PENSIONS EUROPE

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PensionsEurope Response

The European Commission's Green Paper on long-term financing of the European economy

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1. Identification

PensionsEurope represents national associations of pension funds and similar institutions for workplace pensions. Some members operate purely individual pension schemes.

PensionsEurope has **23 member associations** in EU Member States and other European countries with significant – in size and relevance – workplace pension systems[1].

PensionsEurope has established a **Central & Eastern European Countries Forum (CEEC Forum)** to discuss issues common to pension systems in that region.

PensionsEurope member organisations cover the workplace pensions of **about 80 million European citizens.** Through its Member Associations PensionsEurope represents approximately **€ 3.5 trillion of assets** managed for future pension payments.

PensionsEurope Members are large institutional investors representing the **buy-side** on the financial markets.

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[1] EU Member States: Austria, Belgium, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, Netherlands, Portugal, Romania, Spain, Sweden, UK. Non-EU Member States: Croatia, Guernsey, Iceland, Norway, Switzerland.

2. General Comments

PensionsEurope very much welcomes the European Commission's public consultation on its Green Paper on long-term financing of the European economy.

Pension funds and other institutions for occupational retirement provision (IORPs), for purposes of this response jointly referred to as: "pension funds", are very suitable long-term investors, due to the match with the long duration and maturities of their liabilities. With the right incentives being given and all relevant conditions being met, pension funds can play a very important role in long-term investment (LTI) enhancement. For the same reasons, we deem it very important that the specific features and needs of pension funds and, ultimately, their beneficiaries are specifically taken into account throughout the entire LTI debate and upon the creation of any possible further regulation and/or instruments.

In this respect, please particularly note the following:

- For pension funds and their dedicated asset managers it is most important that any possible measures will continue to allow them to always meet their required risk-return profiles. Pension funds, and their dedicated asset managers, should never be forced to invest or divest in certain specific assets and/or regions. The same goes for (not) being forced to make investments to a certain extent / in a certain degree. Ultimately, their investment discretion should always remain fully intact.

- Prudential regulation applying to pension funds should not discourage LTI. Imposing inappropriate quantitative measures to pension funds will take the exact opposite effect.

- Pension funds will simply need monies to invest. It will thus be equally important to provide for the right saving incentives.

- Short-term features of regulation, resulting in pro-cyclical behaviour, discourage LTI. Mark-to-market valuation principles are one example of counter-productive measures.

- Financial markets regulation should take the specific features of pension funds into account, much more than currently is the case. It is also this type of regulation that currently prohibits pension funds from making and/or increasing LTI. This is due to the liquidity constraints that are a consequence of imposing these regulations. Examples are: the FTT, EMIR (mainly the currently proposed margin requirements for non-cleared OTC derivatives), MiFID/MiFIR, AIFMD, and more. The current cost load of regulation is extraordinarily high and this while many of these measures do not seem to aim at the proper targets.

- The debate on LTI touches upon many different areas of expertise and regulation. PensionsEurope deems it to be of utmost importance to also monitor the interconnectedness and accumulated impact of all of these various areas/regulations, and across the different jurisdictions.

- As to fully new (regulatory) initiatives: these should not be taken forward until the aforementioned cumulative impact analysis has been made. We do note that in general we would support the creation of long term investment funds (LTIF), albeit subject to all relevant conditions being met (as further explained below). LTIFs may make infrastructure projects more accessible for –particularly- the smaller and medium sized pension funds, by bringing in the so needed knowledge and expertise and providing for the benefit of economy of scale by pooling assets for different types of risks.

- Elements of Environmental, Social and Corporate Governance (ESG) / Responsible Investments (RI) are relevantin relation to LTI.

Please find below our more detailed reaction to the consultation document.

