for capital markets union" by AFME. The European organizations grounded their call for a revitalization of securitisation on the increasing competitive gaps of the EU capital markets in respect to both the US and the Asian markets. The EU's underdeveloped market-based finance in respect to the above competitors brought not only negative implications for growth in the real economy but more generally a "worrying indicator[r] for Europe's global economic power" (FESE 2014: 2). The catching up with the US and Asian markets was thus presented as the needed ambition for the EU to develop diversified (and market-based) sources of funding for SMEs and business. Thus, the objectives of a successful capital markets union were to be defined "by reference to the most developed and larger marketplaces in advanced economies", and foremost taking the US as the benchmark (AFMEb 2014: 6).

The reports and position papers provided a comparison between the EU and US capital markets, showing the low levels of stock market capitalization and debt funding provided by capital markets in Europe, together with the high dependence of SMEs funding from the banking system, making them vulnerable to the contraction of bank loans (AFMEb 2014: 22-24). In a report published in October, the newly born industry-led think tank *New Financials* offered an in-depth analysis of the 'underdevelopment' of EU capital markets to make the case for a major initiative by the EU policy-makers "to help break the link between low economic growth and the over-reliance on bank lending at a time when banks are paralysed by deleveraging" (New Financial 2014: 3). The report's executive summary offered some data to impress the policy-makers dealing with the sluggish economic recovery: the think tank estimated a 5 trillion dollars shortfall between what the European business raised through market-based finance and "what they might have been able to raise if capital markets were as developed as in the US"; 15 trillion of fund available for long-term investments in Europe if pension assets were "as big relative to the economy as in the US"; and about 36.000 of added companies that could have been backed by venture capital from 2008 to 2013 "if the Venture Capital Market were as deep as in the US" (New Financial 2014: 3).

Thus, while "a fundamental re-orientation of Europe's policies" (FESE 2014: 3) was needed and urgent for the industry associations and the corporate-friendly think tanks openly recognized that the EU bank-dominated system could have never been transformed into a US-like capital market one. The industry organizations rather pointed at setting a realistic path for a growth of capital markets in the EU so that they could meet in the short-term "the needs of economy" and, more ambitiously "reaching the level of effectiveness of the US markets in financing the US economy" (FESE 2014: 9, 29). Interestingly, the short-term targets of the CMU proposed by the different industry associations overlapped, with the AFME agenda referring to goals prospected by FESE: an evidence of the significant degree of cooperation among the organizations. Both the organizations proposed the concrete goal for stock market capitalization to reach 100% of EU GDP by 2020 (FESE 2014: 9; AFMEb 2014: 7). The industry "blueprint" and "agenda" for a CMU then covered a set of specific proposals revolving around few main policy aims, such as the relaunch of "high quality" securitisation markets, private placements, venture capital, pension funds equity financing,

together with the incentivize of capital market funding of SMEs.
Key strategies to achieve the above aims were first of all a prompt "review" and "calibration" of existing and in-the-making regulation in the EU - especially regarding the capital requirements and the related models of risk weighting, the Prospectus Directive and tax treatments for market investments in SMEs – together with a support for market-led initiative and focused regulatory interventions where strictly needed. Indeed the latter were expected to focus on removing barriers to investments and market-based financing, the standardization of provisions - like the criteria for "high-quality securitisation" and information regime for SMEs -, and the public commitment to targeted investments and long-term financing operations.

As we showed in this section, the organizations representative of the EU cross-border banks were crucial entrepreneurs in advancing views and proposals on the relaunch of financial markets' integration in the EU. They soon gained the support from European large business and export industries, in particular, the German automotive industry, as well as from the ECB and the Bank of England. In the end, the commitment with a deepening in capital markets integration by the candidate to the presidency of the European Commission, Juncker, and his election by the European Parliament in October 2014, locked in the CMU as major initiative of the new Commission in the EU financial governance, opening a new lobbying phase concerning the definition of the policy proposal. In the box below a summary of the main specific 'agenda setting' proposals of the different financial industry representatives is provided.

