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Mr. Martin Merlin
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DG MARKT
European Commission

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Re: European Commission Consultation on the Green paper on the long-term financing of the European economy

Dear Mr. Merlin,

CFA Institute appreciates the opportunity to comment on the European Commission's Consultation on the Green paper on the long-term financing of the European economy.

We are a global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behaviour in investment markets and a respected source of knowledge in the global financial community. The end goal is to create an environment where investors' interests come first, markets function at their best, and economies grow. CFA Institute has almost 117,000 members in 139 countries and territories, including more than 108,000 Chartered Financial Analyst® charterholders, and 138 member societies.

In order to inform our replies, CFA Institute has polled its European members. The results of such survey are attached in Annex I.

CFA Institute appreciates the broad approach taken by the European Commission in this consultation, as no single initiative or funding source is going to be sufficient to inject adequate funds into the real economy.

We also consider that it is imperative to reflect on the cumulative impact on the real economy of the many recent regulatory changes and of the proposals under discussion, in particular on the unintended consequences that are now emerging.

Our members strongly support regulatory initiatives strengthening long-term investing, and they stress the fact that such initiatives must be appropriately structured and take investors' needs into account. Furthermore, in order to reduce incentives to short-termism for investment managers,

we recommend that their institutional client mandates should be modified, and that their performance evaluation horizons should be lengthened.

A revival of securitisation would be – according to our members – one of the most important factors to channel more long-term financing to the European economy. In particular, it represents a promising channel for SME funding. However, progress towards a pan-European securitisation market requires simple structures and better collateral transparency, as well as improvements in standardisation of legal frameworks (bankruptcy laws, credit hierarchy, and guarantees, for example).

Specific Comments:

1) Do you agree with the analysis above regarding the supply and characteristics of long-term financing?

CFA Institute broadly agrees with the European Commission's analysis that the capacity of the economy to provide the financing for long-term investment depends on its ability to generate savings and attract and retain foreign direct investments, however we consider that it oversimplifies the situation. Intermediaries such as institutional investors (pension funds, insurance companies, fund managers) are not mentioned at all in this analysis, and are only introduced much later as part of potential solutions. While the funds they channel into the economy originate from households or corporates, their investment horizon as well as their investment preferences are different (and longer-term) from those attributed by the Commission to households/retail investors. Institutional investors are the crucial link between households and the real economy, and their role should grow in importance as a result of lower government spending and bank deleveraging. Also the analysis of household investment preferences is somewhat superficial, as it overlooks the growing need for households to save for retirement, and the proliferation of private pension solutions.

2) Do you have a view on the most appropriate definition of long-term financing?

We have no specific view on the most appropriate definition of long-term financing. However, regardless of the definition chosen, we encourage the Commission to consider a broad spectrum of solutions that look beyond infrastructure investment. Investment in the real economy is suffering and would benefit from solutions that consider the diverse borrowing needs of large and small firms that could restore economic growth in Europe.

ENHANCING THE LONG-TERM FINANCING OF THE EUROPEAN ECONOMY

3) Given the evolving nature of the banking sector, going forward, what role do you see for banks in the channelling of financing to long-term investments?

In view of the dramatic change in regulation affecting banks in the European Union and worldwide, a majority of CFA Institute members expect that banks will continue to reduce their financing of long-term investments. A more pronounced shift from bank financing to capital market financing of the European economy is therefore inevitable, and the role of banks will evolve towards more intermediation and advice to help corporates source funding from the markets.

The European Commission should carefully evaluate the global impact of existing and planned financial regulation covering both banks and other capital markets participants to ensure that negative consequences on the real economy are minimized.

National and multilateral development banks and financial incentives

4) How could the role of national and multilateral development banks best support the financing of long-term investment? Is there scope for greater coordination between these banks in the pursuit of EU policy goals? How could financial instruments under the EU budget better support the financing of long-term investment in sustainable growth?

5) Are there other public policy tools and frameworks that can support the financing of long-term investment?