3. Answers to the questions

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

The (both potential and existing[2]) LTI role of pension funds should in our view be emphasized to a greater extent. The match with the long duration and maturities of their liabilities, often amounting to a much as 10-25 years, makes pension funds very suitable long-term investors. Creating LTI incentives and/or removing LTI barriers for specifically pension funds, should be catered for.

The importance of (pension) saving incentives should be stressed. Pension funds need monies to actually be able to invest. On the other hand, although the main beneficiaries are households because of their savings, the greater complexity usually associated with

[2] For statistics and figures on pension funds' existing contribution to LTI, we refer to the report for G20 leaders called 'The role of banks, equity markets and institutional investors in long-term financing for growth and development', as issued by the OECD in February 2013.

long-term investment, requires the mobilisation of institutional investment. It should be pointed out that nationalization of pension funds, which converts their financial assets into liquidity, contradicts the role of institutional investment. Inadequate saving capacity of countries has also contributed to slowing long-term financing of the economy.
Further, we find the distinction that has been made by 'productive capital' on the one hand and 'financial capital' on the other to be less relevant. Whichever of the two is to be preferred depends on the type and nature of a specific project.

Investors being involved with the business invested in and able to monitor and influence the business management where required, is an important LTI notion as well.

And, finally, LTI should also encompass: not being forced to 'fire sale' assets at bottom prices when acting counter-cyclical.

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

We deem LTI practicalities to be more important than the actual definition thereof – but the definition as such does not seem to be incorrect.

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

As stated, pension funds are suitable -and willing- to take their part in long-term financing. Pension funds will, however, generally not engage in direct lending as such. In other words: pension funds are not banks and should also not fulfill that function. Pension funds' primary responsibility is to provide for pensions. Full reliance on bank financing for LTI purposes should be avoided, but banks are needed to add their own specific value. We need a balanced system.

Banks add value when providing for (short-term) liquidity as well as services in relation to the management of loans. The latter with the use of their very specific knowledge thereof, which is of particular added value to the market, as investors typically lack such skills and extensive experience.

Maturity transformation and providing financing for (larger) projects, can be deemed to be the classical, original function of banks - which function should remain intact.

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?

National and multilateral development banks can support financing of LTI in a number of ways.

In general, it is important that national and multilateral development banks never 'crowd out' other (institutional) investors.

National and multilateral development banks' primary focus should be on risk management. Solid risk management and risk mitigation makes LTI projects very attractive for channeling of private savings.

Also, national and multilateral development banks are in the best position to drive the adoption of ESG standards market-wide by making the adherence to ESG standards mandatory for projects financed by them. This would help create greater uptake of ESG in the due diligence of investors at large as they invest alongside these banks.

If national and multilateral development banks do take part in the actual financing of LTI projects, they should have some sort of a catalysing role, rather than a pure profit seeking one. Their participation may well attract other (institutional) investors. Multilateral developments banks could, when participating in LTI-projects, also leverage the investments of other (non-multilateral development banks) investors in these projects. More specific, multilateral development banks could also grant a preferred creditor-status to these other investors, as such improving the risk profile of these projects for these investors. National and multilateral development banks may also play a role in the exchange of knowledge on long-term assets and support pension funds in building up and using the necessary expertise.

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

Stable regulatory and tax requirements are key. The (total) administrative burden and cost load of any such measures should be as low as possible, particularly in the current low interest rate environment.

Standardization of contracts, mainly in relation to public-private partnerships, is an example of a specific area that may benefit from harmonization through the use of -the proper- public policy tools and frameworks. Also, the procurement rules in the different EU Member States should be harmonized and observed. Often times, procurement processes are being slowed down or even cancelled because of increased bureaucracy and permits (for example in emerging markets).

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

As stated, we think that institutional investors, and particularly pension funds, can be key players in the enhancement of LTI – provided that the right incentives are given and disincentives, such as an LTI discouraging regulatory environment, are avoided or eliminated. As pension funds are required by law to invest in the interests of their members and (ultimate) beneficiaries, taking the 'prudent person principle' into consideration the relevant risk-return profiles should always be met and continuous investment discretion is always key.

