

Next CMU High-Level Group

Interim Report for Ministers

July 31st, 2019

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Background

The Ministers of Finance of Germany, France and the Netherlands¹ have tasked the CMU High-Level Group to report on recommendations for deepening the Capital Markets Union (CMU). The group also includes high-level experts appointed by the Ministries of Finance of Spain, Sweden, Poland and Italy².

The Next CMU High-Level Group will elaborate recommendations to shape and strengthen capital market-based investment and financing for the real economy in the EU 27, in the medium and long term. Recommendations may include suggestions for the EU level, for Member States and supervisors' action as well as industry initiatives. Policy recommendation might be complemented by more granular technical suggested measures.

The current international context and citizen's needs underline the urgency to fully realise the potential benefits of the CMU. The key objective for the CMU is to be a competitive and efficient EU investment and financing tool to achieve more innovation, growth and jobs creation in a sustainable economy, rather than being an objective in itself or for the financial sector. In particular SME's, start-ups and scale-ups need access to more diversified sources of financing and in particular equity, while individual savers need access to more types of investments than saving accounts. These investment products however, have to be reliable, trustworthy and easy to understand and manage – or in short: fit for individual savers.

The CMU is developed in consistency with the Banking Union and the Economic and Monetary Union. The Next CMU High-Level Group will therefore consider the resilience against asymmetrical shocks, strengthening the international role of the Euro, the stability of financial markets and proper investor protection.

¹https://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/Financial_markets/Articles/2019-06-12-Communique-Capital-Markets-Union.html.

² Members are: Fabrice Demarigny (Chair), Corien Wortmann (co-Chair), Joachim Nagel (co-Chair), David Vegara, Lauri Rosendahl, Artur Granicki and Marcello Bianchi.

In general, it is not the intention of the Next CMU High-Level Group to revisit recently adopted legislation as all agreed legal instruments should first be implemented; and they contain review clauses that allow reconsideration in due course after thorough study by the European Commission. In addition, the Next CMU High-Level Group will not interfere in the ongoing process of the UK leaving the European Union (Brexit).

Recommendations will aim at strengthening the global competitiveness and attractiveness of EU financial markets in their ability to finance, in a self-sufficient and open manner, the EU economies, their growth and their job creation.

The Next CMU High-Level Group works in an inclusive and fully transparent manner, it consults widely and will report on these consultations in its final report. It is guided by an EU vision and the mutual interest of Member States. It is neither to be influenced by any specific political or market player interest nor by the competition between EU financial centers.

Progress Made

Meetings

The Next CMU High-Level Group has met in Paris, Frankfurt and Brussels and three further meetings are planned in Brussels, Frankfurt and Amsterdam. After that the Group will make a study visit to London to meet with several global players. On the invitation of the Finnish Presidency of the EU, preliminary findings of the Next CMU High Level Group will be presented to the informal Ecofin of 13th September in Helsinki.

Transparency and Consultations

The Next CMU High Level Group opened a dedicated public website disclosing basic information with a possibility to submit contributions to the Group, preferably utilizing a short questionnaire that is available on that website (<http://nextcmu.eu/>). Added value contributions will be made publicly available.

The Group has met a range of relevant European representative organisations mainly, but not exclusively from the financial sector, and from citizens (users and/or consumers of financial services) and will continue to do so until final delivery of its report.

The Group also met with Director-General Olivier Guersent of the Commission, and Steven Maijor, the Chair of ESMA. Meetings with the Chairs of EIOPA and EBA are planned. The Group has met with experts from the ECB and the ESRB, and has spoken with Andrea Enria, the Chair of the ECB's SSM.

A first discussion has taken place with experts from Bruegel and CEPS, and a meeting with a targeted number of academics is being planned. In addition, the Group will hold a half day seminar on the impact of innovation and technology on the financial sector.

The members of the Group have agreed that they will each also undertake consultations at national level to collect the views of supervisory authorities as well as citizens and industry representatives. In some instances, other members will join in these consultations as well.

A list of consultations will be made public in the final report.

Broad Support, Insufficient Action

Generally, the Next CMU High-Level Group receives very broad support in principle for deepening the CMU, but has noted disappointment that measures already taken have so far not produced the expected results and contributed too little in economic realities in the market. During consultations, it is often mentioned that for some of the most important areas where progress is needed, a lack of clear strategic objectives and political sensitivities have hampered sufficiently resolute decision making. The urgency for progress is stressed but the next phase of the CMU is not yet articulated around major structural priorities favouring self-directed and open capital market-based investment and financing for the EU27. The Next CMU High-Level Group shares this sense of urgency due to increasing challenges and a new international context.

The Next CMU High-Level Group will issue recommendations to define clear strategic objectives, to set a time order for next step priorities and to establish a high-level political monitoring tool to maintain political momentum.

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The Next CMU High-Level Group looks forwards to presenting to the ministers its final report by end of September.