Delivering on the CAPITAL MARKETS UNION

WHAT IS THE CAPITAL MARKETS UNION?

The Capital Markets Union aims to get money - investments and savings - to flow across the EU so that it can benefit consumers, investors and companies. It is part of the Juncker Commission’s ambition to sustain growth in Europe. The Capital Markets Union aims to break down barriers that block cross-border investments in the EU and make it easier for companies and infrastructure projects to get the finance they need, regardless of where they are located. It also sets out to foster sustainable finance by directing investment to environmentally friendly projects. Deep and well-integrated capital markets are complementary to a functioning Banking Union and are beneficial to the euro area and beyond.

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 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 makes access to stockmarkets especially costly for small businesses

Investors face many barriers when investing in other EU countries

European businesses highly depend on banks for their financing (50% of total financing), with few alternative fund sources

“Today’s proposals are part of a broader strategy to strengthen capital markets and encourage investments in the EU. To have a genuine Capital Markets Union in Europe by 2019, we need to advance in three directions: European labels and passports for financial products, harmonised and simplified rules to deepen capital markets and more consistent and efficient supervision.”

VALDIS DOMBROVSKIS
Vice-President in charge of Financial Stability, Financial Services and Capital Markets Union
12 legislative initiatives have been presented by the Juncker Commission. 3 have been agreed on by the European Parliament and the Council of the European Union. Legislative initiatives are still on the table which the European Parliament and the Council need to adopt.

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?

Improve banks’ ability to lend

EU rules on securitisation help banks and other credit institutions package loans into securities, which are then sold to investors. This way banks transfer the risk of some loans to other banks or long-term investors such as insurance companies and asset managers.

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 new set of rules that support companies raising money on capital markets to invest and grow (review of the EU rules on prospectuses). This will also help investors to make better and more informed decisions.

More options when saving for retirement

The proposed Pan-European Personal Pensions Product is designed to give European consumers more choice when saving for retirement as it would create a new class of EU-wide pension products.
We want to make it easier and cheaper for companies, especially small and medium-sized ones, to get the financing they need. A deepened single market will help companies to do that and will allow them to grow. The Commission is delivering on its commitment to put in place the building blocks of CMU. The European Parliament and Council must now do their part. The Commission stands ready to work with them to adopt all legislative proposals by 2019.

Jyrki Katainen
Vice-President responsible for Jobs, Growth, Investment and Competitiveness
## PROGRESS ON CMU

<table>
<thead>
<tr>
<th>MEASURE</th>
<th>DESCRIPTION</th>
<th>European Commission</th>
<th>European Parliament</th>
<th>Council of the European Union</th>
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<tbody>
<tr>
<td>Rules for <strong>simple, transparent and standardised securitisation</strong></td>
<td>New rules that will broaden investment opportunities and boost lending to Europe’s households and businesses. Adopted by the co-legislators in 2017.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td>New <strong>Prospectus Regulation</strong></td>
<td>New rules that will facilitate access to financial markets for companies, particularly small and medium-sized enterprises. Adopted by the co-legislators in 2017.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td>Review of <strong>European Venture Capital Fund Regulation (EuVECA) and European Social Entrepreneurship Funds Regulation (EuSEF)</strong></td>
<td>New rules to stimulate venture capital and social investments in the EU. Adopted by the co-legislators in 2017.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td><strong>Solvency II adjustments</strong></td>
<td>Rules to foster insurers’ investments in infrastructure projects and corporate projects. Amendments on infrastructure investment entered into force in 2016. Amendments on infrastructure corporates entered into force in 2017.</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
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<td>Legislative proposal on <strong>business insolvency</strong></td>
<td>The Commission presented a legislative proposal on preventive restructuring and second chance in November 2016. The proposal is currently under negotiation in the Council.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td><strong>Capital requirement adjustments (CRR)</strong></td>
<td>Rules to foster banks’ infrastructure investment. Proposed by the Commission as part of the November 2016 banking package.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td>Commission proposal for a <strong>Pan-European Personal Pension Product (PEPP)</strong></td>
<td>New rules will provide pension providers with the tools to offer a simple and innovative pan-European personal pension product. Commission presented the proposal in June 2017.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td>Commission proposal for a review of the <strong>European Supervisory Authorities</strong></td>
<td>Reform of the EU’s supervisory architecture for stronger and more integrated financial markets. Commission presented the proposal in September 2017.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td>More proportionate and effective rules for investment firms</td>
<td>The Commission presented a legislative proposal for a more targeted regime to reduce risks in investment firms’ activities in December 2017.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td><strong>Commission Action Plan on sustainable finance</strong></td>
<td>EU strategy to encourage green and sustainable investments with regulatory measures. Presented in March 2018.</td>
<td>Yes</td>
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<td><strong>Commission Action plan on financial technology (FinTech) and a legislative proposal for an EU framework on crowdfunding and peer-to-peer lending</strong></td>
<td>EU strategy to promote financial innovation while protecting consumers and investors. New EU rules to boost and facilitate cross-border activity in the crowdfunding sector. Presented in March 2018.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td><strong>European covered bonds</strong></td>
<td>New rules to promote covered bond markets as a source of funding for banks thereby increasing lending to the economy.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td>Facilitate cross-border distribution of investment funds</td>
<td>Legislative initiative for easier EU-wide distribution of investment funds.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td><strong>Clear rules on ownership of securities and claims</strong></td>
<td>Measures to enhance legal certainty in cross-border transactions in claims and securities.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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*Presented/agreed  Agreement possible in 2018 if strong political commitment from all EU institutions*