

Dear Mairead,

It was a pleasure to meet you in Stockholm and to listen to your views on the development on the financial markets. As always with you, inspiring with your ability to relate complicated things to our daily challenges.

As the chairman of the Swedish Insurance Brokers, I can't let be to share with you some reflections that from my point of view are essential in order to achieve dynamic capital markets in Europe and a functioning Capital Markets Union. Sometimes I think there is a clearer view on what we hope for than what is needed in order to get there. The truth is that if we want broader and deeper capital markets in the union we must avoid regulations gives us more of a union of regulations than of dynamic capital markets in the union

In my view it is crucial that we regulate in a way that achieves not only the capital markets union but also capital in the markets. And really broad and deep capital markets can only be achieved in the union without hindering borders between different markets and between the member states.

A good point of departure is to aim for a regulatory balance that allows for a liquid and risk-taking capital market. In some of our member states we have what should be the goal for the union as such. It is very seldom a result of one decision but rather because of regulations that allows for the emergence of competition, that attracts capital, that stimulates risk-taking and not in reality hinder new products and services.

In a well-functioning capital market different actors play different roles. They need to have this opportunity to play different roles instead of being streamlined and regulated in a way that hinders new actors and new capital. The result is a spontaneous system of competition in the framework av laws, where an important control of the market is achieved by independent and self-sufficient consumers. It is not a streamlined market; it is a market of competition. I am underlining this because you have given a heads up about further steps in order to regulate inducements for retail investments and for advice on products.

Insurance brokers are mediators in a complex market. In Sweden we have a rather big and growing industry of insurance distribution. It wouldn't have been possible with this development if the industry hadn't been able to foster an ongoing increase of competition between well-established insurance companies, new entrants, pension funds and financial investors. In some of our neighboring member states where regulation in reality has restricted the services of distribution, we can see less competition and higher costs for customers. We have today more competition in the insurance market in Sweden than in a lot of other member states. And we have broader and deeper capital markets.

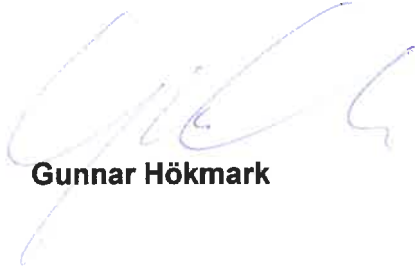
Surely, further regulation could increase the creativity in business models, but this does not change unwanted conduct behavior, it will merely make it harder for consumers and supervisory authorities to detect such behavior. Better then to increase dialogue with market practitioners and stimulate a vivid dialogue between supervision and industry.

The development of insurance distribution in Sweden wouldn't have developed as it has if it wasn't for trust, credibility and a serious industry. We do have transparency and clear rules of setting the interest of the consumer in focus. And thanks to not only to the European legislation but also to the industry's own regulation and control we do have a dynamic market for insurance distribution, lowering total costs for consumers an developing better designed services. . That's the logic of competition and that attracts capital to the financial markets.

So, if we are serious about achieving a dynamic capital markets union I would recommend legislation based on transparency, focus on the best for consumers and increased competition, not less. We need to make financial advice available to the single consumer and allow for the development of products and services that attract capital, rather than a general prohibition of inducements which inevitably will shrink the market and the supply of services, as well as advice.

I am happy to discuss this further,

All the best,

A handwritten signature in blue ink, appearing to read 'Gunnar Hökmark', is positioned above the printed name.

Gunnar Hökmark