CFA Institute has no specific comments on financial instruments under the EU budget or other policy tools. We acknowledge the key role of national and multilateral development banks in supporting the financing of long-term investment and many among our members see a leading role for development banks in re-launching securitisation in the European Union (see our answer to Q14).

Institutional investors

6) To what extent and how can institutional investors play a greater role in the changing landscape of long-term financing?

Institutional investors can play a much greater role in long-term financing, but a number of changes are needed for them to meet this goal. Most importantly, the regulatory framework (both at EU and at national level) for asset owners and asset managers should incentivise long-term investing. Secondly, tendencies towards short-termism should be countered by changes in criteria for investment mandates (towards longer-term assets) and – even more importantly -- a parallel lengthening of performance evaluation periods for managers of asset portfolios. In particular, our members consider that an emphasis by institutional investors on short-term performance metrics should be discouraged, and welcome the introduction of funds targeted at long-term investment.

If the regulatory framework is supportive, the move towards long-term assets will also be reinforced by currently low yields. Such a shift may initially be slow, due to a lack of know-how among institutional investors about some investment categories (infrastructure and loans, for example), and due to requirements to maintain certain liquidity levels. Nonetheless, it should be encouraged by regulation, as Europe's traditional reliance on bank lending and government spending cannot continue, particularly in an environment where banks deleverage and public deficits force governments to cut investments. Furthermore, a move to longer-term investing should be beneficial to institutional investors in terms of higher yields and better matching of assets and liabilities.

An attractive and proportionate regulatory framework could also help attract non-EU capital and further boost growth.

7) How can prudential objectives and the desire to support long-term financing best be balanced in the design and implementation of the respective prudential rules for insurers, reinsurers and pension funds, such as IORPs?

CFA Institute members are concerned that some of the prudential rules for insurers (Solvency II) could excessively reduce incentives to invest in long-term assets in favour of short-term assets. They therefore welcome the decision by the European Commission to ask the European Insurance and Occupational Pensions Authority (EIOPA) to make suggestions for a recalibration of the regulatory capital requirements. Equally welcome is the decision not to include solvency rules in the upcoming revision of the Directive on activities and supervision of Institutions for Occupational Retirement Provision (IORP Directive), subject to further study. Any future prudential regulation for pension funds should encourage them to invest in assets appropriate to the long-term nature of their liabilities while also avoiding a bias against equities and in favour of short-term assets or government bonds (which can no longer be generally considered as "risk-free assets").

8) What are the barriers to creating pooled investment vehicles? Could platforms be developed at the EU level?

CFA Institute members welcome the commitment by the European Commission to draft proposals for a new category of funds (Long-Term Investment Funds, or LTIFs), separate from the UCITS framework. Such a framework should be sufficiently flexible to allow for investments in different categories of assets (not just infrastructure), and while redemption periods should be much longer than those for UCITS, liquidity needs (also for institutional investors) should be taken into account, in order to make the funds attractive.

Other platforms for pooled investment by institutional investors should certainly be encouraged, but a standardized framework with EU passport is likely to be more attractive than local alternatives. In any case, institutional investors will need to develop expertise with new asset classes, and many such investors will continue to prefer to invest indirectly, such as via a fund managed by a specialist fund manager.

In view of the possible illiquidity of the underlying assets, any new fund framework or pooled vehicles should offer enhanced disclosure and transparency regarding risks and redemption restrictions, especially to retail investors.

9) What other options and instruments could be considered to enhance the capacity of banks and institutional investors to channel long-term finance?

See our answer to Q14 on securitisation. Besides securitisation, the development of municipal and regional bonds with tax incentives should also be considered.

The combined effects of regulatory reform on financial institutions

10) Are there any cumulative impacts of current and planned prudential reforms on the level and cyclicality of aggregate long-term investment and how significant are they? How could any impact be best addressed?

We believe there are considerable cumulative effects on long-term investment deriving from current and planned prudential reforms covering all the financial actors and many aspects of capital market activities. We are unfortunately unable to provide quantitative evidence.

The efficiency and effectiveness of financial markets to offer long-term financing instruments

11) How could capital market financing of long-term investment be improved in Europe?