Table 2. Financial industry agenda setting on CMU

<table>
<tr><th>Issues</th><th>EFR
(2012-2014)</th><th>FESE
(13 October 2014)</th><th>AFME
(June, October 2014)</th></tr>
<tr><td rowspan="7">Securitisation</td><td></td><td colspan="2">- Growth in the size of European capital markets: "stock market capitalization to reach 100% of EU GDP by 2020".</td></tr>
<tr><td colspan="3">- Removing and avoiding regulatory and tax disincentives for investors, including capital charges reduction of capital charges and streamlining reporting requirements for securitisation.</td></tr>
<tr><td colspan="3">- Improving safety, transparency and neutrality in the securities markets.</td></tr>
<tr><td>Define and embed a core definition of high quality securitisation (in line with the PCS initiative)</td><td></td><td>Define and embed a core definition of high quality securitisation (in line with the PCS initiative)</td></tr>
<tr><td></td><td>- Developing financial consumer education and 'capital markets culture'.</td><td></td></tr>
<tr><td></td><td>- Increase active investments (rewards for 'active' institutional investors; streamlined process for corporate governance).</td><td></td></tr>
<tr><td></td><td></td><td>Greater harmonisation of insolvency rules</td></tr>
<tr><td rowspan="3">SMEs' access to capital markets</td><td></td><td colspan="2">- Review Prospectus Directive and MiFID II to incentivize market-based funding for SMEs</td></tr>
<tr><td></td><td colspan="2">- Reinforcing direct retail access to securities, bonds and equity markets; Privileged tax treatment for SME equity</td></tr>
<tr><td></td><td>- Promoting market-led initiative on IPO markets and SMEs' access to capital markets.</td><td></td></tr>
<tr><td>Private placements</td><td></td><td></td><td>Incentivize private placements and project finance by reviewing regulatory impediments and promoting market-led standardisation of information and practices</td></tr>
<tr><td>Investment plans</td><td>Policy-framework to incentivize the provision of more long-term finance via the capital markets</td><td>Investments in SMEs through "fund-of-funds" structures</td><td>Public support for EU long-term and focused investment plan an project finance</td></tr>
<tr><td>Covered bonds</td><td></td><td></td><td>Minimum harmonization approach on covered bonds at the EU level</td></tr>
<tr><td>Pension funds</td><td></td><td>- Giving pension funds a greater role in markets (neutral regulatory treatment towards public equity and bond markets for pension funds)</td><td></td></tr>
<tr><td rowspan="2">Equity markets</td><td></td><td colspan="2">- Improving neutrality in the choice between equity and bond financing (tax treatment).</td></tr>
<tr><td></td><td></td><td>-Harmonize the takeover bids regime</td></tr>
<tr><td rowspan="3">Market infrastructure</td><td colspan="2"></td><td>Ensuring that collateral flows is not constrained by excessive restrictions; providing certainty of cross-border share and collateral ownership</td></tr>
<tr><td colspan="2"></td><td>Integration of clearing and settlement systems</td></tr>
<tr><td></td><td>Further standardisation of data accessible to supervisors</td><td>Against a capital markets' single supervisory authority. Strengthening ESMA.</td></tr>
</table>

Source: EFR, AFME and FESE position papers and reports.

3. The CMU Action Plan

In the wake of the EU public and private initiatives for a relaunch of a 'high quality' securitisation and market-based financing to the EU economy described above, the Green paper on CMU already locked in the target of a deepening of capital markets integration in Europe (Pesendorfer 2015). The priority areas for "short-term action" largely mirrored the commitments already enshrined in the Commission communication on long-term financing of the European economy, targeting the barriers to companies' accessing capital markets, the enlargement of the investor base for SMEs, the development of high-quality securitisation, the promotion of market-based financed long-term investments. The consultation document basically asked the stakeholders to suggest additional areas of action and to detail concrete hypotheses of interventions in the already set priority areas (Commission 2015a: 10).
As we can notice in the table below the bulk of the industry pro-CMU coalition substantially mirrored that already formed in Commission consultation on Long-term financing, while the European associations of alternative banks shifted from a position of harsh opposition to a more dialoguing stance in regards to the revival of securitisation. On the contrary, a leading representative of civil society and sustainable finance groups, like Finance Watch, moved from a cautious support to the relaunch of capital market-financing towards a more critical position on the same assumptions of the CMU plan. Thus, if the non corporate pro-regulatory interests assumed a more critical stance, the banking sector as such gained more unity thanks to the EU representatives of alternative and small banks. Together with large EU industrial sectors, the transnational financial industry-led coalition strengthens itself in front of the EU policy-makers.

The final Action Plan on the CMU presented by the Commission fully confirmed the approach and priorities already drawn in the green paper, embracing a number of demands advanced by the corporate coalition, while the critical stances advanced by public advocacy groups think tanks and consumer organizations were largely ignored. In particular, the industry recommended approach in supporting market-led initiatives and avoiding as much as possible further top-down regulatory interventions were welcomed. For example, the Commission embraced the advice on the development of private sector managed pan-European venture capital funds-of-funds supported by the EU budget, committing to develop a specific proposal (Commission 2015b: 9). Similarly, the CMU Action plan endorsed market-led initiatives to overcome the information barriers for SMEs' access to capital markets (Commission 2015b: 10) and reiterated the commitment to work on standardization of processes and documentations to boost private placements, relying on private best practices formulated by the International Capital Market Association (ICMA) and the German insurance industry. On corporate bond markets, the Commission committed to reviewing the functioning of EU corporate bond markets "focusing on how market liquidity can be improved" by assessing and, if necessary, intervening in the potential impact of regulatory reforms, as signaled in the consultation by most of the industry respondents. (Commission 2015b: 13). A specific commitment was even made in regards to a plan for retail financial services, with the publication of a green paper scheduled by the end of 2015 that "will seek views on how to increase choice, competition and the cross-border supply of retail financial products" (Commission 2015: 18). The removal of barriers was the main objective even for the promotion of cross-border capital flows, investment funds and clearing and settlement infrastructures, the latter being a point added by the industry associations in the stakeholder consultation (Commission 2015b: 20, 24-25). As a further point particularly stressed by industry, the Commission committed to assess the case for a policy framework to establish a successful European market for "simple, efficient and competitive personal pensions", considered by "many respondents" a needed "building block of a CMU" (Commission 2015b: 19; Commission 2015c: 8, 45). In respect to EU supervisory framework, any mention of a unique supervisory authority for the European capital markets was removed, as particularly opposed by the British financial sector, while the broadly shared demand to strengthen supervisory convergence through the existing ESAs was included (Commission 2015b: 27).

