



Public Consultation on the Capital Markets Union Mid-term review

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1. What is the Capital Markets Union (CMU)?

The Commission's top priority is to strengthen Europe's economy and stimulate investment to create jobs. The EUR 315 billion Investment Plan for Europe helped to kick-start that process. We need stronger capital markets to strengthen investment in the long term. These would provide new sources of funding for business and entrepreneurs, help increase options for savers and make the economy more resilient. That is why President Juncker set out, as one of his key priorities, the need to build a true single market for capital – a **Capital Markets Union (CMU)** for all Member States.

The free movement of capital is a long-standing objective of the European Union – a fundamental freedom at the heart of the single market. Despite the progress that has been made, the EU's capital markets remain fragmented along national lines and European economies remain heavily reliant on the banking sector for their funding needs. This makes them more vulnerable if bank lending tightens, like it did during the financial crisis.

In a changing political and economic context, developing stronger capital markets in the EU is crucial. It will give businesses access to alternative, more diverse sources of funding so they can thrive. It will allow capital to move more freely across borders in the Single Market so that it can be put to good use to support our companies and offer Europeans more investment opportunities.

The [Action Plan](#) published in September 2015 sets out the priority actions needed to put in place the building blocks of a CMU by 2019, removing barriers to cross-border investment and lowering the costs of funding. As part of the third pillar of the [Investment Plan for Europe](#), the CMU should help businesses tap into more diverse sources of capital from anywhere within the EU, make markets work more efficiently and offer investors and savers additional opportunities to put their money to work in order to boost growth and create jobs. The [Communication published in September 2016](#) reaffirms the Commission's commitment to the CMU and calls for an acceleration of the reform, setting out the necessary steps for its fast completion.

2. What are the benefits of a CMU?

The [CMU](#) will complement Europe's strong tradition of bank financing, and will help to:

- **Unlock more investment from the EU and the rest of the world:** the CMU should help mobilise capital in Europe and channel it to all companies, including SMEs, and infrastructure projects that need it to expand and create jobs. It will provide households with better options to meet their retirement goals.
- **Connect financing more effectively to investment projects across the EU:** the CMU is a classic single market project for the benefit of all Member States. Those Member States with the smallest markets and high growth potential have a lot to gain from a better channelling of capital and investment into their projects. More developed market economies will benefit from greater cross-border investment and saving opportunities.
- **Make the financial system more stable:** by opening up a wider range of funding sources and more long-term investment, reduce the vulnerability of EU citizens and companies to banking shocks, such as those they were exposed to during the crisis.
- **Deepen financial integration and increase competition:** more cross-border risk-sharing, deeper and more liquid markets and diversified sources of funding should deepen financial integration, lower costs and increase European competitiveness.

3. Why is the Commission consulting on the CMU?

Some 15 initiatives have been completed by the Commission since the publication of the [CMU Action Plan in September 2015](#), which corresponds to almost half of the actions envisaged in the Plan. Several more will be launched in the coming months and will be finalised by 2019.

The aim of this [consultation document](#) is to seek feedback on how the current programme can be

updated and completed in order to provide a strong policy framework for the development of capital markets, building on the initiatives that the Commission has presented so far.

As we approach the delivery of the remaining CMU actions, it is appropriate to take stock of what has been done so as to build on these foundations. This consultation offers an opportunity for stakeholders to provide targeted input to complement and advance the actions put forward in the CMU Action Plan, ahead of the planned Mid-Term Review.