12) How can capital markets help fill the equity gap in Europe? What should change in the way market-based intermediation operates to ensure that the financing can better flow to long-term investments, better support the financing of long-term investment in economically-, socially- and environmentally-sustainable growth and ensuring adequate protection for investors and consumers?

13) What are the pros and cons of developing a more harmonised framework for covered bonds? What elements could compose this framework?

According to our survey of CFA Institute members, the development of a European project bond market has the highest likelihood of improving the financing of long-term investment in Europe, followed by the development of SME loans securitisation and by improved supervision and transparency of securitisation markets. Only 24% of our members consider that greater harmonisation of covered bonds would improve capital markets financing of long-term investments.

14) How could the securitisation market in the EU be revived in order to achieve the right balance between financial stability and the need to improve maturity transformation by the

financial system?

An important feature of securitisation is that originators of financial assets — typically banks — have the flexibility to create instruments that more closely meet the investment horizons of investors. However, a lack of transparency and a tendency toward complexity, not to mention a higher degree of review from investors and regulators alike, have made securitised instruments unacceptable for many investors. Nevertheless, we consider that a limited number of regulatory changes could enhance the acceptability and attractiveness of this market.

First, our members consider that changes in the solvency regulation of long-term institutional investors are needed to increase investment in securitisation. Furthermore, more standardisation and improved transparency of securitisation products and of the origination process are key for a revival of securitisation. More homogeneity with regard to rules relating to how the pools of assets are originated and administered would help investors, who are currently faced with great differences from country to country. Furthermore, changes to mitigate differences in legal frameworks (bankruptcy laws, credit hierarchy, guarantees) would remove a serious obstacle to investment in securitisation and to the creation of a pan-European securitisation market.

Involvement and guarantees by institutions such as the European Investment Bank, the Kreditanstalt für Wiederaufbau in Germany, or by the European Central Bank would provide quality safeguards and help revive the market. This could help in particular the securitisation of SME loans. Although some forms of government support may be necessary at this stage to create or re-start parts of the securitisation market, past negative experiences in the US require vigilance, to discourage an excessive dependence on public guarantees.

Industry initiatives to re-launch securitisation would also be welcome, as long as they improve transparency and avoid the complex structures that characterised securitisation before the financial crisis.

The opaque nature of the collateral backing securitisation deals is one of the main reasons for investors' avoidance of securitisation issues. Rules to enhance the pre-offering and on-going disclosure requirements for securitisation markets, therefore, would go a long way toward improving investor acceptance of this market.

Some of our members also consider that to overcome the differences in legal frameworks certain long-term investments (for example SME loans) could be given a label if they meet a given standard of documentation requirements, allowing an investor to compare with confidence a SME loan originated from Italy against one from the Netherlands. While the traditional differences would still exist, by setting up a standardisation of loans, a two-tier categorisation could develop with one category for standardised loans and the other for investors who are comfortable with the current level of transparency. The market would price these two categories accordingly.

Similarly to the transparency premium, investors also could demand a complexity premium. Although they agree there is a need to reduce the complexity in the structures of securitisation vehicles, some CFA Institute members believe that a two-tier structure could exist – one tier where structures are simplified and one tier where structures are complex. Again, the market would price them accordingly.

By enhancing rules for transparency of such offerings and creating a transparency label and a simplified structure, the market could be opened to investors who do not want less-transparent and complex structures, or are unable to analyse them. As a result, more transparent and less complex structures could be priced more cheaply and be more liquid.

CROSS-CUTTING FACTORS ENABLING LONG-TERM SAVING & FINANCING

15) What are the merits of the various models for a specific savings account available within the EU level? Could an EU model be designed?

CFA Institute has no specific comment, but we note that any model for an EU savings account should also consider national tax incentives currently in existence for similar accounts. We also wonder whether savings accounts (usually deposits with short-term redemption possibilities) are the best vehicles to channel funding to long-term investments. Different models could be considered to channel funds to specific sectors of the economy or projects, as shown by discussions in Belgium about the creation of tax-incentivised term deposits with relatively long maturities, to finance SMEs or public projects.