Table 3. Main cleavages in the Commission consultation on the CMU Green Paper (2015)

Issues	Pro			Contrary	
	Totally in favour	*Not undermining the EU bank-based model*	*Strengthen focus on retail investors*	*In favour only under tight and ESG regulatory conditions*	*Harshly critical*
Rationale of the CMU	EU ass. (AFME, EFR, EFAMA, EVCA); Banks (Deutsche Bank, BNP, ING, UniCredit, Santander) National ass. (UK: BBA, IMA; Germany; BVI; France: AMAFI). Public authorities: UK.	EU banking ass.: EBF, ESBG, EACB, EAPB; National ass. (Germany: GBIC; France: FBF). Public authorities: Germany, France; Italy [no comments on FTT and Banking structural reform]	Consumers: Better Finance; BEUC.	Trade Unions: UNI Europa Finance, Nordic Financial Unions (NFU) NGOs: Fern, Global Witness, Friends of Earth, Eurosif	NGOs: Finance Watch Trade Unions: DGB
Review and calibration of financial regulation					Trade Unions: Uni Europa Finance, DGB, NFU; NGOs: Finance Watch,
Withdraw FTT and Banking structural Reform					
Revitalize securitisation				Trade Unions: UNI Europa Finance, NFU; NGOs: Finance Watch, Fern, Global Witness, Friends of Earth, Eurosif	Trade Unions: DGB
Widening investor base for SMEs					Trade Unions: UNI Europa Finance, DGB, NFU NGOs: Finance Watch
Simplification of the Prospectus Directive (companies' disclosure requirements)					Consumers: Better Finance; BEUC. Trade Unions: UNI Europa Finance, DGB, NFU NGOs: Finance Watch
Develop private equity and venture capital			Consumers: Better Finance; BEUC.		Trade Unions: UNI Europa Finance, DGB, NFU NGOs: Finance Watch
Strengthening supervisory and regulatory convergence					
Strengthen powers of ESAs / Single supervisor for EU capital markets	Trade Unions: UNI Europa Finance, DGB, NFU; NGOs: Finance Watch.				EU ass.: AFME, EBF, EFR, EVCA; National ass.: BVI, AMAFI, BBA, IMA. Public auth.: German Min. of Finance

Source: Commission EU Survey 2015

Lastly, as a major political issue raised before and during the CMU consultation, the Commission renewed its commitment to an overall revision of the financial regulatory framework, to make it more consistent and effective in channelling funding to the real economy (Commission 2015b: 16). In the same day of the CMU Action Plan, the Commission published the two key proposals for an EU framework for simple, transparent and standardized securitisation, together with the commitment to open a consultation on the revision of Prospectus directive on the transparency and disclosure requirements. As these last two policy initiatives constituted the major pillars of the CMU plan selected as case-studies, in the next sections I will provide an in-depth analysis of them.

4. The building up of CMU: two case studies

In this section, I provide an in-depth analysis of two policy initiatives constituting the major pillars of the CMU plan, whose outcomes have been brought about or at least defined in final agreements in the first half of 2017. These are the regulatory package on securitisation and the reform of the disclosure requirements of the Prospectus Directive.

4.1 Securitisation

As we already noticed, the Commission initiative on high-quality securitisation was at the same time the first building block of the CMU and the European response to a new international framework on the capital treatment of investors in securitisation. In December 2014 the Basel Committee issued the first version of the revised standards on the capital requirements for securitisation: a new "Basel III" framework addressing the weaknesses of the pre-crisis standards, identified in the banks' excessive reliance on external ratings, the insufficient risk sensitivity of the standards and the inadequate risk-weights for highly- and low- rated securitisation exposures (BCBS 2014: 1). According to the new standards, a unique hierarchy of risk-assessment methods of calculation would apply for all banks, having on the top the internal ratings-based approach – based on banks' internal risk assessment – (the SEC-IRBA), followed by a more risk-sensitive external ratings-based approaches (the SEC-IRBA) and lastly, whenever the use ratings for regulatory purposes is not possible or not allowed in the national legislation, recurring to a fixed standardised method (the SEC-SA). The new hierarchy and the revised methods of calculation established for each of the above-mentioned approaches would result in increased risk weights for highly-rated securitisation exposures and, on the contrary, reduced risk weights for low-rated senior securitisation exposures. Yet, this framework was to be integrated with a set of special criteria by an international task force composed by Basel Committee and the International Organisation of Securities Commissions (IOSCO) for identifying "simple, transparent and comparable securitisation instruments" which would benefit from favorable risk treatment. The task force issued a consultative document in December 2014, which largely paralleled the Commission consultation on securitisation. The latter thus represented the main venue for the European financial industry to obtain a most favorable risk treatment with respect to the Basel III standards and to actively condition the final setting up of the criteria of high-quality securitisation at the international level. Linked to the lobbying efforts at the international level, the revision of the capital requirements for securitisation, the treatment of risk-retention and the eligibility criteria for STS securitisation were the main issues at stake in the Commission consultation document.

