Building a Capital Markets Union

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Capital Markets Union: A Commission priority

- growing businesses critical to jobs and economic growth in Europe.

- lack of range of financing options, particularly for start-ups, SMEs and infrastructure projects.

- free movement of capital: a fundamental Treaty freedom- barriers still exist.

A single market project for all 28 Member States
CMU Consultation

- Green Paper on Building a CMU adopted in February 2015

- **Two dedicated consultations** launched at the same time on **Securitisation and Prospectus**. Consultations ended mid-May

- High-number of responses (700)
  - 420 to the CMU consultation
  - 177 on Prospectus
  - 121 on Securitisation

- 81% of responses submitted by private sector organisations or representative bodies; 13% by public authorities or international organisations and 6% by private individuals.
strong support for the areas identified for building the CMU and for the step-by-step approach proposed by the Commission.

also strong support for an ambitious approach, but by focusing on making quick progress where possible, i.e. Securitisation, Prospectus.

a shared analysis of the benefits of a stronger single market to help support more cross-border risk-sharing, create deeper and more liquid markets, and diversify the sources of funding, in particular for SMEs, start-ups and infrastructure/long-term projects.

- 8 June- public hearing in Brussels
Timeline

• Autumn (September)
  - publication of the **CMU Action Plan**
  - legislative proposals on **Securitisation and Prospectus**

• Green Paper on Retail financial services
Where do we want to get to?

3 main objectives:

- Increase access to finance
- Create opportunities for investors
- Dismantle horizontal obstacles to cross-border investments

All businesses and Member States to benefit
Increase access to finance

- Develop alternative forms of funding to complement bank lending. Banks will continue to play a key role.
- Enhanced information on SMEs and long-term investments
- Review the venture capital regulation (EUVECA) & strengthen the venture capital ecosystem
- Explore the potential of alternative non-bank lending channels, i.e. peer-to-peer lending, crowdfunding, alternative investment funds and ELTIFS
- Eliminate passporting barriers to fund raising capital across the EU
- Facilitate the development of private placement markets
Increase access to finance

Review the Prospectus Directive
• Ensure that prospectuses fulfil their original purpose
• Radical assessment of how prospectuses work
• Lighten the burden on issuers who are already listed
• Assess what could be done for smaller companies
• Legislative proposal in the autumn

Promote simple, transparent & standardised securitisation
• Revive the securitisation market
• Propose a legislative framework in the autumn– rebuild trust and make it easier for investors to assess risks
• Appropriate prudential treatment
Create opportunities for investors

**Institutional investors**
- More incentives for insurers to place larger amounts into infrastructure projects
- Incorporate infrastructure as an asset class into Solvency II
- Pension funds - one of the biggest potential sources of funding for equity and infrastructure
- Personal pensions offer potential to inject more saving into capital markets – consider a standardised product through a 29th regime

**Retail investors**
- Confidence is essential. They should better able to understand risk. Transparency will play a key role.
- Streamline disclosure standards across different categories of investment products
- Green Paper on retail financial services to be adopted in 2015.
Dismantle obstacles to cross-border investment

• CMU should create conditions for capital to cross borders to companies with high-growth potential, regardless of where they are located.

• Barriers to cross-border investment to be identified and eliminated

• Accessible information about investment opportunities across borders.

• Retail investors to be able to benefit more from the single market
Dismantle obstacles to cross-border investment

- Pragmatism as regards long-standing barriers to investment
- **Taxation**
  - address the current debt-equity tax bias
  - Explore what can be done to tackle barriers in respect of withholding tax procedures
- **Insolvency**
  - Identify best practices that could be promoted
  - Facilitate cooperation between national authorities
  - Targeted changes
- **Supervision and single rule book**
  - Enhanced supervisory convergence: role of ESMA, better use of the current mandate
  - Correct and consistent implementation and enforcement of the single rule book
Our approach

- a long term project, a step-by-step approach with early wins to build momentum

- some legislative measures would be needed. But legislation will not always be the appropriate policy response.

- Non-legislative tools:
  - Market-led initiatives
  - Support and promote best practices
  - More focus on consistent enforcement of the single rule book and enhanced supervisory convergence to create a level-playing field for market participants and investors.
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