Taxation

16) What type of CIT reforms could improve investment conditions by removing distortions between debt and equity?

17) What considerations should be taken into account for setting the right incentives at national level for long-term saving? In particular, how should tax incentives be used to encourage long-term saving in a balanced way?

18) Which types of corporate tax incentives are beneficial? What measures could be used to deal with the risks of arbitrage when exemptions/incentives are granted for specific activities?

19) Would deeper tax coordination in the EU support the financing of long-term investment?

37% of CFA Institute members consider that reforms of Corporate Income Taxation could improve investment conditions by removing distortions favouring debt over equity (either by abolishing tax deductibility of interest payments for borrowers, or reducing corporate taxation of

dividends). However, other tax reforms could also help incentivise long-term investment, for example diversifying tax rates for long- vs. short-term investors, or granting tax incentives to investors in start-ups, venture capital and SMEs.

Tax incentives for individuals saving for retirement (either through pension schemes or through personal pension products with long redemption periods) should be encouraged, also in view of the diminishing payouts from social security schemes.

Accounting principles

20) To what extent do you consider that the use of fair value accounting principles has led to short-termism in investor behaviour? What alternatives or other ways to compensate for such effects could be suggested?

While it is legitimate to consider the economic consequences of financial reporting information, we would disagree with the premise of the question that fair value accounting is a contributory factor to short-termism by investors. We disagree with this premise for several reasons. First, we emphasize that during the security selection process fair value measurement provides information that is useful for **all types** of investors and enhances the overall transparency of reporting companies. There is a significant body of academic evidence highlighting the decision-usefulness of fair value information. For example, there is evidence showing that such information sheds light on actual risk exposure of reporting companies. Furthermore, a recent paper[1] shows that if leverage of banks were to be determined based on fair value information, it would have been a more effective predictor of credit risk and the likelihood of bank failures during the sub-prime crisis.

The desirability of fair value information for investors has also been evident through the feedback from several CFA Institute surveys[2] conducted over the last few years. In this respect, it is worth highlighting that CFA Institute members comprise of investors across different asset classes (e.g. equities, bonds, private equity and hedge funds) and with different investment philosophies (e.g. long-term oriented value investing, passive investment funds versus arbitrage-extraction players). That said, there was no evidence from our surveys that value investors, who typically have longer holding horizons, considered fair value information not to be beneficial from a long-term value perspective.

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[1] Blankespoor,E., Linsmeier,T.J., Petroni,K., and Shakespeare,C. (2012), *Fair Value Accounting for Financial Instruments: Does it Improve the Association between Bank Leverage and Credit Risk?,* Working Paper, Stanford University, FASB, Michigan State University and University of Michigan.

[2] The summary of surveys can be accessed through the following links http://www.cfainstitute.org/ethics/Documents/survey_summary_for_fasb.pdf. As an example, a 2008 survey with 2006 respondents showed that 79% of respondents considered that fair value for financial institutions improved transparency and contributed to understanding the risk profile of these institutions.

Second, the proposed link between fair value information and investor holding horizons seems to be highly tenuous and implied, rather than being concretely established by empirical evidence. The Green Paper has noted that '*some research highlights a reduction by institutional investors in equity allocations in investment portfolios, since equity is considered more volatile and risky than bonds. Other research argues that market-consistent valuation may encourage long-term investors to increase their risk exposure, if the volatility is recognised outside their profit and loss accounts.*' Regardless of the validity of the observation in the mentioned research, this does not amount to evidence of the culpability of fair value accounting as a factor driving these trends. An examination of asset allocation trends across different economic cycles shows that the movement across equity and bond asset classes is not unidirectional; it moves both ways depending on the economic environment. Preference for either equity or bonds is driven by several factors prevailing at any point in time including interest rate levels, risk appetites of investors, inflation levels, to mention just a few. Besides, as noted, fair value information is useful for bond investors (e.g. as a predictor of credit risk and loss potential) as it is equity investors.