On the other hand, the focus should not only be on the stimulation of the supply side of LTI (i.e. the availability of long-term financing), but also on the demand side thereof (i.e. the actual availability of -suitable- LTI projects).

And, as stated, savings will need to be generated in order for pension funds to actually have monies available for investment. Administrative burdens and (regulatory) cost loads should be reduced as much as possible for the same reasons.

It actually is a three stage process:

i) having funds available for investment;
ii) being able to meet all required investment conditions; and
iii) availability of suitable LTI projects.

All elements should form a part of the LTI debate, specifically in respect of creating conditions for institutional investors to enlarge their LTI contribution.

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?

The (currently postponed) application of quantitative rules to pension funds would result in capital charges that would in fact punish longer duration, lower rating of non-sovereigns and securitization. This would be <u>very</u> detrimental for pension funds' ability to engage in LTI.

As this discussion is being held in other forums, we will not elaborate hereon, but we do once again stress that with both defined benefit (DB) and defined contribution (DC) pension funds, the risk does not lie per se with the pension fund itself and that pension funds have social objectives and social benefits and should not be considered purely from a commercial perspective.

The contributory requirements that quantitative rules similar to the insurance sector on DB pension schemes would entail would eliminate the corporate interest in the funds created for the benefit of their workers, and pension funds would cease to be the cornerstone of long-term financing, as it is being discussed.

The concern with the issue of quantitative rules is not derived from the fact that this cannot, in theory, represent an important contribution to prudent management which safeguards the interests of retail investors, but that it derives from the criteria currently in the balance that have an exaggerated preference for capital enhancement, for liquidity and risk aversion, all of which are adverse factors, either for investment or for long-term saving under consideration.

Thus, as recognized in this Green Paper, regulators need to adopt a more flexible and supportive approach to dealing with investment risk involved in capital instruments and long-term debt.

The DB and DC pension schemes can be very different in their investments. They can act differently in LTI. LTI and the risks entailed can be different for a DB fund based on intergenerational solidarity and risk sharing than for a DC fund where individual scheme members bear the risks.

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

Pooled investment vehicles may especially be attractive for smaller and medium sized pension funds. These pension funds may particularly benefit from economy of scale and access to knowledge and expertise. Pooled investment vehicles are important for smaller IORPS so that they can invest in long-term projects without jeopardizing the diversification of their asset allocation. But pooled vehicles are also important for those who seek LTI in general: they allow smaller projects to be pooled together in order to benefit from the investments pension funds make. We would support further exploration of the possibility to create such pooled investment vehicles for the same reasons.

The different tax regimes applicable to investment vehicles and market participants are likely to create an obstacle for creating EU-wide pooled investment vehicles. Investors' tax positions should never be less beneficial than the ones under the current, national regimes. The (possible) influences of the FTT likewise are a very relevant factor to take into account in this respect.

The same goes for the regulatory treatment of such vehicles and the investment conditions thereof (governance structure, risk-return profile, other participating investors, and so on).

We would like to point out that local industry initiatives may serve as examples for the actual creation of the pooled investment vehicles.

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

Public-private initiatives may be further explored. In time it could be considered to take an European wide approach, fostering public-private initiatives across borders within a transparent and stable framework.

In order to mobilize the long-term financing capabilities of institutional investors, it is essential that general trust in the banking sector is restored as soon as possible. Banks are the only intermediaries that possess sufficiently developed credit and monitoring departments, without which it is almost impossible to do a proper selection for extending long-term loans, and to monitor these loans effectively during their lifespan. Thus, cooperation and alignment between banks and institutional investors could greatly enhance the possibilities of extending long-term financing to the European economy in a responsible and productive way.

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?

