



Capital Markets Union: time to step up political commitment and efforts to deliver investment, growth and a stronger role of the euro

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Why are you publishing a Communication on Capital Markets Union (CMU) today?

The Capital Markets Union (CMU) is a key priority for the European Union and it is imperative that all stakeholders give it the political attention that it deserves. Today's Communication calls for renewed efforts for a timely completion of this agenda, highlighting the key role of the CMU in building deep and liquid capital markets, deepening the Europe's Economic and Monetary Union and strengthening the role of the Euro. It is an important contribution to the upcoming December European Council and Euro Summit, where decisions on next steps to deepen Europe's Economic and Monetary Union should be taken.

Only three of the Commission's original proposals contributing to the CMU have so far been adopted. With elections to the European Parliament in May 2019 approaching, the Commission today stresses the need for the European Parliament and the Council to accelerate work on the pending proposals. Political ambition and urgent action is needed to make sure that all proposals are completed by the end of the legislative cycle.

The Commission stands ready to give its full support to the European Parliament and the Council to deliver the key building blocks of the CMU.

What is the CMU?

The Capital Markets Union is one of the priorities of the Juncker Commission to develop, build, deep and liquid capital markets, strengthen Europe's economy and **promote a more integrated and stable financial system**. While being beneficial for all EU Member States, fully developed and integrated capital markets will contribute to **strengthen and support the Economic and Monetary Union and the international role of the Euro**.

The CMU enhances private risk sharing and helps mitigate economic shocks in the euro area and beyond, by enabling investors and companies from a country experiencing a downturn to access investment and funding opportunities in unaffected countries.

A successful Capital Markets Union is also needed to **develop local capital markets and to improve access to finance for businesses**. To reap the full benefits of the Single Market, businesses and investors need to have new opportunities to scale up Union-wide and compete globally. The CMU aims to mobilise and channel capital to all businesses in the EU, particularly small and medium enterprises (SMEs) that need resources to expand and thrive.

The CMU will enable companies to seek more funding from across the EU, for instance by listing on a stock exchange in another Member States. It will enable financial services providers to scale up by offering their services in other Member States. And it will offer more choice to consumers by allowing them to buy cheaper and better investment products.

Moreover, the upcoming departure of the EU's biggest financial centre from the Single Market also calls for deepening and strengthening Union's capital markets. Strong and liquid capital markets also play a crucial role in strengthening the leadership of the Union in financing the necessary transition towards a low-carbon, more resource-efficient and circular economy.

What are the key objectives of the CMU?

The [CMU](#) will complement Europe's strong tradition of bank financing and will help to:

- **Deepen financial integration:** more cross-border risk-sharing, deeper, more liquid markets and diversified sources of funding should deepen financial integration, lower costs, and increase European competitiveness, ultimately contributing to strengthen the Economic and Monetary Union and the international role of the euro.
- **Make the financial system more stable:** by ensuring a wider range of funding sources and more long-term investment, it will reduce the vulnerability of EU citizens and companies to shocks in the banking sector, like those they were exposed to during the crisis.
- **Unlock more investment from the EU and the rest of the world:** the CMU should help mobilise capital in Europe and channel it to companies, including SMEs, and to infrastructure projects. This helps companies to expand and to create jobs. The CMU also provides citizens with more options to meet their retirement goals.
- **Develop local capital markets and connect funding sources more effectively to investment projects across the EU:** the CMU is a classic Single Market project for the benefit of all Member States. Those Member States with the smallest markets and high growth potential have a lot to gain from improved channelling of capital and investment into their projects. More developed market economies will benefit from greater cross-border investment and saving opportunities.

The Commission has already delivered all proposals announced in the CMU [Action Plan](#) of September 2015 as well as its [Mid-Term Review of June 2017](#). It remains fully committed to putting all building blocks of the CMU in place by mid-2019.

What progress has been made in implementing the legislative proposals of the CMU Action Plan?

The programme proposed by the Commission includes 13 legislative proposals that represent the key building blocks of the Capital Market Union. In addition, the Commission has proposed three legislative proposals to enable the financial sector of the Union to lead the way to a greener and cleaner economy. The Commission has also proposed a number of other non-legislative measures to strengthen capital markets and make them more resilient.

Of the legislative proposals presented so far by the Commission, the European Parliament and the Council have only adopted three:

- **New rules to cut red tape** for companies seeking financing opportunities (adopted in June 2017). This legislation makes a business prospectus simple to produce and clear for investors to understand.
- A more effective framework **to boost investment into venture capital and social projects and to make it easier to invest in innovative SMEs** (adopted October 2017).
- Measures to help **build confidence in the securitisation market** and allow banks to lend more to the real economy (adopted December 2017). If the market were to go back to pre-crisis average issuance levels, banks would be able to provide an additional €157 billion of credit to the private sector. In addition to the Regulation on STS securitisations, the Commission has amended the implementing rules of the "Solvency II" insurance regulatory framework to facilitate investments by insurers in STS securitisations and infrastructure.