Furthermore, the argument that if investors consider the market value of assets and liabilities whilst determining the aggregate enterprise value, this could lead to riskier choices and sub-optimal asset allocation, seems to overlook several lessons learnt from the financial crisis. The financial crisis highlighted the merits for investors to always have an up-to date view of the true value of underlying assets and liabilities (e.g. securitized assets, residual interests and other complex financial instruments). The absence of such information simply leads to moral hazard by originators of securities and sub-optimal allocation of capital by investors.

The third point would be that although the primary question is about investor short termism, the lack of fair value information would likely exacerbate principal-agency conflicts and engender short-termism by issuers of securities. Said differently, fair value helps to minimize principal-agency conflicts as it reduces the information asymmetry regarding the value of assets and liabilities of companies. Reducing agency conflicts is beneficial to all investors, especially long-term investors. The agency conflicts that could arise were evident through the previously pervasive practice of 'gains-trading' by bank financial institutions prior to introduction of fair value measurement for financial instruments. The lack of fair value information made it easier for banks to have discretion towards reporting profits and concealing losses of their portfolios. In turn, 'gains-trading' led to sub-optimal balance sheet management and short-term oriented behavior such as maximizing near-term manager compensation and bonuses. In this respect, the absence of fair value information would in fact be detrimental to long-term value for investors.

In sum, companies providing information about the fair value of assets and liabilities has not been proven to alter either the asset class choice or the holding horizon of securities by investors. In addition, the benefits of fair value measurement for investors outweigh the rather tenuous concerns about its impacts on investment horizons.

Going forward, what is important is to enhance presentation and disclosure requirements around fair value information to help investors distinguish between realized and unrealized portions of fair value gains or losses. It is also important to have sufficient transparency about the fair value determination such that investors can process such information in proper context relative to other measurement basis being applied.

Corporate governance arrangements

21) What kind of incentives could help promote better long-term shareholder engagement?

Our members believe that enhanced corporate governance reporting could help promote long-term shareholder engagement. In particular, they support improving transparency of remuneration policies and enabling shareholders to have a non-binding vote on such policies. They also support strengthening the rules on voting transparency for institutional investors.

22) How can the mandates and incentives given to asset managers be developed to support long-term investment strategies and relationships?

As already mentioned in our reply to Q6, long-term investment strategies could be greatly enhanced by reducing the emphasis on short-term performance metrics reporting and benchmarking. Furthermore, pension funds and insurers could review the types of assets included in mandates and accept longer-term (but potentially more illiquid) categories, although that may require a change in regulation.

Remuneration policies of asset managers could also be used to discourage short-termism by investment managers, while at the same time incentivising managers to adopt a long-term outlook for the assets they manage on behalf of end investors.

23) Is there a need to revisit the definition of fiduciary duty in the context of long-term financing?

We consider that fiduciary duty definitions should not depend on the type of investment, but should apply equally to all types of investments (short- and long-term).

Information and reporting

25) Is there a need to develop specific long-term benchmarks?

A majority of CFA Institute members consider that the development of long-term benchmarks would be helpful.

However, it should be highlighted that replication of long-term benchmarks is likely to be difficult, as long-term assets are illiquid by nature, and their investability is generally low.

The ease of SMEs to access bank and non-bank financing

26) What further steps could be envisaged, in terms of EU regulation or other reforms, to facilitate SME access to alternative sources of finance?

27) How could securitisation instruments for SMEs be designed? What are the best ways to use securitisation in order to mobilise financial intermediaries' capital for additional lending/investments to SMEs?

28) Would there be merit in creating a fully separate and distinct approach for SME markets? How and by whom could a market be developed for SMEs, including for securitised products specifically designed for SMEs' financing needs?

29) Would an EU regulatory framework help or hinder the development of this alternative non-bank sources of finance for SMEs? What reforms could help support their continued growth?

