



Brussels, 26.01.2017  
C(2017) 342 final

*Dear President,*

*The Commission would like to thank the Bundesrat for its Opinion on the Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions: "Capital Markets Union – Accelerating Reform" {COM(2016) 601 final} and for the support for the Capital Markets Union.*

*The Commission would in particular like to thank the Bundesrat for the support for reaching an agreement, in the near future, on Capital Markets Union initiatives relating to reviving the markets in simple, transparent and standardised (STS) securitisations, to modernising the prospectus regime, as well as to adopting amendments to the Regulations on European Venture Capital Funds and European Funds for Social Entrepreneurship. These legislative proposals are currently in the legislative process involving the European Parliament and the Council.*

*The Commission also welcomes that the Bundesrat considers that the policy priorities of the Capital Markets Union Action Plan need to remain fit-for-purpose in a changing political, economic and technological context. The Capital Markets Union mid-term review in 2017 will be a good opportunity to take stock of progress to date and set priorities going forward.*

*As regards in particular the proposal on STS securitisations and the issue of determining the appropriate level of risk retention, the Commission has proposed to keep the current risk mandatory retention rate of 5% unchanged. Based on assessments by regulators and supervisors, the Commission considers this level balanced and appropriate to achieve the goal of reviving the European securitisations market while at the same time avoiding negative implications on financial stability.*

*The proposal on STS securitisations presented by the Commission is currently in the legislative process involving both the European Parliament and the Council. The appropriate level of risk retention has been and still is core subject of the discussion of the co-legislators.*

*Ms Malu DREYER  
President of the Bundesrat  
Leipziger Straße 3 - 4  
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*The Commission hopes that these clarifications address the issues raised by the Bundesrat and looks forward to continuing our political dialogue in the future.*

*Yours faithfully,*

*Frans Timmermans  
First Vice-President*

*Valdis Dombrovskis  
Vice-President*