In general, the reform of the financial sector, higher liquidity requirements for banks, additional capital charges for insurers and pension funds, may well shift investments to fixed income securities in order to minimize risk. Sponsors might get difficulties to get access to liquidity which will shift their focus on profit generation and cost reduction. This may put the development of occupational pension plans under strain. In the end we may end up with fewer assets for the financing of long-lived capital goods. In order to break this vicious circle, we should encourage risk taking and install the appropriate vehicles for risk measurement, risk management and risk control, respectively to know but also to avoid and definitely to protect in case it would go wrong.

Please see our response to Question 7 in relation to prudential measures and also our earlier remarks in relation to the cumulative impact of other types of regulation.

In the context of new regulatory measures aiming at banks it should, additionally, be noted that pension funds will also be faced with the indirect effects/costs thereof, as banks will (wholly or partially) pass on the costs they have to make to other market participants such as pension funds. In sum, the cumulative costs and charges resulting from of all these reforms of the existing market structures will be very substantial for end investors, affecting pension funds' asset allocation policies and restricting the pool of (illiquid) assets they can invest in.

And, finally, regulatory measures for derivatives transactions by pension funds, and their dedicated asset managers, should not be penalizing. Derivatives can also contribute to LTI. We additionally note that the margin rules as these are currently being drafted by a working group of the Basel Committee and IOSCO, do not take into account the creditworthiness and non-leveraged status of pension funds, or the fact that pension funds use derivatives for hedging purposes only. As a consequence thereof, hedging of risks will become much more expensive and pension funds will have to set aside large amounts for initial margin purposes, in the form of highly liquid financial instruments. Given the fact these margin rules will (also) have a punitive character, pension funds may be restricted in making LTI as a consequence thereof.

11) How could capital market financing of long-term investment be improved in Europe? / 12) How can capital market financing of long-term investment be improved 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?

Many Member States do not yet have national, overarching master plans for real estate and infrastructure investments, let alone that this would be EU harmonized. If such plans exist, these oftentimes are subject to political risk. Political stability is key. Approaches should not change every single time again - not for political reasons (such as elections) or any other reasons.

We repeat that pension funds are suitable and willing to take their part in LTI enhancement, but that LTI enhancement as such should be a combined effort of the various market players involved, across the EU.

Stability and certainty in relation to policy measures on energy and climate change require more specific attention. Without stable and predictable frameworks, the risk-return profile of RI investments will not be attractive for long-term institutional investors.

We also repeat our previous remarks in relation to the LTI supply side versus the LTI demand side.

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

A harmonized framework could increase the investment appetite for covered bonds. Currently covered bond markets are fragmented along national lines due to differences between local markets with respect to various fields of law governing these instruments (e.g. bankruptcy and property law). A harmonized market for covered bonds has the potential to reduce the required capacity needed to fully assess the relevant characteristics of each individual covered bond market in order to become comfortable to invest in the relevant covered bond. A harmonized framework may attract new investors and increase the appetite of investors that currently already invest in certain covered bonds markets. At the same time, a harmonized framework has the potential to increase the appetite to issue covered bonds. Such increased investors' base, combined with an increased issuers' base, may result in an increased liquidity in a single European covered bond market.

On the other hand, covered bonds are issued by banks that each have their own policies and remain in control of the composition of the security provided and monitoring and collection of the cash flows. We are not sure if harmonization will reach far enough to enable potential investors, supervisors and rating agencies to evaluate and compare individual covered bonds on a uniform basis. Lastly, in order for the harmonized framework to become a success the differences in local law between the various EU Member States should be overcome, which may be a challenge.

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?

As opposed to the covered bonds markets, we find the securitization markets to currently be very fragmented. The introduction of some sort of an 'EU label' may definitely help.

Revival may be pushed by standardizing the securitization markets, making it more transparent and by carefully analyzing (or rather: reconsidering) the prudential treatment of securitization transactions.

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?

