



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.



CMU Consultation

- 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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