What legislative proposals remain to be adopted?

Under the CMU agenda, the Commission has put forward the following legislative proposals which are still being discussed by the European Parliament and the Council:

Making the most of the Single Market through new Union-wide products and services

- **a proposal for a Pan-European Personal Pension Product (PEPP)** to increase competition between pension providers and create economies of scale. This should benefit savers by giving them access to better products at lower cost. **Status:** European Parliament and Council positions adopted, trilogues ongoing.
- **a proposal for a Union covered bonds framework.** Covered bonds are instrumental for credit institutions to channel finance efficiently to the real estate market and for publicly guaranteed instruments including some loans to small and medium-sized enterprises. **Status:** European Parliament position adopted/Council position adopted
- **a proposal for a framework on crowdfunding** to improve access to this innovative form of finance for businesses in need of funding. This should benefit start-ups particularly, while ensuring that investors benefit from strong protection and safeguards. **Status:** European Parliament position adopted/Council position to be adopted.
- **a proposal facilitating cross-border distribution of collective investment funds.** This should improve the transparency of national requirements, remove burdensome requirements and harmonise diverging national rules. **Status:** European Parliament position pending /Council position adopted.

Simpler, clearer and more proportionate rules for financial players

- **a proposal to simplify rules and reduce regulatory burdens for market participants in the over-the-counter derivatives market:** to reduce regulatory burdens for market participants. If adopted, the rules could save market participants significant costs without compromising financial stability. **Status:** European Parliament and Council positions adopted, trilogues ongoing.
- **a proposal on more proportionate and effective rules for investment firms:** to ensure a level playing field between the large and systemic financial institutions while introducing simpler prudential rules for non-systemic investment firms. **Status:** European Parliament position adopted/Council position pending.
- **a proposal to make it easier for smaller businesses to get financing through capital markets:** to cut red-tape for small and medium-sized enterprises trying to access 'SME Growth Markets', a new category of trading venue dedicated to small issuers. **Status:** European Parliament and Council positions pending.
- **a proposal on preventive restructuring frameworks, second chance, and measures to increase the efficiency of restructuring, insolvency and discharge procedures:** For businesses and entrepreneurs, including sole proprietors, the proposal provides for a second chance through debt discharge, in order to give them a fresh start and incentivise entrepreneurship. The proposal aims to facilitate the efficient restructuring of viable companies in financial difficulties to avoid insolvency and the destruction of going concern value. **Status:** European Parliament and Council positions adopted, trilogues ongoing.
- **a proposal on the law applicable to the third-party effects of assignments of claims:** to significantly enhance legal certainty by determining which national law is applicable to the effects on third parties where a claim is assigned cross-border. **Status:** European Parliament and Council positions pending.
- **a proposal for Common Consolidated Corporate Tax Base (CCCTB):** to address existing debt-bias in taxation which distorts financing decisions, makes companies more vulnerable to bankruptcy, and undermines the stability of the overall economy. **Status:** European Parliament position adopted, Council position pending.

More efficient supervision of capital markets

- **a proposal for a review of the European Supervisory Authorities:** to enhance supervisory convergence and strengthen enforcement. This promotes consistent and more effective supervision, and contributes to the fight against money laundering and terrorist financing. **Status:** European Parliament and Council positions pending.
- **a proposal to strengthen the supervision of central counterparties:** to ensure that the supervisory framework of the Union is sufficiently robust to anticipate and mitigate risk from Union central counterparties and from systemic third-country central counterparties servicing Union

clients.**Status:** *European Parliament position adopted/Council position pending.*

- **a proposal to complete the supervisory regime for central counterparties with a harmonised recovery and resolution framework:** to preserve the continuity of the central counterparties' critical functions while maintaining financial stability.**Status:** *European Parliament position adopted/Council position pending.* **Financing Sustainable Growth**

- **a proposal to establish a classification system (taxonomy)** which would foster a common understanding of the economic activities that can be considered environmentally sustainable for investment purposes.

Status: *European Parliament and Council positions pending.*

- **a proposal to improve disclosure requirements related to sustainability risks** and sustainable investments to enhance transparency towards end-investors.**Status:** *European Parliament position adopted/Council position pending.*

- **a proposal to develop minimum standards for low-carbon benchmarks** and minimum disclosure requirements for sustainability benchmarks, giving investors who want to invest in low-carbon strategies appropriate tools.**Status:** *European Parliament and Council positions pending.*

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