We believe that it is important to recognize the distinct role and functions of work related (second pillar) pensions and individual (third pillar) pensions. It is beneficial to learn from the different pillars, although lessons from one pillar may not always be applicable to the other. Third pillar pensions promote and improve citizens' overall retirement benefits. We would be in favour of and follow initiatives to further improve third pillar pension quality, for example through certification schemes, with interest.

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

Although taxation naturally is a matter of national competence, the EU could perhaps do more to assess the impact of this situation on LTI and to share best practice.

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?

Again, when savings are stimulated, more monies will be available for LTI. Any (sensible) incentives, whether from a tax perspective or otherwise, would thus be welcomed by PensionsEurope.

The so-called EET regime (contributions exempt, income exempt, tax on the receipt of benefits/rebates only) seems the most appropriate regime.

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

Deeper EU tax coordination may be beneficial, as long as tax regimes are (politically) stable and double taxation is avoided at all times.

In this respect, we also mention the possible FTT implications including the detrimental (direct or indirect) effects thereof for pension funds and, ultimately, their beneficiaries.

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?

Long-term investors want an accounting system which provides a prudent, true and fair view of companies' capital position, incentivises long-term stewardship of invested capital and promotes stable and economic growth. Accounts that provide a true and fair view of company performance are critical to supporting long-term decision making within companies and confidence amongst investors.

Many pension funds feel that in recent years, however, accounting standards have contributed to the trend amongst long-term investors of moving away from the provision of long-term equity risk capital and switching instead to government and corporate bonds.

As long-term investors, pension funds have limited liquidity needs and are able and willing to hold illiquid assets, provided that the prevailing regulation allows them to do so.

Due to the special nature of infrastructure and other LTI projects, these do not benefit from mark-to-market valuation principles. Many LTI projects do not have real market values.

In general, we are in favor of international accounting standards, but do strongly feel that the relevant expert groups should be consulted in the process thereof, thereby taking into account the long-term nature of pension funds' investments.

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

In our view engagement extends across the whole investment cycle. The availability of clearly defined and commonly accepted expectations and standards for ESG disclosure are very conducive to facilitate engagement with and by investors. Promoting the widespread adoption of asset-class specific standards would be very useful.

Enabling shareholders to hold their investee companies to account requires a functioning voting chain that allows for cross-border voting. If this was made easier it would create an incentive for take-up by a greater number of investors. Likewise, introducing a vote on remuneration policies Europe-wide would be welcome by way of triggering greater dialogue between investee companies and shareholders.

We see merit in an EU-wide agreement on shareholder responsibilities. We find that in many markets boards are not used to engaging with their shareholders and hence establishing this as a (routine) duty of the board would be valuable.

We wish to point out that we are opposed to double voting rights or other enhanced voting rights as it favors entrenched shareholders who can also be entirely passive.

Again, the main incentive would be created through a uniform (tax and) regulatory environment which promises stability over the long-term and is tailor-made, rather than based on a 'one size fits all' approach.

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

Most important is the alignment of interests – only this way the success of LTI can be ensured. In addition, it will be important to make sure that throughout the entire chain of entities and persons involved with the asset management activities, no incentives are given whatsoever (whether stemming from fees or otherwise) to drive short-term behavior.

Below are some more detailed elements that may be considered. In general, we think that industry initiatives and best practices are more suitable tools in this respect than creating (new) legislation.

A mandate handed by a pension fund to its asset manager(s) should be structured to encourage a strong focus on the long term. Fees and any other performance incentives are to be set out in the investment management agreement (IMA) and are a matter for negotiation between a pension fund and its agents. In assessing the appropriateness of a fee structure it is legitimate for a pension fund to be satisfied that the remuneration structure within an asset management firm is consistent with the mandate to be awarded. The structure of the fees paid should match the objectives of the individual investor. Greater clarity from asset management firms on pay structures would certainly be welcomed by pension funds. It is also important that pension funds effectively monitor and manage their investment consultants to ensure that incentive structures are set up in a way that does not promote frequent manager turnover.

