



CAPITAL MARKETS UNION

#CMU

One Year On From the Action Plan

ECFR Conference
Copenhagen 30 September 2016

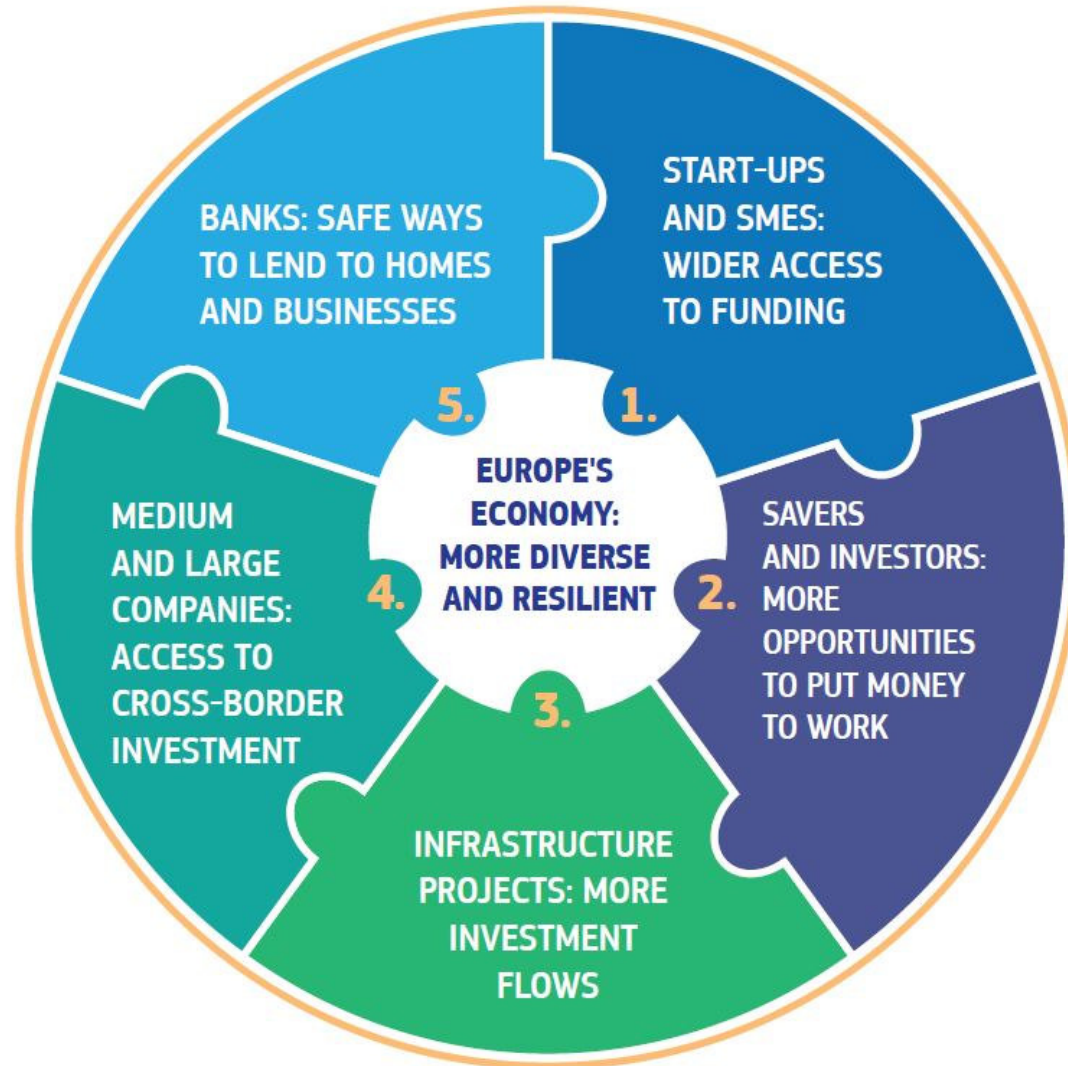
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Capital Markets Union (CMU) in a nutshell

- CMU is part of the **Investment Plan for Europe ('Juncker Plan')** to support investments in the real economy, more growth and jobs; CMU is one of the priority initiatives of this Commission
- CMU is a **structural reform programme** to create more integrated capital market(s) in the EU by 2019
- **CMU key goals:**
 - Increase market-based finance from various sources and build a stronger equity culture, in addition to traditional bank finance
 - Stimulate long-term finance for investments in infrastructure and SMEs
 - Improve cross-border raising of capital and investments by removing barriers

CMU = finance for investment & growth



CMU implementation approach

- **CMU Action Plan launched on 30 September 2015, together with a first set of actions** (safer and more transparent securitisation; new asset class for infrastructure under Solvency II; consultations on covered bonds, EU legislation for venture and social impact capital, Call for Evidence)
- **CMU Action Plan is not (only) about new regulation: Range of instruments** includes support for industry-led initiatives, spread of best practices, better enforcement, harmonisation, review and improvement of existing regulation).
 - 'Call for evidence'
 - Structural Reform Support Programme