In a CFA Institute's survey[3] in January 2013, our members thought that that the following solutions could potentially attract funding to SMEs:

1. providing further investment-driven tax relief for SMEs
2. business/investor group mentoring schemes
3. creation of European social entrepreneurship funds
4. reducing the capital adequacy and risk weighting burden for SMEs

Some of the above solutions have already been put into practice at EU level (points 3 and 4), while tax relief is more easily dealt with at national level. Mentoring schemes could benefit from government support, but should be promoted by industry and investment professionals. In this regard, the Elite platform managed by Borsa Italiana could also be an interesting example. This initiative consists in a programme aimed at supporting selected SMEs to access public and private equity markets through an educational process of cultural and organizational change, introducing them to the capital markets, enhancing relations with the banking and enterprise systems, and fostering internationalization

The steps mentioned in the Green Paper[4] all seem worth pursuing (and in some cases have already been implemented or have been proposed, such as SME Growth Markets in Art.35 of the

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[3] http://www.cfainstitute.org/Survey/smes_poll_survey_report_28_jan.pdf

[4] EU frameworks for investment in venture capital and social entrepreneurship funds, proposals for "SME growth markets", developing venture capital, dedicated markets and networks for SMEs, as well as developing new securitization instruments for SMEs, standards for credit scoring assessment of SMEs, and other non-traditional sources of finance (such as leasing, supply chain finance, crowdfunding).

MiFID II proposal). However, our members consider promoting securitisation of loans to SMEs as particularly promising.

In order to facilitate a more direct access of SMEs to institutional investors, a further tool to be considered could be a closed debt fund investing in bonds and financial promissory notes issued by SMEs, supported by a public guarantee scheme and accessible only by institutional investors. Debt funds for SMEs could also be specialized in specific industrial districts, fostering the development of local financial ecosystems, contributing to diversification of funding sources and to the establishment of a new equilibrium between credit supply and demand.

Informational asymmetries could be reduced by means of platforms, possibly supported by the public sector, providing valuation and information services on the credit standing, due diligence, business planning, business risk, financial reporting and monitoring. The greater accessibility to information on issuers provided by such platforms would simplify issuing requirements and help reduce costs.

Other useful tools related to SMEs debt financing could be:
a) the creation of a securitisation vehicle investing in bonds and financial promissory notes issued by companies and issuing senior debt securities to be purchased by institutional investors and banks, as well as junior securities to be purchased by credit guarantee consortiums or other guarantors;
b) bank issuance of special purpose bonds: a bank commits to invest the funds, or a multiple of them, by lending to local companies with specific features and at given spreads; these bonds are partly guaranteed by credit guarantee consortiums or other guarantors and are targeted at institutional investors; the bond issuance could also take the form of covered bonds whose underlyings are outstanding SME's loans.

Securitisation instruments for SMEs need to be simplified with the underlying collateral made more transparent, and less levered. Some CFA Institute members consider that there would be merit in creating a fully separate and distinct approach for SME markets. There are precedents in Europe of securitisation vehicles (such as CDOs) backed by SME loans in the UK, Spain and Germany[5].

While lack of collateral transparency and complexity of structures remain an issue, with the appropriate regulatory and transparency changes an effective approach for SME markets could be created. As already mentioned in our reply to Q11-12-13, some forms of government support may be necessary at this stage, but an excessive dependence on public guarantees should be discouraged.

Please see also our reply to Question 14.

[5] See http://www.highbeam.com/doc/1G1-144876401.html

![CFA Institute]

30) In addition to the analysis and potential measures set out in this Green Paper, what else could contribute to the long-term financing of the European economy?

Lack of clarity and stability of regulation has emerged as a clear concern from our members. Certainty of future regulatory developments on shadow banking and implementation of solvency rules are crucial to increase long-term investment by institutional investors.

