



# Building a Capital Markets Union for the EU

Banking  
and Finance

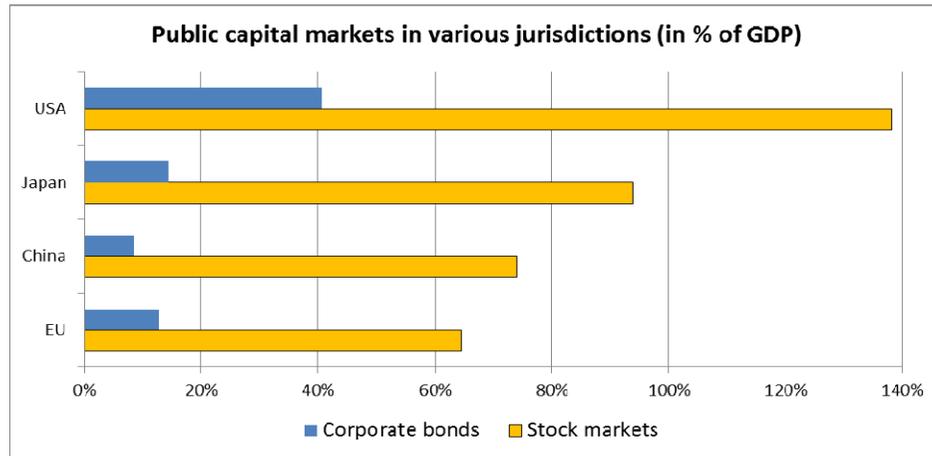


## Capital Markets Union: A Commission priority

- **Growing businesses critical to jobs and economic growth in Europe**
- The tightening of bank lending **has reduced financing**
- **Opportunity for a** bigger range of financing options, **particularly for SMEs**

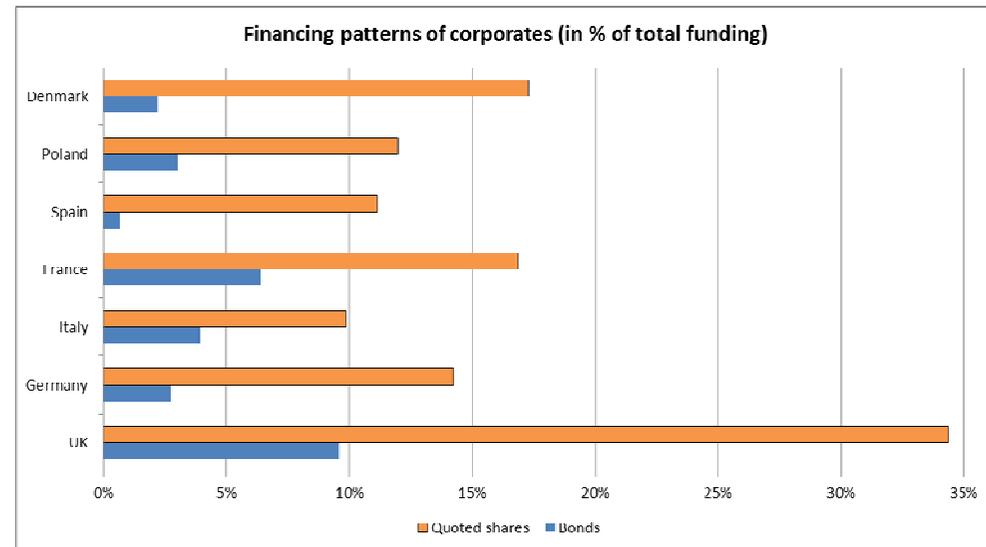
A single market project for all 28 Member States

## Where are we now?



*EU capital markets are less developed than many other countries*

*There are different levels of market development across the EU*





## Why does it matter?

- Mid-sized companies **receive five times as much funding from capital markets in the US**
- Venture capital markets **as deep as the US could have been worth an additional €90bn over the past five years and 4000+ additional companies financed**
- **Safely reviving** SME securitisation markets **half way back to previous levels equivalent to over €25bn of additional funding**



## Where do we want to get to?

- Put in place the building blocks of an integrated and well-functioning single market for capital by 2019.
- The Capital Markets Union is a project for the 28.
- It is built on the foundations of financial stability created by the Banking Union and other financial reforms of the last five years.
- The Single Rulebook needs to be effectively and consistently enforced.



