



EUROPEAN COMMISSION

Brussels, 27.7.2015
C(2015) 5030 final

Dear President,

The Commission would like to thank the Bundestag for its Opinion concerning the Commission Green Paper on Building a Capital Markets Union {COM(2015) 63 final} and is grateful for the Bundestag's support for the Commission's approach.

The Commission's starting-point is to build a single market for capital from the bottom up. Therefore, the Commission launched a Green Paper that seeks to identify all the barriers and obstacles we currently face. To perform this analysis properly the Commission needs input from Member States, parliamentarians, consumers, industry, and other stakeholders. The Bundestag's feedback will help us to develop an action plan to put in place the building blocks for a fully functioning Capital Markets Union by 2019. We plan to present this action plan in early autumn.

The Commission agrees with the Bundestag's points on the importance of effective impact assessment. Alongside the Green Paper, the Commission published a detailed analytical study to begin to identify the priority areas where action may be necessary. The Commission will seek to deepen this analysis before publishing the action plan. The Commission will look at the full range of tools available, including alternatives to legislation. More generally, the Commission recently set out its Better Regulation agenda – a new approach to regulation that will increase transparency in the EU decision-making process, improve the quality of new laws through better impact assessments and promote a more effective review of existing EU legislation.

The Commission is grateful for the support shown for some of the short-term measures it is proposing to take forward, such high quality securitisation. Building a sustainable securitisation market can help broaden the investor base, free up bank balance sheets to lend and increase Europe's ability to finance its economy.

The Commission has taken note of the Bundestag's concerns regarding an International Financial Reporting Standards-based accounting regime or any other possible new regime for SMEs as well as the importance that the Bundestag attaches to respect for proportionality and subsidiarity. The Commission accepts that particular care is necessary before deciding on any EU level action in the fields of insolvency, company or

*Prof. Dr. Norbert Lammert
Deutscher Bundestag
Platz der Republik 1
D-11011 Berlin*

securities law given the particular challenges associated with any change to established national law in these areas.

The Commission has also registered the concerns of the Bundestag about shadow banking and the importance of investor protection, as well as your clear statement that financial stability remains paramount. The Commission agrees with the Bundestag that the Capital Markets Union is not a substitute for necessary structural reforms and would like to underline that the Capital Markets Union will be complementary to reforms undertaken to improve economic performance.

The Commission fully understands the significance of small regional banks for SME financing and shares the Bundestag's view that the Capital Markets Union should not be about restricting bank financing in favour of capital markets. Bank loans will remain a key financing mechanism for many of our micro- and smaller firms. The Capital Markets Union is primarily about expanding the options available to those companies that are ready and willing to pursue other funding channels. The Commission also notes that developing market financing does not mean reducing bank financing – in fact, revitalising securitisation on a more sustainable basis could provide scope for banks to lend more because they can transfer risk safely off their balance sheets. Finally, many banks will also play a key role in offering intermediation services in capital markets.

The Commission will take the findings of the Bundestag's Opinion into account as it prepares the Capital Markets Union Action Plan and looks forward to continuing our dialogue. Building a Capital Markets Union will be a sustained campaign over the whole lifetime of this Commission, and the Commission looks forward to the continued engagement with the Bundestag and other national Parliaments as the work progresses.

Yours faithfully,

*Frans Timmermans
First Vice-President*

*Lord Hill
Member of the Commission*