4. What has been achieved so far?

- We have made progress on the core legislative initiatives included in the CMU Action Plan:
Prospectus: The European Parliament, the Council and the Commission reached an agreement on revamped prospectus regulation in December 2016. The agreed legislation will reduce the number of issuances subject to EU rules, facilitate secondary issuances, and simplify disclosures for smaller issuers.
Venture capital: The Council reached agreement on our proposal to review the venture capital legislative framework in December 2016, which is now with the European Parliament. The proposal will open up this passport to fund managers of all sizes and expand the range of companies that can be invested in.
Securitisation: The path towards finalisation of the proposed framework on simple, transparent and standardised securitisation law is open following a recent vote in the ECON Committee of the European Parliament.
- New rules have made it cheaper for insurance companies to invest in long-term infrastructure projects.
- We launched a Pan-European Venture Capital Fund-of-Funds programme. This programme aims to address Europe's equity gap and fragmentation of the venture capital market by attracting additional private funding from institutional investors.
- We presented a proposal on preventive restructuring and second chance frameworks to avoid unnecessary liquidation of viable companies. Allowing honest entrepreneurs to benefit from a second chance after overcoming bankruptcy is crucial for ensuring a dynamic business environment and promoting innovation.
- We presented a proposal to address the issue of the debt-equity bias, in the context of the Commission proposal on the [Common Corporate Tax Base \(CCTB\)](#).

5. What are the upcoming priorities for building a CMU?

- **Personal pensions:** Based on the outcome of a public consultation carried out in 2016, the Commission will work on a proposal for a simple, efficient and competitive EU personal pension product aimed at reducing barriers to the provision of pension services across borders and increasing competition between pension providers.
- **Promote the FinTech sector and ensure that the regulatory environment strikes an appropriate balance** between enabling the development of FinTech and ensuring confidence for investors. Technology is driving rapid change throughout the financial sector and has the power to transform capital markets, and bring them closer to companies and investors. The **Commission set up an internal task force** that brings together services responsible for financial regulation, for the Digital Single Market, competition and consumer protection policy. It will further engage outside experts and stakeholders with the aim to formulate policy-oriented recommendations and propose measures in the course of 2017.
- **Sustainable finance:** Sustainable investment is at the heart of building a CMU. The key question arising is how the financial policy framework can contribute to an orderly transition to a low-carbon economy by helping mobilise finance, notably private or capital market finance while, at the same time, avoid financial instability of banks and companies that might be exposed to carbon-intensive sectors and assets. In support of these objectives, **we have created a high level expert group**. The group will propose operational policy recommendations on the path towards an effective EU sustainable finance agenda by the end of 2017.

6. How will the Commission ensure that the CMU Action Plan remains fit for purpose? What will the CMU Mid-Term review of the Action Plan entail?

The Mid-term Review of the CMU Action Plan will:

- Take stock of the progress on the implementation of the CMU Action Plan;
- Update actions in the light of work undertaken so far and evolving market circumstances; and
- Complement the CMU Action Plan with new measures which constitute an effective and proportionate response to key challenges.

This will ensure that our priorities evolve in tandem with political, economic and technological developments.

7. Who can respond to the consultation and how?

This consultation provides an opportunity for stakeholders to provide targeted input to complement and update the CMU Action Plan. Anyone can respond: the consultation will be as broad as possible. Views are welcome from consumers or users of financial services, consumer organisations, existing providers of retail financial services such as banks or insurance companies, would-be providers such as digital start-ups, or companies in the Financial Technology (FinTech) sector, to name just a few. Supervisors, national competent authorities, EU institutions and international organisations are also invited to take part.

You can respond to the consultation by filling in the questionnaire available [here](#).

8. What are the next steps after this consultation?

The consultation will be open for 8 weeks. The input from this consultation will help the Commission take stock of the already adopted measures as well as integrate complementary measures to implement a CMU. The preparation of the CMU Mid-term Review will also draw on relevant submissions and findings from the [Call for Evidence on the cumulative impact of the financial reform](#). The Commission will present a Mid-Term Review of the CMU Action Plan in June 2017.

Respondents are invited to contribute to this consultation by 17 March 2017. Respondents are invited to provide evidence-based feedback and specific operational suggestions. The use of the [on-line questionnaire](#) is strongly recommended.

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