## Short term priorities

- Lower barriers to accessing capital markets through a review of the Prospectus Directive
- Widen the investment base for SMEs through improving credit information on SMEs
- Build sustainable securitisation through a more comprehensive approach to securitisation in the EU
- Boost long-term investment through encouraging investors to take up ELTIFs
- Develop EU private placement markets



## Where do we want to get to?

- No barriers to international investment into the EU or investment cross border
- Accessible information about investment opportunities and risks especially for SMEs
- Proportionate regulatory burdens and similar regulatory fees of investing across the Union
- Investors (especially retail) better able to understand risk



## Prospectus and Securitisation

- Two specific consultations are launched in parallel to the Green Paper:
  - on the review of the Prospectus Directive
  - on Securitisation



## Prospectus

- The review aims at making it easier for companies, in particular for SMEs, to raise capital in the EU
- Unnecessary administrative burdens for companies should be reduced while ensuring effective investor protection.
- The consultation will notably consider:
  - ways to simplify the information included in prospectuses,
  - examine when a prospectus is necessary and when it is not and
  - how to streamline the approval process.



## Securitisation

- The objective is to work towards an EU framework on simple, transparent and standardised securitisation
- Transparency, consistency and availability of key information should be enhanced
- A higher degree of standardisation of the products
- All these steps should increase the comparability across securitisation instruments



## How to improve access to financing?

### **Address information problems:**

- Encourage banks to give feedback to SMEs whose credit has been declined
- Develop more tailored accounting rules for SMEs
- Create a European Investment Project Pipeline, a dedicated website to ease access to information for investors on infrastructure projects



## How to improve access to financing?

### **Standardisation to kick-start markets:**

- Develop a more integrated EU covered bond market to provide investors with safe and liquid investment opportunities, based on experience from national frameworks
- Greater standardisation of corporate debt issuances to allow for a more liquid secondary market for corporate bonds to develop
- **Enable alternative means of financing to develop**, such as crowdfunding



## How to develop & diversify supply of financing?

### **Boosting institutional investment:**

- Explore how to reduce the regulatory cost of setting up and marketing investment funds (UCITS) cross-border
- Possible review of prudential rules for infrastructure investments by banks and insurers
- Adoption of rules under discussion to remove barriers to occupational pension schemes investing more in long-term assets
- Strengthen the single market for personal pensions through a pan-European or "29th regime"



## A more effective investment chain?

### **Single rulebook, enforcement and competition**

- Avoid gold-plating, work with Member States and ESAs to enforce legislation
- Use competition powers to remove entry barriers for competitors and ensure access to market infrastructures
- Tackle unjustified barriers to investment flows, such as unjustified host Member State restrictions
- **Supervisory convergence:** review functioning and operation of ESAs, their governance and funding
- ESAs to foster greater supervisory convergence; give further consideration to role of ESAs in this context



## A more effective investment chain?

### **Data and reporting**

- Ensure creation of a consolidated tape for equity markets
- Explore more efficient IT approaches to supervisory and market reporting

### **Market infrastructure & securities law**

- Legislative proposal on recovery and resolution of CCPs
- Could targeted changes to securities law contribute to more integrated capital markets?
- How to improve the cross-border flow of collateral?



## A more effective investment chain?

### **Company law, insolvency law & taxation**

- Revision of shareholder rights directive underway to encourage investors to provide more long-term capital to companies
- Further reforms to company law might be helpful to overcome barriers to cross-border establishment of companies
- Reducing divergences in national insolvency frameworks could contribute to integrated cross-border equity and debt markets by reducing legal uncertainty and giving entrepreneurs a second chance



## Our approach

- Identify the barriers to the free movement of capital and measures to overcome them
- A long term project, with early wins to build momentum
- Some legislative measures will be needed. But legislation will not always be the appropriate policy response
- In many cases the onus will be on the market to deliver solutions. In others, non-legislative steps and the enforcement of single market and competition rules might offer the best way forward.



## Timeline

- 18 February – adoption of the CMU Green Paper
  - **Deliberately broad, covering key areas where feedback is needed**
  - **Specific consultation on early priorities (e.g. prospectus, securitisation)**
- 13 May – deadline for responses to consultation
- Until summer: discussions at EU and national level, with Member States, parliamentarians, interested parties; workshops on technical issues e.g. SME credit information
- 8 June – conference in Brussels
- Summer – publication of CMU Action Plan
  - **Short term and medium term actions needed 2015-2019**
  - **Possible proposals on early priorities**



***Thanks for your attention***