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*Ms Maria da Assunção Andrade ESTEVES
President of the Assembleia da República
Palácio de S. Bento
P – 1249-068 LISBOA*

Dear President,

The Commission would like to thank the Assembleia da República for its Opinion concerning the Commission Green Paper on Building a Capital Markets Union {COM(2015) 63 final} and is grateful for the Assembleia da República's support for building a single market for capital for all 28 Member States.

The Green Paper seeks to identify all the barriers and obstacles that currently prevent savings from being channelled to productive investments in infrastructure and business. To perform that analysis properly the Commission needs input from Member States, parliamentarians, consumers and the industry. The Opinion of the Assembleia da República and related contributions¹ are of particular importance in this context.

The more than 700 responses that the Commission has received to its consultation on the Capital Markets Union and related consultations on securitisation and the Prospectus Directive show how much interest there is in the project, which President Juncker has established as one of the Commission's top priorities. The feedback of the majority of respondents confirms that the Commission is on the right track, that it is concentrating on the right areas and that it is right to be taking a step-by-step approach, combining long-term ambition with immediate practical steps.

Some areas have the potential to bring early benefits. The Green Paper already set out a number of short-term priority measures, such as the implementation of the European Long-term Investment Funds Regulation, high quality securitisation, credit information on SMEs, private placement and the review of the Prospectus Directive.

¹ Banco de Portugal, Comissão do Mercado de Valores Mobiliários, Autoridade de Supervisão de Seguros e Fundos de Pensões, Associação Portuguesa de Bancos, Associação Portuguesa de Fundos Investimento Pensões e Patrimónios, Entidades promotoras de crowdfunding and Ordem dos Técnicos Oficiais de Contas.

The Commission's objective is to set out the full range of priority actions necessary to build the Capital Markets Union in late September 2015. Some early actions are expected to be taken in the next months, notably a Commission proposal for simple, transparent and standardised securitisation products with subsequent updated calibrations for the prudential framework of banks and insurances companies and a Commission proposal to modernise the Prospectus Directive. By taking action to review the Prospectus Directive, the Commission is aiming to reduce barriers to accessing markets and improve the quality of investor information. By building a sustainable securitisation market, the Commission can help to broaden the investor base and increase Europe's ability to finance its economy. The Commission is grateful for the support expressed by the Assembleia da República for these two measures.

The Commission shares the view that the Capital Markets Union should not be about reducing bank financing in favour of capital markets. 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 where they transfer risk safely off their balance sheets. Banks also play a key role in offering intermediation services in capital markets.

Building a single market for capital is a long-term project. The Action Plan will not be limited to the areas where progress can be quickly made. It will also address the long-standing, deeply rooted obstacles which are highlighted in the Assembleia da República's Opinion. Such issues relate for example to investment restrictions, divergences in taxation and insolvency regimes etc.

The Commission agrees that it is important to monitor potential future systemic risks stemming from market-based finance. As Europe's capital markets develop, it will be important to ensure that systemic risks do not accumulate unchecked and the regulatory toolkit remains appropriate to deal with such risks.

The Commission is now working on translating the ideas that emerged from the consultation on the Capital Markets Union into a set of concrete actions that will be set out in the Action Plan. The contributions of the Portuguese public authorities will be carefully considered in that context and the Commission welcomes the continued engagement of the Assembleia da República throughout this process.

The Commission looks forward to continuing our political dialogue in the future.

*Frans Timmermans
First Vice-President*

*Lord Hill
Member of the Commission*