Building on the on-going work of the BCBS-IOSCO task force, as well as to the recommendations issued by the European Banking Authority in October 2014, the Commission advanced a modular approach to distinguish and develop high quality securitisation, with the principles of "simplicity, transparency and comparability" constituting the foundation criteria "relevant across the whole financial system", and additional criteria to be devised for specific classes of assets in the different sectors (Commission 2015d: 6). The "simplicity" criterion referred to "homogeneous" securities, so excluding complex products as those composed of mixed pool of asset types, restricting the use of derivatives to strictly hedging purposes and forbidding pre-privatisation; "transparency" related to the scope and level of disclosure requirements, while the "standardisation" principle restricted to "true sale" securitisation[7]. Definitions and scope of the above criteria were subjected to the stakeholders' views and recommendations, together with the related revisions to the capital requirements, wherein tougher measures prospected for assets benefiting of low risk-weighting under the existing Basel II framework and the Capital Requirements regulation.

The highly technical nature of the questions posed, explicitly targeting the financial sector, reduced the political willingness and capability of a broader range of interest groups to participate in the Commission consultation. A look at the statistics reveals a net prevalence of industry interests: 82 out of 120 total responses came from the corporate sector, with 55 industry associations, 22 financial companies and 5 consultancy and law firms, with no respondents from SMEs' representatives (Commission 2015e). Paralleling the CMU consultation, cross-border banks and investment management firms, mainly coming from UK, France, Belgium, and Germany, were the stakeholders mostly involved in the consultation.

Given the numbers and profiles of the majority of respondents, indeed most of the comments expressed were highly critical of the Commission proposals. Mirroring the responses to the EBA consultation, the financial industry associations and large banks generally pushed to broaden the scope of eligible products for qualifying securitisation, including a range of short-term synthetic securities, so to reshape the criteria in a way that prevents the exclusion in principle of any specific type of securitisation[8]. As AFME put it, qualifying securitisation had to refer not to inherently "low risk" (as indicated by EBA and assumed by the Commission), but in terms of "well understood" and "properly modeled" range of products (see Commission 2015f). Most banking associations including the alternative banks, raised concerns on a prospected rigid harmonization of the qualifying criteria, demanding, on the contrary, to allow for more flexibility left to national authorities according to the different national market practices (in particular the positions of EBF, ESBG, EAPB, EACB: Commission 2015f). Both financial industry and business organizations strongly pushed in particular for ensuring the eligibility of short-term securitisations of trade and lease receivables: that is, of the asset-backed commercial paper (ABCP) (BDI; along the same line VDA and MEDEF: Commission 2015f). As the EBF denounced, the exclusion of the above products was substantively "inconsistent with regulators' desire to encourage lending to the real economy". The call for an inclusion of asset backed commercial papers and another shirt-term securitisation was largely embraced by the British and Continental financial authorities of Germany, France, UK, and Spain.

7 A securitization is 'true sale', when the investors get a legal right over the receivables, while in not true sale ones, investors are treated as unsecured lenders or being even in a worse situation in respect to the originators of the securities.

8 See for example the financial industry associations: EBF, EFAMA, IMA, BBA, GBIC, ABI 2015, Luxembourg Banking association, Irish industry securitisation working group, European Mortgage federation. Among the banks: Deutsche Bank, Barclays, BlackRock, UniCredit, BBVA (for the responses, see Commission 2015f).

Regarding the requirements for risk retention, the respondents from the financial sector generally pressured for lower risk retention requirements, especially for qualifying securitisations, and for a privileged treatment of trade receivables (EBF, GBIC, IMA, FBF, AFME, EFAMA: Commission 2015f). The French bankers' association observed that "the EU is at disadvantage compared to the US regarding retention requirements, as the US future regulation have lower retention requirements for certain asset classes (for example auto loans, mortgages not subprimes, commercial real estate loans)" (FBF in Commission 2015f). The public authorities here considered were, on the contrary, divided: HM Treasury supported the industry demands for a reduction of the risk retention requirements, while France and Germany defended the Commission approach, with the latter even asking for harsher measures.

A split emerged on the contrary within the financial industry on the degree of regulatory harmonisation to introduce in the securitisation market. The European-wide, the German and Italian associations generally advocated regulatory harmonisation (EBF, GBIC, ABI), while the British, French and Irish ones preferred a less stringent standardisation of STS securitisation (BBA, Irish industry securities forum, FBF, AMAFI), with the UK-based Investment Management Association advocating for "a supra-national structure" to promote investments "without impacting the current national securitisations regimes" (IMA in Commission 2015f).