We hope our comments will be of assistance to the Commission. Please do not hesitate to contact us should you wish to discuss any of the points raised:

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Kind regards,

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ANNEX I

Results of CFA Institute Membership survey on Long-Term Financing of the European Economy[6]

Q1. In view of recent and on-going reforms, do you think that commercial banks in the European Union (EU) will:

Increase their financing to long-term investments	9%
Keep their financing to long-term investments at the same level	16%
Reduce their financing to long-term investments	69%
No opinion	6%

Q2. In your opinion, what impact, if any, do the new EU prudential rules for insurance companies (Solvency II Directive) have on incentives to invest in long-term assets (equities, infrastructure, etc.) in favour of short-term assets

The new rules reduce incentives to invest in long-term assets in favour of short-term assets	60%
The new rules increase incentives to invest in long-term assets.	6%
The new rules have no impact on investments in long-term assets vs. short-term assets	6%
No opinion	28%

Q3. Do you think that a recalibration of capital requirements in the Solvency II Directive is required to resolve the bias towards short-term investments, or are there other changes that are necessary?

I think a recalibration of capital requirements in the Solvency II Directive is required to resolve the problems	58%
Other changes are required	8%
No opinion	31%
No changes are required	6%

[6] 381 members responded to this survey.

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Q4. In your opinion, should prudential rules similar to those in Solvency II also be applied to pension funds such as occupational pension schemes regulated by the IORP Directive?

Response	%
No, prudential rules similar to those in Solvency II should not be applied to pension funds	32%
Yes, prudential rules similar to those in Solvency II should be applied to pension funds	30%
No opinion	24%
Not sure	14%

Q5. In your opinion, why should prudential rules similar to those in Solvency II not be applied to pension funds?

Response	%
They are not appropriate for pension funds	83%
They could lead to the insolvency of many pension funds	26%
Other	16%

Q6. What impact, if any, do you think on-going discussion on shadow banking will have on investing in long-term assets?

Response	%
On-going discussion on shadow banking will have no impact on investing in long-term assets	23%
On-going discussion on shadow banking will lead to regulation that ultimately further reduces investment in long-term assets	43%
Other impact	4%
No opinion	12%
Not sure	20%

Q7. In your opinion what, if any, are the barriers to investment in long-term assets faced by investment managers when managing discretionary mandates?

Response	%
Performance evaluation based on short periods	70%
Client regulatory requirements	49%
Client preferences	4%
Consultants' preferences	20%
Other	8%
No opinion	4%
I don't think there are any barriers to investment in long-term assets	3%

Q8. What, if anything, is required to change the attitudes of investment managers and their clients towards long-term investing?

Change in attitudes by consultants	27%
Change in regulation of institutional clients (insurance companies, pension funds, etc.) incentivising long-term investment	56%
Creation of funds targeted at long-term investment (with less frequent redemption)	40%
Less emphasis on short-term performance metrics	73%
No changes are required	2%
Other	6%
No opinion	3%

Q9. In your opinion, how helpful, if at all, would the creation of a new European Union framework for Long-Term Investment Funds be?

Not helpful at all 1	13%
2	14%
3	18%
4	26%
Very helpful 5	18%
No opinion	10%

Q10. Which of the following, if any, could improve capital market financing of long-term investment in Europe?

Development of a European project Bond market (for bond financing of infrastructure projects) with involvement of European Commission etc.	52%
Improved supervision and transparency of securitisation markets	44%
Development of SME loans securitisation	44%
Greater harmonisation of covered bonds	24%
No improvements are necessary	3%
Other	10%
No opinion	9%

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Q11. In your opinion, how, if at all, would reforms of Corporate Income Taxation improve investment conditions?

They would remove existing distortions favouring debt over equity	37%
Reforms of Corporate Income Taxation would not improve investment conditions	18%
Other	5%
No opinion	40%

Q12. Corporate governance incentives could help promote better long-term shareholder engagement by:

	Strongly disagree			Strongly agree		
	1	2	3	4	5	No opinion
improving CG reporting by firms.	2%	12%	19%	32%	27%	7%
improving transparency of remuneration policies	2%	8%	20%	35%	29%	5%
providing shareholders with the right to vote on remuneration policy	3%	10%	21%	30%	29%	7%
strengthening rules on voting transparency for institutional investors	2%	11%	24%	35%	22%	7%

Q13. In your opinion, is there a need to develop specific long-term benchmarks?

Yes	51%
No	26%
Not sure	23%