



Unlocking Funding for Europe's Growth - European Commission consults on Capital Markets Union

Brussels, 18 February 2015

The European Commission today launched its landmark project to unlock funding for Europe's businesses and to boost growth in the EU's 28 Member States with the creation of a true single market for capital.

The Capital Markets Union aims to break down the barriers that are blocking cross-border investments in the EU and preventing businesses from getting access to finance. The current environment is tough for businesses that remain heavily reliant on banks and relatively less on capital markets. The opposite is true in other parts of the world. One example of the opportunities a fully functioning single market for capital could offer: if EU venture capital markets were as deep as the US, as much as 90 billion euro more in funds would have been available to companies between 2008 and 2013.

With the CMU, the Commission also wants to clear obstacles that are preventing those who need financing from reaching investors and make the system for channelling those funds – the investment chain – as efficient as possible.

On Wednesday, the Commission launched a three-month consultation round, known as a Green Paper, the outcome of which will shape an Action Plan to help unlock non-bank funding so that start-ups can thrive and larger companies can expand further. The CMU is a long-term project that will require sustained effort over many years although early progress can also be made in some areas in the coming months.

European Commission Vice-President Jyrki Katainen, responsible for Jobs, Growth, Investment and Competitiveness said: *"Capital Markets Union is the first structural initiative that the Commission puts forward under the investment plan. It will contribute to ensuring that the investment plan is more than a one-off push and has a durable positive impact on economic conditions in Europe."*

"The direction we need to take is clear: to build a single market for capital from the bottom up, identifying barriers and knocking them down one by one. Capital Markets Union is about unlocking liquidity that is abundant, but currently frozen, and putting it to work in support of Europe's businesses, and particularly SMEs," said EU Commissioner Jonathan Hill, responsible for Financial Stability, Financial Services and Capital Markets Union. *"The free flow of capital was one of the fundamental principles on which the EU was built. More than fifty years on from the Treaty of Rome, let us seize that opportunity to turn that vision into reality."*

Background

The purpose of the Green Paper on the Capital Markets Union is to kick-start a debate across the EU over the possible measures needed to create a true single market for capital. Two complementary consultations on 'high-quality' securitisation and the prospectus directive are also being launched today (see details below).

The Commission is seeking feedback from the European Parliament and the Council, other EU institutions, national parliaments, businesses, the financial sector and all those interested. All stakeholders and interested parties are invited to submit their contributions by 13 May 2015 (see link to consultation [page](#)).

Following the public consultation, the Commission will adopt an Action Plan this summer setting out its roadmap and timeline for putting in place the building blocks of a Capital Markets Union by 2019.

On the basis of the outcome of this consultation, the Commission will identify the actions that are necessary to achieve the following **objectives**:

- improve access to finance for all businesses and infrastructure projects across Europe;
- help SMEs raise finance as easily as large companies;
- create a single market for capital by removing barrier to cross-border investments;
- diversify the funding of the economy and reduce the cost of raising capital

The Green Paper identifies the following key **principles** which should underpin a Capital Markets Union:

- it should maximise the benefits of capital markets for the economy, growth and jobs;
- it should create a single market for capital for all 28 Member States by removing barriers to cross-border investment within the EU and fostering stronger connections with global capital markets;
- it should be built on firm foundations of financial stability, with a single rulebook for financial services which is effectively and consistently enforced;
- it should ensure an effective level of investor protection; and
- it should help to attract investment from all over the world and increase EU competitiveness.

The Commission's Communication in November 2014, an [Investment Plan for Europe](#), already pinpointed some measures that can be taken in the short-term. These include the implementation of European Long-term Investment Funds ([ELTIF](#)) regulation, 'high-quality' securitisation, standardised credit information on SMEs, private placement and the review of the [Prospectus Directive](#). These are areas where the need for progress is widely recognised with potential to bring early benefits.

Prospectus Directive review

Prospectuses are legal documents used by companies to attract investment. They contain facts to help investors make informed investment decisions. But they are also costly and administratively burdensome for companies to produce, often requiring hundreds of pages of detailed information. And for investors, it can be complex to wade through excessively detailed information.

The Commission is launching its consultation on the Prospectus Directive with a view to making it easier for companies (including SMEs) to raise capital throughout the EU while ensuring effective investor protection. A key focus will be to reduce the administrative hoops through which companies have to jump. The consultation will, among other things, consider ways to simplify the information included in prospectuses, examine when a prospectus is necessary and when it is not and how to streamline the approval process.

Securitisation

Securitisation is the process where a financial instrument is created by pooling assets: more investors are then able to purchase shares of those assets, thereby increasing liquidity and freeing up capital for economic growth. An EU-wide initiative on 'high-quality' securitisation would need to ensure high standards of process, legal certainty and comparability across securitisation instruments through a higher degree of standardisation of products. This would notably increase the transparency, consistency and availability of key information for investors, including in the area of SME loans, and promote increased liquidity. This should facilitate issuance of securitised products, and allow institutional investors to perform due diligence on products that match their asset diversification, return and duration needs.

Medium to long term measures

The Green Paper also seeks views on how to overcome other obstacles to the efficient functioning of markets in the medium- to long-term, including how to reduce the costs of setting up and marketing investment funds across the EU; how to further develop venture capital and private equity; whether targeted measures in the areas of company, insolvency and securities laws as well as taxation could materially contribute to CMU; and the treatment of covered bonds, with a specific consultation in 2015 on a possible EU framework.

More information:

[MEMO/15/4434](#) on Capital Markets Union

[Green Paper](#)

[Webpage](#) on CMU

[Consultation](#) on Prospectus Directive

[Consultation](#) on Securitisation

[MEMO](#) on ELTIFs

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Attachments

[CMU Infographics A4 printing.pdf](#)