Coronavirus response: Making capital markets work for Europe's recovery

Brussels, 24 July 2020

The European Commission has today adopted a Capital Markets Recovery Package, as part of the Commission's overall coronavirus recovery strategy. On 28 April, the Commission had already proposed a Banking Package to facilitate bank lending to households and businesses throughout the EU. Today's measures aim to make it easier for capital markets to support European businesses to recover from the crisis. The package proposes targeted changes to capital market rules, which will encourage greater investments in the economy, allow for the rapid re-capitalisation of companies and increase banks' capacity to finance the recovery.

Valdis **Dombrovskis**, Executive Vice-President for an Economy that works for the people said: "*We are continuing with our efforts to help EU citizens and businesses during the coronavirus crisis and the subsequent recovery. One way of doing so is to help businesses raise capital on public markets. Today's targeted amendments will make it easier for our businesses to get the funding they need and to invest in our economy. Capital markets are vital to the recovery, because public financing alone will not be enough to get our economies back on track. We will present a wider Capital Markets Union Action Plan in September*."

The package contains targeted adjustments to the Prospectus Regulation, MiFID II and securitisation rules. All of the amendments are at the heart of the Capital Markets Union project aimed at better integrating national capital markets and ensuring equal access to investments and funding opportunities across the EU.

Targeted amendments to the prospectus regime - EU Recovery Prospectus: Easy to produce – Easy to read – Easy to scrutinise

A prospectus is a document that companies need to disclose to their investors when they issue shares and bonds. The Commission is today proposing to create an "EU Recovery Prospectus" – a type of short-form prospectus – for companies that have a track record in the public market. This temporary prospectus would be easy to produce for companies, easy to read for investors, and easy to scrutinise for national competent authorities. It would cut down the length of prospectuses from hundreds of pages to just 30 pages. This will help companies to raise capital – such as shares - instead of going deeper into debt. A second set of targeted amendments to the Prospectus Regulation aims at facilitating fundraising by banks that play an essential role in financing the recovery of the real economy.

Targeted amendments to the MiFID II requirements for European firms

The Commission is today proposing to make some targeted amendments to MiFID II requirements, in order to reduce some of the administrative burdens that experienced investors face in their business-to-business relationships. Lesser-experienced investors (such as households investing their savings for retirement) will remain just as protected as before. These amendments refer to a number of requirements that were already identified (during the MiFID/MiFIR public consultation) as being overly burdensome or hindering the development of European markets. The current crisis makes it even more important to alleviate unnecessary burdens and provide opportunities to nascent markets. The Commission therefore proposes to recalibrate requirements to ensure that there is a high level of transparency towards the client, while also ensuring the highest standards of protection and acceptable compliance costs for European firms. In parallel, the Commission has today opened a public consultation on amendments to the MiFID II delegated directive to increase the research coverage regime for small and mid-cap issuers and for bonds. In particular, SMEs need a good level of investment research to give them enough visibility to attract new investors. We are today also proposing to amend the MiFID rules affecting energy derivatives markets. This is intended to help the development of euro-denominated energy markets – important for the international role of the euro – as well as allow European companies to cover their risks, while safeguarding the integrity of commodity markets, especially for agricultural products.

Targeted amendments to securitisation rules

The Commission is today proposing a package of measures amending the Securitisation Regulation and the Capital Requirements Regulation. Securitisation is a tool through which banks can bundle loans, turn them into securities, and sell them onto capital markets. The aim of these changes is to facilitate the use of securitisation in Europe's recovery by enabling banks to expand their lending and to free their balance sheets of non-performing exposures. It is helpful to let banks transfer some of the risk of SME (small and medium-sized enterprises) loans to the markets so that they can keep lending to SMEs. In particular, the Commission proposes creating a specific framework for simple, transparent and standardised on-balance-sheet securitisation that would benefit from a prudential treatment reflecting the actual riskiness of these instruments. In addition, the Commission proposes to remove existing regulatory obstacles to the securitisation of non-performing exposures. This can help banks offload non-performing exposures that can be expected to grow because of the coronavirus crisis. Today's changes are based on extensive work and analysis carried out by the European Banking Authority in 2019 and 2020.

For more information

Link to today's package

Questions and Answers

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