



CAPITAL MARKETS UNION

#CMU



CMU launch package:

Headline actions:

- 1. CMU action plan** + accompanying documents on economic analysis + feedback on CMU consultation;
- 2. Securitisation:** Legislative proposal for STS securitisations, amendment to CRR regulation;
- 3. Solvency II delegated act on infrastructure investments.**

Consultations:

- **European covered bond** framework;
- Possible modifications to **EuVECA/EuSEF Regulations**;
- **Call for evidence on cumulative impact** of recent EU financial legislation.

A key contribution to jobs and growth:

- **Unlock investment:** for companies, SMEs, infrastructure, long term investment and support the Commission's Investment Plan
- **Better connect savings to growth across borders:** MS with both small and large capital markets have much to gain;
- **Make the financial system more stable:** developed capital markets can cushion the impact of a contraction in bank lending;
- **Deepen integration and increase competition:** supporting EMU, lowering costs and increasing competitiveness.

Our approach:

- CMU implies a structural change in EU financial system: initiate **irreversible processes to move towards CMU for EU-28 by 2019**;
- **Early action** to build momentum and heavy investment in developing sound bases for longer-term work;
- A **comprehensive approach** spanning the diverse, multiple issues raised in the consultation: no single lever will work.
- **Better Regulation:** Explore different options before deciding on form: (no action, support industry, supervisory convergence, better enforcement, opt-in EU regimes, harmonisation).

Actions in 6 key areas

Innovation,
start-ups &
SMEs

Public
markets

Infrastructure
projects &
sustainability

Bank lending

Investment

Integration &
stability

5. More investor opportunities:

Better deals

- Assess retail investment market and whether it is delivering the right outcomes for small investors;
- GP on cross-border Retail Financial Services and Insurance

More retirement savings

- Build an EU market for personal pensions;

Insurance

- Assess case for Solvency 2 review for private equity and debt (as part of Solvency 2 review);

Investment funds

- Eliminate barriers to cross-border distribution of investment funds across the EU.

Fostering retail investment - Transparency:

- Meaningful and high-quality information should be provided in a comparable and transparent manner across investment products
 - 1. Perform a comprehensive assessment of the effectiveness of the new disclosure landscape to ensure consistency, identify possible gaps or duplications and streamline requirements**
- Retail investors should get information on market trends, for example on the average past performance of certain investment product categories
 - 2. Ask the ESAs to work on transparency of long term retail and pension products and analyse their actual net performance and fees.**

Fostering retail investment – Retail market review:

- Retail investors should have access to a range of suitable and cost-effective investment products and affordable and independent advice
- 3. Undertake a comprehensive assessment of the European retail market, incl. distribution channels and investment advice, against the backdrop of increased on-line provision**
- Consumers should have access to the best offers or the most innovative financial and insurance services and products available in the EU
- 4. Publish a GP on retail financial services and insurance on how to increase competition and cross-border supply and access to retail financial products and the impact of digitalisation on retail financial services.**

Fostering retail investment – European Personal Pension:

- Retail investors should have access to a simple, cost-effective, transparent and easy-to-access Personal Pension solution across the EU

5. Assess the case for a policy framework to establish a successful European market for simple and competitive personal pensions, and determine whether EU legislation is required to underpin this market

5. More investor opportunities:

Better deals

- Assess retail investment market and whether it is delivering the right outcomes for small investors;
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More retirement savings

- Build an EU market for personal pensions;

Insurance

- Assess case for Solvency 2 review for private equity and debt (as part of Solvency 2 review);

Investment funds

- Eliminate barriers to cross-border distribution of investment funds across the EU.

2. Selling company bonds & shares:

Simple and cheap prospectuses

- Legislative proposal to amend Prospectus Regulation;

Public trading of small businesses

- SME Growth Markets;
- Voluntary accounting standards for SMEs based on IFRS.

Corporate financing

- Review drivers of corporate bond liquidity, including voluntary standardisation;
- Common Consolidated Corporate Tax Base (CCCTB) proposal to tackle debt-equity tax bias.

6(2). Facilitating cross-border investing:

Cross-border tax barriers

- Withholding tax refund procedures
- Discriminatory tax on pension & insurance (dividends, interest, real estate income and capital gains)

Stability and convergence

- Convergence of supervisory outcomes (single rulebook);
- Capacity building through the Commission's Structural Reform Support Service (SRSS)
- White Paper on ESA funding and governance;
- Monitoring of macroprudential risks (forthcoming ESRB review).

Next steps:

- Presentations to MS, EP in October – discussion of priorities and implementation;
- Launch work on delivery of commitments, individual projects with key stakeholders;
- Regular reporting and mid-term review (2017).



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Background



1. Finance for start-ups & SMEs:

Innovative corporate financing

- Crowdfunding report
- Business growth funds
- Private placements
- Loan-originating funds

Venture capital

- EU VC fund-of-funds & review of EuVECA
- Study on tax incentives for VC and business angels

SME finance

- Feedback on declined credit applications by banks
- Support & advice for SMEs seeking market finance
- Develop EU information system (match-making)

3. Investing in infrastructure & sustainability

Infrastructure investment

- Solvency 2 calibrations for infrastructure & ELTIFs
- CRR review ongoing to provide evidence-base for further work;

Sustainable investment

- Explore nexus between finance and sustainability, notably by monitoring developments on green bonds

Regulation supportive of investment

- EU legislation to strike the right balance between risk & growth;
- Call for Evidence on cumulative impact of financial legislation.

4. Using markets to support bank loans:

Securitisation

- STS proposal;
- Amend CRR and Solvency 2 calibrations.

Covered bonds

- Consultation on case for/form of EU framework;
- Extend covered bonds to SME loan pools or explore other options?

Local finance networks

- Alleviate regulatory burden for cooperatives and credit unions.

6(1). Facilitating cross-border investing:

Market infrastructure

- Post-trade infrastructure and collateral markets
- Securities ownership in cross-border situations

National barriers

- Tackle unjustified national barriers to free movement of capital;

Insolvency proceedings

- Drawing on 2014 Recommendation, prepare legislative initiative on business insolvency incl. early restructuring and 2nd chance

Securitisation legislative proposals:

- Establish criteria for STS securitisations: 'what you see is what you get'. Align investor due diligence requirements;
- Maintain important 'post crisis' reforms such as risk retention (skin in the game) and issuer responsibility;
- Amend the bank capital rules (CRR) to provide a more appropriate treatment for STS transactions;
- Based on advice from EBA, ECB, Bank of England, Basel and IOSCO.
- Amendments to solvency II calibrations and bank liquidity rules to follow;

Solvency II delegated act on infrastructure

- New asset class for infrastructure investment with a good risk profile, and reduced capital charges based on EIOPA work (advice formally submitted 29 Sept);
- Reduced capital charge for European Long Term Investment Funds;
- Alignment for equities traded on Multilateral Trading Facilities (MTF) to regulated markets;
- Extension of the scope of a transitional measure on equities to include non-listed equities.

Why does CMU 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 provided an additional €90bn over the past five years;
- Safely restarting **securitisation** markets to just half of pre-crisis levels equivalent to over €100bn of additional funding, €20bn for SMEs;
- Europe has **€2trn infrastructure investment needs** in the coming years.