CMU Agenda Documents

30 Sept. 2015 Action Plan on Building a Capital Markets Union

Overview of actions / by policy fields

25 April 2016 First Status Report

14 Sept. 2016 Capital Markets Union – Accelerating Reform

Overview of actions / explore new priorities

Increasing SME access to finance (esp. scale-ups) (1)

Policy field	Challenge	Actions
Venture capital	Small funds (av. = 90m€ AuM) poor returns, limited geographical focus; strong dependence on public purse.	Expand eligible assets (listed SMEs) and managers; Concentrate public support (400m€+) on large, privately managed, pan-national VC FoF.
Crowdfunding	Fast growth of P2P and equity platforms (annual growth of 90%). 80% activity in UK. Support sound development EU-wide. EU lags US and Asia.	Accompany national regulation to ensure emergence of sound regulatory/supervisory approaches, assess barriers to cross-border capital raising
SME awareness of equity / alternative finance	55% SMEs unaware of alternatives to bank loans, 40% 1st time loan applications rejected.	Develop national/regional SME information systems; Explore referral mechanism at loan rejection.

Increasing SME access to finance (2)

Policy field	Challenge	Actions
Prospectus	Streamline prospectus requirements and speed-up approval	Prospectus Regulation (level-I) – co-legislators working towards agreement
Junior markets/SME listing	Disclosure requirements and other compliance burdens (absorb up to 8% of mid-cap IPO proceeds)	Streamline public offer documents (esp for SMEs); make full use of regulatory framework for SME growth markets.
Private placement	Private placement channel functioning in only 2 MS (FR, DE). Strong growth.	Identify legal and tax bottlenecks; Promote best practice; Study will be launched in autumn
Debt-equity bias	Tax bias towards debt financing of companies	Proposal on equity tax allowance by end 2016 (CCCTB)

Putting institutional capital to work

Topic	Challenge	Action
Infrastructure investments	Adjust capital charges for insurers and banks against exposures to infrastructure, infrastructure corporates and ELTIFs.	Assessment of infrastructure corporates ongoing; Explore reduction of bank capital requirements for infrastructure holdings.
Securitisation	Collapse of EU securitisation markets despite low default levels; restore confidence in asset class.	Finalise legislation on STS securitisation; Adapt capital charges for insurance exposures to STS securitisation.
Covered bonds	Support development of covered bond markets;	Evaluate need for EU to reinforce prudential requirements, promote alignment of national covered bond requirements.
Sustainable investment	Develop an EU strategy on sustainable finance; support transition to low-carbon economy; manage exposure to carbon-intensive sectors	Work with expert group to develop policy blueprint; increase focus on green projects through EFSI; definition of "green investment", effective disclosure.

Deliver benefits to retail investors

Theme	Challenge	Action
Personal pensions	Provide sound and attractive arrangements for retirement-related retail products. Allow scaled-up cross-border solutions that plug into national tax regimes.	Possible proposal on simple, efficient and competitive personal pensions
Retail investment distribution systems	Promote competition and access to cheaper investment products. Build investor confidence through transparency and better returns	Comprehensive assessment of distribution and advisory systems under preparation
Retail financial services	Enable more cross-border opportunities for banking, payments and insurance products.	Action plan of measures to enhance efficiency of retail markets.

Barriers to cross-border investment

Topic	Challenge	Action
Insolvency frameworks	Efficient preventive restructuring ; Wide disparity in efficiency of loan enforcement/insolvency systems drags on financial system.	Proposal on preventive restructuring and second chance for entrepreneurs; benchmarking of national loan enforcement & insolvency regimes for outcome efficiency.
Clearing & settlement	Persisting barriers to post-trading environment and new barriers in changing post-trade world	EPTF; in 2017, public consultation on policy blueprint
Securities law	Lack of clarity regarding applicable law in event of competing claims on securities or debt.	Legislative proposal for conflict of laws rules regarding securities ownership and third party effects of debt assignment in 2017
Tax barriers	Withholding tax leads to de-facto double taxation of cross-border investment income; other national barriers to free movement of capital.	Code of conduct for withholding tax and Communication on barriers to free movement of capital more generally.



Framework conditions for capital market development

Topic	Challenge	Actions
Technical assistance	Regulation on financial resources Work with MS to identify priority areas	Finalise budget for TA workstream; Agree TA projects with Member States to develop capital markets
Supervision	Foster supervisory convergence; Identify targeted areas in which EU dimension of supervision needs to be strengthened.	Ongoing implementation of ESMA work programme on supervisory convergence White Paper on governance and financing of European Supervisory Authorities.
Financial stability	Review of the macro-prudential framework.	Ongoing consultation; Legislative proposal in 2017.

Conclusions/prospects on CMU:

- A long-term agenda
- Mid-term review in 2017
- Continuous adaptation to changing capital markets landscape