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European Commission

Making the most of the single market: delivering on the Capital Markets Union

May 2019

TOWARDS A MORE UNITED, STRONGER AND MORE DEMOCRATIC UNION

'I believe we should complement the new European rules for banks with a Capital Markets Union. To improve the financing of our economy, we should further develop and integrate capital markets. This would cut the cost of raising capital, notably for SMEs, and help reduce our very high dependence on bank funding. This would also increase the attractiveness of Europe as a place to invest.'

Then candidate for European Commission President, Jean-Claude Juncker,
Political Guidelines for the next Commission, **15 July 2014**

The Capital Markets Union aims to get money — investments and savings — to to flow more easily across the EU so that it can benefit consumers, investors and companies. It is an integral part of the Juncker Commission's ambition to sustain growth in Europe. The Capital Markets Union aims to break down remaining barriers that block cross-border investments in the EU and make it easier for EU companies and infrastructure projects to get the finance they need, regardless of where they are located. It also fosters sustainable finance, providing investors with more choice to invest in environmentally friendly companies and projects, making the EU a global leader in this field. More integrated financial markets complement the Banking Union by creating a cushion to absorb sudden shocks, and allowing risk to be shared by private actors across EU borders, making the Economic and Monetary Union stronger and more resilient. This, in turn, creates an incentive for market participants to use the euro, therefore reinforcing its international role.

WHAT ARE THE CURRENT ISSUES?

- Start-ups and small and medium-sized enterprises need more funding for innovation and growth (market-based sources of finance are currently currently less than 15%)
- EU households save heavily, but do not make the most of their savings
- High fixed costs of up to 15% of the amount raised make access to stock markets especially costly for small businesses
- Investors face many barriers when investing in other EU countries
- European businesses continue to depend greatly on banks for their financing, with too few alternative fund sources

THREE PILLARS OF THE CAPITAL MARKETS UNION

CAPITAL MARKETS UNION

Making the most of the single market for consumers and investors through new European products	Supporting businesses and entrepreneurs through clearer and simpler rules	More efficient supervision of EU capital markets

WHO BENEFITS FROM THE CAPITAL MARKETS UNION?

Citizens

- Consumers: greater variety and more transparent investment products to choose from
- Savers: getting the most out of long-term savings to finance retirement

Businesses

- Start-ups and smaller companies: access to non-bank financing, such as venture capital and crowdfunding
- Small and medium-sized firms: easier and cheaper access to public markets

Investors

- More long-term investment opportunities
- Fewer barriers when investing beyond national borders

Banks

- Healthier balance sheets
- More lending opportunities

WHAT HAS THE JUNCKER COMMISSION DELIVERED SO FAR?

Improving banks ability to lend

EU rules on securitisation help banks and other credit institutions to package loans into securities, which are then sold to investors. In this way banks can lend more to consumers and businesses.

Stimulating venture capital and social investments

Small and growing companies and social enterprises will enjoy better access to finance, thanks to revamped EU rules on venture capital and social entrepreneurship funds.

Facilitating market access for investors

The EU has agreed on a set of rules which will make the EU financial supervision more effective and efficient. It will also contribute to more efficient supervision of money laundering risks in the financial sector.

More options when saving for retirement

The EU has agreed on the Pan-European Personal Pension Product, designed to give European consumers more choice when saving for retirement as it would create a new class of voluntary EU-wide pension products.

13

13 CMU legislative initiatives have been presented by the Juncker Commission → **11** **have been agreed** by the European Parliament and the Council of the European Union

3

3 sustainable finance legislative initiatives have been presented by the Juncker Commission → **2** **have been agreed** by the European Parliament and the Council of the European Union

DELIVERING THE CAPITAL MARKETS UNION

By pioneering action through its Capital Markets Union, the EU intends to globally lead the shift and scale up private investments to meet the objectives of the Paris Climate Agreement, through:

- **A unified EU green classification system – 'taxonomy'** to determine if an economic activity is environmentally sustainable based on harmonised EU criteria.
- **Transparency requirements** on how financial companies integrate environmental, social and governance factors in their investment decisions.
- **Two new categories of financial benchmarks** with the aim of giving more information about the carbon footprint of different investment portfolios.

Transitioning to a climate-neutral economy requires global solutions. Coordinating sustainable finance initiatives and tools across jurisdictions will:

- scale up sustainable finance
- ensure compatible markets for sustainable financial assets across borders and avoid fragmentation
- achieve economies of scale

BENEFITS FOR INVESTORS
additional opportunities to link global investors with local sustainable projects

BENEFITS FOR BUSINESSES
new sources of funding through global capital markets and the financial sector worldwide

DELIVERING ON THE CAPITAL MARKETS UNION

POLICY DESCRIPTION	OBJECTIVE	European Parliament	Council of the European Union
CAPITAL MARKETS UNION KEY BUILDING BLOCKS			
Simple, transparent and standardised securitisation	*To broaden investment opportunities and boost lending to Europe's households and businesses.*	Adopted	Adopted
Prospectus Regulation	*To facilitate access to financial markets for companies, particularly small and medium-sized enterprises.*	Adopted	Adopted
European Venture Capital Fund Regulation (EuVECA) *and* **European Social Entrepreneurship Funds Regulation (EuSEF)**	*To stimulate venture capital and social investments in the EU.*	Adopted	Adopted
Pan-European personal pension product (PEPP)	*To give citizens more and better options for retirement savings.*	Agreed	Agreed
Covered bonds	*To provide a source of long-term financing for banks in support to the real economy.*	Agreed	Agreed
Crowdfunding	*To improve access to this innovative form of finance for start-ups, while maintaining investor protection.*	Negotiating mandate	Not agreed
Cross-border distribution of collective investment funds	*To remove burdensome requirements and harmonise diverging national rules.*	Agreed	Agreed
Investment firms review	*To ensure a level playing field between the large and systemic financial institutions while introducing simpler rules for smaller firms.*	Agreed	Agreed
Preventive restructuring, second chance and efficiency of procedures	*To provide honest entrepreneurs with a second chance and facilitate the efficient restructuring of viable companies in financial difficulties.*	Agreed	Agreed
Promotion of SME Growth Markets	*To cut red-tape for small and medium-sized enterprises trying to access capital markets.*	Agreed	Agreed
Third-party effects on assignment of claims	*To enhance legal certainty about the applicable national law to the effects on third parties where a claim is assigned cross-border.*	Negotiating mandate	Not agreed
European Supervisory Authorities review including anti-money laundering rules	*To enhance supervisory convergence and strengthen enforcement, including against money laundering and terrorist financing.*	Agreed	Agreed
European market infrastructure regulation (Supervision)	*To ensure that the EU supervisory framework effectively anticipates and mitigates risk from EU and non-EU central counterparties servicing EU clients.*	Agreed	Agreed
SUSTAINABLE FINANCE INITIATIVES			
Sustainable finance: Taxonomy	*To help to reorient private capital flows towards more sustainable investments, such as clean transport, and help finance the transition to a low-carbon, more resource-efficient and circular economy.*	Negotiating mandate	Not agreed
Sustainable finance: Disclosure		Agreed	Agreed
Sustainable finance: Low carbon Benchmarks		Agreed	Agreed

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