Pension funds should monitor their manager's investment performance ideally with reference to long-term absolute performance. During the course of the year pension funds should be endeavouring to understand how their investment managers invest and how their ownership rights have been exercised. When assessing investment performance, pension funds should seek to discuss performance with reference to the previously agreed upon investment strategy and not feel pressured to respond to what may be short-term market fluctuations. Consideration should be given to the impact of factors which may not be reflected in current market values, but may impact on the value of investments over the long-term.

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

The currently existing fiduciary duty definition to us seems suitable in the context of both short-term and long-term financing. The relevant contracts between pension funds and asset managers should also always give a clear overview of the asset manager's duties and responsibilities.

24) To what extent can increased integration of financial and non-financial information help provide a clearer overview of a company's long-term performance, and contribute to better investment decision-making?

Increased integration of financial and non-financial information can undoubtedly provide a clearer overview of a company and contribute to better investment decisions. Comparing investments will be facilitated as well. We deem these to all be very relevant elements in terms of risk management. The availability of additional information, i.e. not only financial information but also non-financial information (such as on ESG, risk management), can contribute to an optimal pricing of risks related to investments. In addition, more standardization of information would be a useful contribution. Such standardization should not only cover the type of information that is to be reported to investors, but also the definitions and notions to be used in that context.

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

There indeed is a need to develop specific benchmarks for non-listed infrastructure investments. Having such benchmarks will increase the accessibility of infrastructure investments and facilitate these investments gaining a full-fledged role in an institutional investor's overall investment portfolio. We do note that an overall LTI-benchmark as such will not be the optimal solution, if at all possible from a practical point of view. Rather, separate benchmarks for different types and sectors of non-listed infrastructure -and maybe even subclasses thereof- thereby focusing on the different risk-return profiles of such (sub)classes, would be preferable.

In this process, the availability of the relevant data is very important. Industry bodies can be a proper source of information in this respect.

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

We note that pension funds will generally not finance SMEs in a direct way, rather by means of fund investments etc. Although not representing any parties that are directly involved in SME financing, we certainly acknowledge that SME access to finance is very important for the growth of the European economy. We thus fully support any efforts made in that respect.

By definition, SMEs are small scale firms that are dependent more on local/national regulation than on EU regulation. Whether or not SMEs can access alternative sources of finance is and will remain a regional issue first and foremost.

As discussed in the Green Paper, one of the problems for many SMEs in obtaining funding is that the new capital and liquidity requirements in Basel III force banks to extend less loans, decreasing the available funding through banks for SMEs. However, the following may be considered to be the real: a substantial fraction of SMEs is not or less able to get loans anymore, even if banks could afford to extend those. This is caused by a balance sheet with company specific assets, which the company values highly but the bank values much less. What many SMEs therefore could use to access more loans is to strengthen their own funds, which in turn will enable them to obtain bank and non-bank finance more easily. This critical point should be kept in mind when trying to design solutions for SME funding.

Finally, reporting requirements for SMEs are very strict and frequent. This fosters transparency, but comes at a cost and time investment that is disproportionate for many SMEs. Reducing the reporting requirements may well improve the financial situation of SMEs directly (by decreasing costs) and indirectly (by freeing up more time for productive activities on the part of the SME).

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?

We refer to our answer to Question 14.

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?

It may be possible to develop a separate SME market, and doing so may alleviate part of the funding problems of SMEs. Platforms to invest in SMEs may either organise investments in SMEs directly or do so by means of securitisation. As SMEs operate locally, such an SME market could perhaps best be organised through local exchanges. Many country exchanges already have such a platform, or are in the process of developing one.

These initiatives may be further stimulated by partnerships of institutional investors and banks, where the institutional investors help banks in the funding (and so a reduction of capital requirements) in return for an appropriate compensation. However, different market participants have different perceptions of what 'appropriate' is, which causes a serious obstacle to such partnerships.