As already anticipated, the corporate interests found a broadly shared ground in the opposition to the Basel III proposal of December 2014 and to its prospected transposition by the Commission as the very base of the European securitisation framework. According to the EU organizations of banks and investment firms, the new Basel capital requirements would have unfairly penalized securitisation across the different risk-weighting approaches (AFME), particularly imposing higher requirements on senior positions and thus "frustrating any attempts to promote and revitalize" the EU securitisation market (EBF). As interestingly noticed by Deutsche Bank, the new Basel proposals reflected the US experience of the subprime ABS performance in triggering the global financial crisis, leading to a "disproportionately punitively treatment", especially for the EU, so to critically "undermine the role securitisation could play in funding Europe's economy" (Deutsche Bank, in Commission 2015f). Private and public banking associations, as well as business representatives (foremost the German and French ones), highlighted the same criticisms, pointing at the contradictory moves of the EU policy-makers, by affirming the willingness to revitalise securitisation market while, at the same time, being prepared to impose new regulatory burdens fundamentally hindering it. French and German authorities aligned with the prevailing domestic industry positions, sharing the concerns of extremely punitive requirements which failed to take into account "the robust performance of most European securitisations" (German Federal Ministry of Finance, in Commission 2015f). Yet, although sharing a general criticism to the new Basel rules, the British financial industry appeared more dialoguing with the Commission stances, rather stressing the need to ensure global regulatory consistency by relying on Basel III and the future international framework on STC securitisation (BBA and IMA, in Commission 2015f), a position mirrored by HM Treasury.

Contrasting the demands of the corporate interest groups, NGOs and consumer representatives welcomed the mandatory exclusion of complex securitisation and strived for a more restrictive definition of the qualifying criteria. For example, Finance Watch favored the ban of synthetic products, "in order for qualifying securitisation to be truly simple", while expressing contrariety to the hypothesis of a special STS framework for short-term ABCP, as prospected by the Commission consultation document. Moreover, the tougher capital requirements on securitisation were warmly welcomed, while on the revision of the risk retention requirements a mandatory increase for both qualifying and non-qualifying instruments to the 15% of the whole securitisation was demanded (Finance Watch, in Commission 2015f). Raising a general criticism on the very rationale of the Commission initiative, the same broadening of the institutional investors base has been criticized: small and medium investors lacked the expertise and resource to properly understand the securitised instruments and to perform the due diligence required, so that "other more sustainable financing channels" would have been more desirable.

The Commission definitive proposal of September 2015 took as the basis the Basel III revised standards while anticipating the BCBS-IOSCO criteria for simple, transparent and comparable securitisation, a first draft of which was issued for a stakeholder consultation in November 2015. In this way, the Commission proposal on the STS criteria intended to influence the outcome of the BCBS-IOSCO task force, pressuring for an overall revision of the Basel standards leading to a global framework that could be sufficiently flexible to take European specificities into account.

Confirming what prospected in the consultation document and going against the shared industry demands, a conservative approach to the definition of STS criteria has been adopted, allowing only "true-sale" securitisation and excluding synthetic products, although "further work" was prospected on complex securities which "performed well" (Commission 2015g: 16). Though, a special STS regime for asset-backed commercial papers was included, as broadly demanded by both corporate interests and public authorities (Commission 2015g: 40-41). The proposal of STS criteria advanced a direct risk retention requirement of no less than 5%, together with reporting obligation on the originator, sponsor or the original lenders (Commission 2015g: 14, 31). Regarding the proposed amendments to the existing EU capital requirements framework, the Commission incorporated the new hierarchy of risk-assessment approaches contained in the Basel III revised standards of December 2014, as well as the mandatory risk weight floor of 15% for all the three methods (Commission 2015h: 8). Yet, the Basel III approaches were recalibrated in order to grant lower capital charges for assets qualifying under the STS criteria and a reduced risk weight floor of 10% (instead of 15%) has been proposed for senior STS securitisation (Commission 2015h: 9). As provision designed to incentivize lending to SMEs, a treatment equivalent to the STS securitisation was advanced for senior positions in SME securitisations (Commission 2015h: 10).

The ensuing trilogue negotiations saw a singular contrast between a broad coalition of the European financial industry and business interests striving to relax the STS criteria and reduce the related capital charges - the both deemed still too burdensome for a true revitalisation of securitisation in the EU -, and the resistances by the European policy-makers, fearing a too wide opening of the gates of securitisation to a pre-crisis like situation. Besides, shortly thereafter the vote on Brexit of June 2016 fundamentally altered the political conditions of the negotiations and the same project of CMU. The securitisation package has been the first pillar of the CMU to be subjected to a significant overhaul after UK abandonment of the EU table and the marginalization of the British financial industry, the largest and first supporter of the CMU plan. The splitting up of a broad European corporate coalition, hanging together the Continental cross-border banks and investment firms with the City of London, weakened the corporate strength in lobbying for a general reduction of the capital charges on securitisation and, more crucially, compromised the prospects of a third country equivalence regime in the STS framework, which suddenly become a major political issue in view of the future negotiations on Brexit. Yet, far from being radically compromised, the post-Brexit CMU became at the same time the occasion for the Continental financial industry and business, along with the German-French axis, to carve out a more tailor-made securitisation package to gain competitive advantages in front of the British industry. Thus, a narrower and more compact Continental coalition of corporate interests emerged in the wake of Brexit, strengthening the voice of the smaller and alternative banks.

