



## Capital Markets Union: an Action Plan to boost business funding and investment financing

Brussels, 30 September 2015

**The European Commission is launching the Capital Markets Union Action Plan today to help build a true single market for capital across the 28 EU Member States.**

 [Action Plan for a Capital Markets Union \(CMU\)](#)

As part of the Juncker Commission priority to boost jobs, growth and investment across the EU, the Capital Markets Union (CMU), a key pillar of the [Investment Plan](#), aims to tackle investment shortages head-on by increasing and diversifying the funding sources for Europe's businesses and long-term projects. Also published today are the first and most urgent steps in that Plan, such as relaunching sound securitisation markets.

Alternative sources of finance, complementary to bank-financing - including capital markets, venture capital, crowdfunding and the asset management industry - are more widely used in other parts of the world, and should play a bigger role in providing financing to companies that struggle to get funding, especially SMEs and start-ups. Having more diversified sources of financing is good for investment and business but is also essential to financial stability, mitigating the impact of potential problems in the banking sector on companies and their access to finance. For this reason, CMU is also an important part of the work on the completion of the European Economic and Monetary Union.

The Commission also wants to break down barriers that are blocking cross-border investments in the EU to make it easier for companies and infrastructure projects to get the finance they need, regardless of where they are located.

The CMU is a medium-term project but with some important early initiatives. The Commission is today unveiling a first set of measures to relaunch high-quality [securitisation](#), and to promote long-term investment in [infrastructure](#). In addition, the Commission will announce proposed changes to the Prospectus [Directive](#) before the end of the year, with a view to making it easier and less expensive for small and medium-sized companies to raise capital.

In addition, the Commission has started two consultations on [Venture Capital Funds](#) and on [Covered Bonds](#).

And in line with the principles of Better Regulation, the Commission is also launching a [call for evidence](#) on the cumulative impact of financial legislation –c to make sure that it is working as intended without (for example) overlapping reporting requirements or inconsistencies between the various laws.

The Commission's overall goal for CMU is to create opportunities for investors, connect finance to the wider economy, and foster a more resilient financial system, with deeper integration and more competition. Our approach will be pragmatic, step-by-step, based on rigorous economic analysis and mindful of financial stability risks.

**European Commission Vice-President Jyrki Katainen, responsible for Jobs, Growth, Investment and Competitiveness** said: *"The most important part of the Investment Plan for Europe is removing obstacles to investment by deepening the single market. During my roadshows, I have heard many times that insurers struggle to invest in infrastructure projects, so I hope that with the amendment to the Solvency II delegated regulation they will have the right incentives for sound investments."*

**Commissioner Jonathan Hill, responsible for Financial Stability, Financial Services and Capital Markets Union** said: *"I want the Capital Markets Union to help European businesses, and our SMEs in particular, have a wider range of funding sources. I want it to give consumers more options for investing their money. I want to knock down barriers to make it easier for capital to flow freely across all 28 Member States."*

### Background

In **February 2015** the Commission launched a consultation on the measures needed to unlock investment in the EU and to create a single market for capital ([IP/15/4433](#), [MEMO/15/4434](#)) and

related consultations on the prospectus directive and securitisation. The Commission received a wealth of feedback from businesses, investors, the financial sector, national parliaments, the European Parliament, the Council and European citizens.

The more than 700 responses which were received made clear that there is broad support for the CMU (see responses [here](#)). The consultation was followed by a high level [conference](#) on **8 June 2015**.

The feedback from the consultation showed that a single market for capital would help support more cross-border risk-sharing, create deeper and more liquid markets and diversify the sources of funding in the economy. The respondents to the consultation were in favour of the step-by-step approach proposed in the Green Paper.

The Action Plan is built around the following key principles:

- **Creating more opportunities for investors:** the CMU should help mobilise capital in Europe and channel it to companies, including SMEs, and infrastructure projects that need it to expand and create jobs. It should give households better options to meet their retirement goals.
- **Connecting financing to the real economy:** the CMU is a classic single market project for the benefit of all 28 Member States. Member States have a lot to gain from channelling capital and investment into their projects.
- **Fostering a stronger and more resilient financial system:** Opening up a wider range of funding sources and more long-term investment, ensuring that EU citizens and companies are no longer as vulnerable to financial shocks as they were during the crisis.
- **Deepening financial integration and increasing competition:** the CMU should lead to more cross-border risk-sharing and more liquid markets which will deepen financial integration, lower costs and increase European competitiveness.

