

# Webinar Report

## EuropeanIssuers Capital Markets Webinar Series: Digitalisation of EU Capital Markets



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## EuropeanIssuers Capital Markets Webinar Series

## Digitalisation of EU Capital Markets

17 November 2020

11.00 – 12.15

Webinar Report

Moderator: *Robert Koller, Executive Chairman of the Board, european primary placement facility (eppf) S.A. & Member of EuropeanIssuers*

## Speakers:

- *Peter Kerstens, Adviser for Technological Innovation and Cybersecurity, Horizontal Policies, DG FISMA.B, European Commission*
- *Friedrich Luithlen, Global Head of Debt Capital Markets, DZ Bank*
- *Adam Shaw, Founder & Executive Chairman of the Board, ScribeStar*
- *Hervé Labbé, Co-founder & CEO, NowCP*

European economic recovery post-Covid in many ways depends on reviewing its capital markets. Europe has to discover ways to make public equity and debt financing more attractive for SMEs and, generally, reduce the entry barriers for accessing capital markets. The solutions to today's challenges faced by listed companies pass by technology and digitalisation of capital markets. Moderated by **Mr Robert Koller**, the webinar showcased the practical technology tools that can be used to help issuers in the field of listing, fulfilling regulatory obligations stemming from the EU capital markets legislation and discussed the implications of the digitalisation of capital markets for issuers.

The first panellist, **Mr Adam Shaw**, presented five key areas necessary to drive technology change in capital markets, in order to allow companies to access and stay in the public markets more efficiently and at a lower cost. Among the drivers identified, Mr Shaw focused on the technology trends, including Cloud Services, data and analytics, which efficiently support the markets infrastructure, allow for a smoother flow of data and financial information and increase their reporting, analysis and usability, thus increasing the chances of an equity culture and lowering regulatory burdens. Other factors relate to the rules of the Capital Markets Union (CMU), as well as the listing and ongoing compliance problems, which would benefit significantly from the digitalisation in terms of clarity, structure and usability. Drivers of these changes should be the stock exchanges, creating a virtuous circle where accessing to capital is easier and cheaper. Finally, Mr Shaw stressed the necessity to be aware of the several challenges opportunities arising from different situation, including the COVID-19 crisis.

**Mr Peter Kerstens** addressed the topic from a regulatory point of view, emphasising the difficulty of balancing the reduction of regulatory diversity, to avoid barriers and segmentations, vis-à-vis the level of intensity of the harmonisation within the Single Market. The European Commission follow a rather agnostic approach on the level of intensity, acting to address diversity. Following a question by the moderator, Mr Kerstens also acknowledged the innovative nature of sandboxes, which may offer potential to experiment, but stressed mostly their ability to create a link between supervisors and innovators to start a learning dialogue. Finally, Mr Kerstens reflected on the role of the EU in being at the forefront of technological development, capital for digitalisation, stating his optimistic view as an opportunity for Europe to thrive in this environment, but acknowledging the lack of willingness to take risks and allow more technological investments at a European level, rather than with a local and narrow objective.

Drawing from his experience on the ground, **Mr Hervé Labbé** outlined the differences between bond markets and commercial paper markets. As regards to the first, it can be recognised as a real European market, presenting a diversification of investor base and a real relation between issuers and investor. On the other hand, the commercial paper markets is non-transparent, presenting a lack of contact between the issuer and the investors and with a position closer to local realities and markets rather than a broader approach. This type of market also appears to be poorly digitalised, thus not allowing to manage liquidity gap in the best way, which is not the case for bond markets, that are more and more efficient in addressing this issue thanks to digitalisation, also helped by MTF licence. Finally, Mr Labbé acknowledged that bond markets are mainly dedicated to large-sized companies, and urged this trend to change in order to allow for an improvement of the system.

In his intervention, **Mr Friedrich Luithlen** fed in the discussion bringing the perspective of the banking sector, with a focus on its cooperation with digital platforms. In particular, Mr Luithlen described the essence of this cooperation, which starts by them looking at the services provided in the context of bringing a bond to market, identifying a couple, among which there are placement and allocation, documentation, underwriting, advice and validation of the decision taken by issuers. Furthermore, they look at the different steps of the process to identify which part is best taken care of through platforms, which is the case for documentation and placement and allocation, but not for validation, as platforms avoid any common liability. All these elements are balanced towards a final decision.

In relation to crypto bonds, **Mr Friedrich Luithlen** enquired a future possibility of mirroring this legislation at the EU level. While **Mr Peter Kerstens** reported about the current proposals on the table, focusing on crypto assets and on a pilot regime to support distributed ledger base and central securities depositories, he excluded a possible mirroring of such legislation in the EU, as there is no consensus on a bond or share definition, thus being a very political and national issue.

Following a question from the audience relating to the improvement of access for SMEs to capital markets, **Mr Adam Shaw** reflected on the necessity of lowering the cost of capital raising for SMEs, improving the overall listing process and allowing SMEs to raise capitals in a more efficient way. In this regard, digitalisation plays an important role, as it could help this transition in a more efficient and easy way.

In the closing remarks, reflecting on the future of capital markets, participants shared their positive thoughts and reported their confidence in seeing markets more inclusive, with a couple of established platforms providers for liquid European bond markets.

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**EuropeanIssuers** is a pan-European organisation representing the interests of publicly quoted companies across Europe to the EU Institutions. There are approximately 13,225 such companies on both the main regulated markets and the alternative exchange-regulated markets. Our members include both national associations and companies from all sectors in 14 European countries, covering markets worth €7.6 trillion market capitalisation with approximately 8,000 companies.

We aim to ensure that EU policy creates an environment in which companies can raise capital through the public markets and can deliver growth over the longer term. We seek capital markets that serve the interests of their end users, including issuers.

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