The report of the European Parliament issued in December 2016 sanctioned such a shift in the securitisation initiative. Embracing the demands raised by the alternative banks, the European Parliament agreed on a crucial amendment aimed at changing the Basel III hierarchy of approaches to securitisation risk assessment, by inverting the order of the external ratings based method with the standardized one (EP 2016b: 7). In this way, the EP intended to further discourage the use of external ratings in the securitisation risk assessment, while granting at the same time a less onerous method of calculation for smaller and alternative banks which was likely to generate lower capital charges for highly risky assets. Already the Commission introduced in its proposal a proviso in the transposition of the Basel III hierarchy, establishing that when the use of the external ratings-based approach "would result in incommensurate regulatory capital requirements relative to the credit risk embedded in the underlying exposures" the banks could have the permission to recur to the standardised method (Commission proposal 2015: 4). With the proposed amendment, the European Parliament put into question the Basel III agreement and the mediation envisaged by the Commission and accepted by the Council.

On the proposal of regulation concerning the STS criteria, the parliamentary report introduced both tougher provisions, like an explicit ban on re-securitisation and a substantive increase of the risk retention requirement up to 10% of interest in underlying exposures of the securitisation (EP 2016a: 9), while confirming special qualifying criteria for short-term securitisation and mandating the Commission to issue a proposal on the inclusion of synthetic instruments once the EBA had issued specific STS criteria, "with a view to promoting funding to the real economy and in particular SMEs which benefit the most from such securitisations" (EP 2016a: 10-11).

The consultation on the CMU mid-term review in January-March 2017 gives us a clear picture of the key issues at stake the lobbying efforts of the corporate coalition focused on. The compromise emerging in the trilogue aimed at introducing additional restrictive STS criteria and increased capital requirements to hold against securitisation (Commission 2017a: 13). As well synthesized by AFME, the financial industry and business organizations shared the concerns that with the current proposals "then all securitisation – not just STS securitisation – could become prohibitively burdensome in Europe" (AFME 2017a: 24). The corporate coalition thus lobbied to obtain a reduction of the proposed capital charges, to prevent an increase of the risk retention requirement advanced by the EP report, to water down or to limit the ban on re-securitization and to obtain the inclusion of synthetic products in the STS securitisation (Commission 2017b).

The provisional agreement between the Council and the European Parliament in May 30 diluted most of the tougher amendments presented in the EP report, while confirming an overall restrictive approach towards third countries recognition in the STS system, so to configure an exclusive EU passport for high quality securitisation against the interests of the US-, and then UK-, based financial firms. Notwithstanding the pressures of the Parliament, the compromise agreed in the end confirmed a risk retention requirement at 5%, in accordance with existing international standards and in line with the Commission proposal and the Council's negotiating position (Council 2017a: 41). In addition, the ban on re-securitisation has been moderated, with the introduction of specific circumstances allowing it and subjected to a risk weight floor of 100% (Council 2017b:7), while the prospect of future STS criteria for synthetic products has been confirmed (Council 2017a: 5, 15-16). Moreover, a mandate was agreed to the EBA to further refine the homogeneity criteria by "ensur[ing] that the securitisation of SME loans is not negatively affected" (Council 2017a: 17). Due to their riskiness and poor performance in the past, an explicit exclusion from the STS criteria has been introduced on Commercial mortgage-backed securities (Council 2017a: 20). On the regulation amending the Capital Requirements, the inversion of the Basel III hierarchy has been subjected to additional conditions, privileging the SE-ERBA for low- and medium-rated tranches of STS securitisation, restricting the use of the standardised approach for non-STS securitisation and allowing the institutions to use the external ratings-based approach for rated securitisation if SEC-IRBA is not available (Council 2017b: 6).

The European financial industry blamed the confirmation of the increased capital charges in the final agreement. The EBF regretted the unwillingness of the EU legislators to adequately take into account the performance of European securitisations and of the future STS products. Although recognizing that "many" of the concerns expressed by industry have been addressed, the EBF judged that "[i]t is now unlikely the new framework will help generate additional financing as envisaged" (EBF 2017: 2). A negative view shared by the German and French bankers federation (BDB 2017, FBF 2017), while surprisingly AFME publicly affirmed to be "confident that the long-term impact of the STS framework will be positive" (AFME 2017b).

4.2 Prospectus directive

The revision of the Prospectus directive represented a core premise of the whole CMU action plan. The prospectus is the document containing the core information a company must provide in order to issue securities on a regulated market in the EU: the very first gateway for firms seeking to fund in the capital markets. For this reason, the streamlining of the disclosure requirements set in the 2003 directive has been a priority initiative for the Commission to deliver.

The stakeholders' consultation on the reform of the Prospectus directive runs parallel to that on the securitisation package in 2015. As outlined in the CMU programme, the consultation document exposed the need to ease the prospectus so that " it does not act as an unnecessary barrier to the capital markets", allowing companies – indeed with particular reference to SMEs – to raise capital throughout the EU "as straightforward as possible (...) while maintaining effective levels of consumer and investor protection" (Commission 2015i: 2-3). Reducing the costs and the administrative burdens for firms to issue the required prospectus were expected to incentivize them to seek market-based financing apart from traditional bank lending. Therefore, the main issues presented to the stakeholders regarded the redefinition of the thresholds referred to the amount of the investments to raise and the persons involved in it, above which making the prospectus mandatory: the Commission asked arguments and projections of the costs of an eventual increase from the current EUR 5 mln and 150 persons. Moreover, the question was raised on the scope of discretion left to Member States' authorities in fixing national thresholds for publication of a prospectus below the EU threshold. Another relevant issue was the possibility to exempt or mitigate the prospectus requirement for secondary issuances, that it for securities already traded in the markets, provided that relevant in-formation updates are made available by the issuer, on the basis that the prospectus is already required for initial public offerings. Lastly, a main point put into the discussion was the possibility to introduce the prospectus even for issuance in the Multi-lateral Trading Facilities (MTFs), the trading platform introduced with the MiFID II legislation.

The main cleavages between corporate and consumers/investors interests revolved around the relaxation or confirmation (if not strengthening) of the existing disclosure requirements. The industry interests showed a noticeable degree of cohesion, inasmuch as expressing a fundamental support to the same rationale of the Commission initiative, consisting in streamlining the existing rules. Concerning the thresholds for the mandatory issuing of the prospectus, the financial industry and business organizations largely agreed on the need to raise it from EUR 5mln to 10 mln (or more), with a parallel raise of the persons involved in the investment, from 150 to 500 or more. and against national discretions in lowering the thresholds for the mandatory prospectus (Commission 2015l: 4). On the contrary, public authorities as well as investors and financial users associations deemed unnecessary an adjustment of the existing thresholds and national discretions (Better Finance, FSUG) (Commission 2015l: 3-4, Commission 2015m).
On the requirements for secondary insurance, the large majority of industry respondents favoured the lightening or exemption from the prospectus, while the national authorities called for its mitigation, while just a representative from investors responded to the question, favouring a mitigation of the directive on the point (Commission 2015l: 5-7; Commission 2015m). Finally, in regards to the extension of the prospectus to admission to trading to MTFs another major cleavage emerged between the financial industry, is unanimously against it, and the investors/users favoring, on the contrary, its the extension to MTFs. As AFME put it "adding a prospectus requirement for MTF listings is unnecessary and would be contrary to a main thrust of this review—simplification of the capital issuance process" (AFME in Commission 2015m).
The commission definitive proposal mostly reflected the instances advanced by the industry interests. Contrary to what preferred by investors' representatives and the public authorities, the threshold for obligatory prospectus was raised from EUR 5 mln to 10 mln, below which the Member States could fix their national thresholds, while for issuance inferior to EUR 500.000 there would be no requirement for a prospectus at all (Commission 2015n: 13). Yet, against the industry demands, the threshold of 150 natural or legal persons for securities offer has been maintained (Commission 2015: 36).
As largely agreed by different stakeholders, the issuance of securities by companies already admitted to trading would have benefited from simplified prospectus containing only minimum information covering the preceding year. Moreover, the SMEs would benefit from a lighter prospectus in case of an offer of securities to the public, provided that they have already not been admitted to trading on regulated markets

(Commission 2015n: 16). Professional "frequent" issuers would have benefited as well of a streamlined registration mechanism under the "universal registration document", ensuring a "fast-track approval" with the competent authority. Lastly, no provision was introduced for a mandatory prospectus to trading in the multi-lateral trading facilities, as widely demanded by the financial industry.

The trilogue agreement, reached only in April 2017, modified the proposed thresholds to incentivize SMEs' and non-financial companies public offerings and trading of securities, as indicated by the amendments proposed by the European Parliament. The threshold below which no prospectus is required has been raised to EUR 1 mln, while the range for the discretionary application of national thresholds by the Member States put between EUR 1 mln and 8 mln (EP 2017: 7; Council 2017c: 9). While the simplified procedure for secondary issuances was confirmed, the issuing of the universal registration document has been made "optional", so not obligatory, for trading in MTFs (Council 2017c: 25, 21). In the end, though the threshold for prospectus was lowered from 10 mln to 8 mln euro, it can be concluded that the demands of the financial industry have been largely met with respect to the initial Commission proposal, against tougher measures requested by consumers, non-corporate interests and even against the initial stance of most of the public authorities.

Conclusion

The empirical analysis of the different stages of the legislative process and the two case-studies above examined has shown mixed results in relation to the hypotheses and expectations introduced in the first section of the study. While the agenda-setting stage, the definition of the CMU Action Plan and the outcomes of the reform of the Prospectus directive seem to confirm our hypotheses of the conditions for the corporate coalitions to successfully achieve the preferred outcomes in the policy-making process, the most case-study on the framework for STS securitisation appears more problematic.