**Key early actions are:**

#### **New rules on securitisation**

Securitisation is the process where a financial instrument is created, typically by a lender such as a bank, by pooling assets (for example car-loans or SME-loans) for investors to purchase. This facilitates access to a greater range of investors, thereby increasing liquidity and freeing up capital from the banks for new lending. The Commission is proposing a regulatory [framework](#) for securitisation which is simple, transparent and standardised and subject to adequate supervisory control. According to the Commission's estimates, if EU securitisation issuance was built up again to pre-crisis average, it would generate between €100-150bn in additional funding for the economy.

#### **New rules on Solvency II treatment of infrastructure projects**

Investment in infrastructure projects is essential for supporting economic activity and growth in Europe, but such projects require large amounts of long-term financing. The insurance industry is well-equipped to provide long-term finance by investing in equity shares as well as loans of infrastructure projects. The Commission wishes to remove unjustified prudential obstacles so that insurers play an important role in European infrastructure projects. Based on the advice of the European Insurance and Occupational Pensions Authority (EIOPA), today's [legislation](#) creates a distinct infrastructure asset class and reduces the amount of capital which insurers must hold against the debt and equity of qualifying infrastructure projects.

#### **Public consultation on venture capital**

Small and medium-sized unlisted companies often find it hard to get mainstream financing via bank loans and they do not have access to capital via stock markets: alternatives like venture capital may help them to grow and develop. The existing EU rules, the [EuVECA](#) and [EuSEF](#) Regulations set up two types of collective investment fund to make it easier and more attractive for private savers to invest in unlisted SMEs. The [consultation](#) will ask whether targeted changes to these regulations could boost the take-up of these investment funds. Issues the consultation will cover include the restrictions on who is able to manage the funds, the level of minimum investment of €100,000 for investors, and whether non-EU managers should be able to offer EuVECA or EuSEF. The consultation runs until 6th January 2016.

#### **Public consultation on covered bonds**

Covered bonds are a major tool for long-term finance in many EU Member States, to channel finance to the real estate market and public sector. European credit institutions are world leaders in covered bond issuance, but the market is currently fragmented along national lines, which constrains standardisation in underwriting and disclosure practices and creates obstacles to deep, liquid and accessible markets, in particular across borders. The Commission will consult on a pan-European framework for covered bonds; this would build on national regimes that work well without disrupting them and it would be

based on high-quality standards and best market practices. The [consultation](#) which runs until 6th January 2016, will also seek views on the use of covered bond structures on the back of SME loans. Once the consultation has closed, the Commission will decide whether EU action is needed.

### **Cumulative impact of financial legislation**

The Commission is today launching a "call for evidence" to gather feedback and gauge the cumulative impact and interaction of current financial rules. Through the [consultation](#), the Commission is seeking to identify possible inconsistencies, incoherence and gaps in financial rules, as well as unnecessary regulatory burdens and factors negatively affecting long-term investment and growth.

#### **More information:**

Action Plan on Capital Markets Union

[http://ec.europa.eu/finance/capital-markets-union/index\\_en.htm#action-plan](http://ec.europa.eu/finance/capital-markets-union/index_en.htm#action-plan)

Securitisation proposal

[http://ec.europa.eu/finance/securities/securitisation/index\\_en.htm#150930](http://ec.europa.eu/finance/securities/securitisation/index_en.htm#150930)

Solvency II amended legislation

[http://ec.europa.eu/finance/insurance/solvency/solvency2/index\\_en.htm#150930](http://ec.europa.eu/finance/insurance/solvency/solvency2/index_en.htm#150930)

Public consultation on Venture Capital

[http://ec.europa.eu/finance/consultations/2015/venture-capital-funds/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/venture-capital-funds/index_en.htm)

Public consultation on Covered Bonds

[http://ec.europa.eu/finance/consultations/2015/covered-bonds/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/covered-bonds/index_en.htm)

Cumulative impact of financial legislation

[http://ec.europa.eu/finance/consultations/2015/financial-regulatory-framework-review/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/financial-regulatory-framework-review/index_en.htm)

Memo on Capital Markets Union

[http://europa.eu/rapid/press-release MEMO-15-5732\\_en.htm](http://europa.eu/rapid/press-release_MEMO-15-5732_en.htm)

MEMO on Solvency II delegated regulation

[http://europa.eu/rapid/press-release MEMO-15-5734\\_en.htm](http://europa.eu/rapid/press-release MEMO-15-5734_en.htm)

MEMO on Cumulative impact of financial legislation

[http://europa.eu/rapid/press-release MEMO-15-5735\\_en.htm](http://europa.eu/rapid/press-release MEMO-15-5735_en.htm)

MEMO on Securitisation

[http://europa.eu/rapid/press-release MEMO-15-5733\\_en.htm](http://europa.eu/rapid/press-release MEMO-15-5733_en.htm)

[Webpage](#) on CMU

Testimonials & animation:

- Animation <https://youtu.be/RvvGsM3tN7A>
- