

Ministry of Finance of the Czech Republic
Capital Market Unit (3501)
Letenská 15, 118 10 Prague 1
Czech Republic

(Submitted by e-mail to ales.kralik@mfcz.cz)



26 September 2019

Dear Sirs,

CONSULTATION PAPER ON THE PLANNED LEGISLATIVE MEASURES ARISING FROM THE NATIONAL STRATEGY FOR THE DEVELOPMENT OF THE CAPITAL MARKET IN THE CZECH REPUBLIC 2019 – 2023¹

The International Capital Market Association (ICMA)² welcomes the opportunity to submit a response to one aspect of the above consultation.

ICMA is a membership association, headquartered in Switzerland, committed to serving the needs of its wide range of members. These include private and public sector issuers, financial intermediaries, asset managers and other investors, capital market infrastructure providers, central banks, law firms and others worldwide. ICMA currently has 550 members located in over 60 countries. See: www.icmagroup.org.

This response is primarily drafted on behalf of ICMA's primary market constituency comprised of banks that lead-manage syndicated debt securities issues throughout Europe. This constituency deliberates principally through:

- the [ICMA Primary Market Practices Committee](#), which gathers the heads and senior members of the syndicate desks of a number of ICMA member banks active in lead-managing syndicated debt securities issues in Europe; and
- the [ICMA Legal and Documentation Committee](#), which gathers the heads and senior members of the legal transaction management teams of a number of ICMA member banks active in lead-managing syndicated debt securities issues in Europe.

We set out our response in the Annex to this letter and would be pleased to discuss it at your convenience.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'R. Ewing', with a large, sweeping flourish at the end.

Ruari Ewing

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¹ <https://www.mfcz.cz/assets/en/media/CZ-MF-Consultation-Paper-Capital-Markets-August-2019.pdf>.

² European Transparency Register #0223480577-59

Annex

1. The consultation includes the following question:
“Would you agree with the introduction of a key information document (in the form of a MiniProspectus or similar document) for all issues offered?”
2. There is an ongoing concern that the EU’s PRIIPs KID regime has significantly reduced the availability of bonds to retail investors in the EEA (most recently resulting in an exchange of letters between the ESAs and the European Commission on the product scope of the PRIIPs regime).
3. This has been partly put down to specific content requirements for the PRIIPs KID.
4. However, the articulation of the PRIIPs KID concept itself has been a significant challenge: a clear purpose for short-form disclosure should be as a quick first point of information and not as the basis for an informed investment decision. However, the vague position under the PRIIPs regime has raised civil liability risk to the point of undermining a borrower’s certainty of funding (i.e. confidence that the borrowed amount can be used for the whole bond term) – certainly for investment grade benchmark-funding borrowers in the international markets (which consequently prefer to avoid retail investors unless they are clearly outside the product scope of PRIIPs). See more detailed reasoning set out in paragraphs 13-15 of ICMA’s 28 September 2018 response³ to the UK FCA’s *Call for Input: PRIIPs Regulation – initial experiences with the new requirements*.
5. If the proposed Czech KID is anything like the current PRIIPs KID, notably in terms of any possibility of its purpose being to inform the investment decision (which the *“MiniProspectus”* title seems to suggest), then it seems likely to replicate the reduced EEA availability at the Czech national level – but for all bonds (not just packaged) and to all Czech-based investors (institutional as well as retail).
6. The introduction of the proposed Czech KID therefore seems likely to be severely detrimental to the existing debt capital markets in the Czech Republic, let alone their future development.
7. It also unclear what additional investor protection benefit would arise from such introduction, which however seems to diverge from the stated key aims of the EU Capital Markets Union initiative by imposing a regulatory burden over and above the current regulatory framework.
8. As relatively minor technical point, it seems PRIIPs made available to retail investors in the Czech would need to duplicatively produce both a PRIIPs KID as well as the proposed Czech KID.

³ <https://www.icmagroup.org/assets/documents/Regulatory/Primary-Markets/FCA-CFI---ICMA-Resp-2018-09-v3-280918.pdf>.