As we noticed, in the agenda-setting process leading the CMU initiative, the cross-border banks and securities exchanges in the EU acted as the main entrepreneur in advancing a market-led framework for 'high quality' securitisation and in detailing policy proposals to relaunch capital markets in the EU and water down the on-going burdensome regulation. They successfully coalesced with the large European business associations and found the crucial support of both the ECB and the BoE, while non-corporate pro-regulatory interests were prudently critical, but not overly opposer, to a relaunch of qualified securitisation. Although the hard oppositions of different domestic and alternative banking associations, the idea of a major overhaul of capital markets in Europe was locked-in thanks to the open commitment of the EPP's lead candidate to head the Commission, relying on the previous communication on "Long-term financing" of the outgoing Barroso presidency. In this case, thus, the building up of a large and diversified corporate coalition of interests under the aegis of the EU transnational market players revealed to be successfully in putting the revitalisation of capital markets as priority policy for the next Commission to boost investments and growth in Europe: both our first hypothesis and the expectations regarding the demands of the stakeholders and public officials involved look substantially confirmed.

The definition of the CMU Action Plan was largely shaped and backed as well from an even larger corporate coalition, with a softening of the opposition and subsequent prudent support from the domestic and alternative banks, while a broad agreement on its main tenets and policy initiatives came from the Council and the European Parliament. The approach and proposals already envisaged in the CMU Green paper were confirmed and additional recommendations advanced by financial industry groups included in the final CMU action plan. The low public saliency environment regarding financial regulatory issues and the reduced number of consumers and non-corporate pro-regulatory interest groups participating in the consultation, together with the little space of contestation of the very basic tenets of the Green paper, significantly compromised the lobbying capacity of these actors in respect to corporate ones.

Again, the reform of the Prospectus directive saw a large coalition of industry interests winning most of the preferred outcomes, successfully raising both the thresholds for exempting the mandatory issuing of the prospectus, introducing simplified disclosure requirements for small business and for professional investors, as well as blocking proposed additional measures, like the introduction of the prospectus for multilateral trade facilities. Such a broad and cohesive coalition significantly contrasted the shared demands coming from investors and financial users to prevent a softening of the prospectus requirements, even supported initially by different public authorities. Even if the Council and the European Parliament intervened on a Commission proposal mostly embracing the industry demands, in the end, the latter could be considered a true winner of the reform process.

Yet, in the case of the securitisation package, the trilogue agreement seems to contradict our initial hypothesis. The final framework for STS securitisation fell short of the cross-border financial industry expectations, in spite of the broad corporate coalition lobbying for them, the support granted to the industry demands by key EU governments like those of German and France and the apparently weak mobilization of non-corporate and pro-regulatory interests. How to account for such a shortcoming? As we already noticed, in this case at least two exogenous factors played a crucial role in weakening the corporate coalition. First, the fixation of tougher requirements for securitization in the Basel III revised standards – mirroring an enduring hard regulatory approach in the US and UK regulators -, could be supposed to have induced or amplified the resistances of the Commission and the European Parliament to a loose framework triggering an uncontrolled boom in securitisation market at the expense of financial stability. Differently, from the cases above mentioned, the EU supranational institutions were rather firm from the outset in introducing strict and specific conditions for a revitalization of the securitisation markets, as we observed in the Commission proposals and in the amendments advanced by the European Parliament. If the financial industry hoped to use the 'STS' label as a trojan horse to an ambitious liberalization and expansion of securitisation in Europe, their expectations were critically downsized. Secondly, the outcome of the Brexit referendum in June 2016, the resignation of Commissioner Hill and the corresponding weakening of the British financial industry – representing the true hub of securitisation in Europe - in the lobbying process, crucially broke the unity EU financial industry coalition, leaving more leeway for the Continental domestic banking sectors that pushed for a more prudent and *ad hoc* measures to incentivize securitisation. So, in the end, the EU policy-makers adopted a highly selective approach, responding in particular to the exigencies expressed by the alternative banks and SMEs, in allowing a more favorable hierarchy of risk-calculation methods and by allowing a favorable treatment of certain specific classes of securities. Yet, while the most ambitious claims expressed by the financial industry have been frustrated, after all the corporate coalition(s) obtained some important results, like the specific STS criteria for short-term securitisation, the watering down of the EP proposals for higher risk retention requirements, the exemptions in the ban on re-securitisation and the opening of a future negotiation on specific criteria for synthetic securitisation. In the light of these last observations, we could notice in the end how such a weakened industry coalition exerted a significant influence – at least in preventing the introduction of tougher measures by the EU legislators. Overall, our first hypothesis could find a confirmation, even with a proviso. The fragmentation of the corporate coalition indeed affected its lobbying influence and chances of success (as we expected), but in this case – more than the public issue saliency of the activism of pro-regulatory groups – the two exogenous factors above identified seemed to have determined such an unfavourable environment for the transnational financial players, contrary to what we expected from our second hypothesis.

In conclusion, our analysis showed the key role played by cross-border banks and financial firms in setting the terms of the CMU plan and in influencing most of its parts, by building up a shared consensus with other financial and economic interests. Those private actors identified by the existing literature as the main beneficiaries of the CMU were at the same time the main architects of it. Yet, contrary to the simplistic views on an absolute corporate regulatory capture, our research shows at the same time how the industry interest groups could fall short of their ambitions in presence of regulators' resistances and facing unexpected events (like the Brexit) compromising their influence. As the first achievements of CMU project show, the EU financial governance is thus an open-ended and contested process, even considering the weaknesses of pro-regulatory groups and the incomparable lobbying power of the transnational corporate sector.

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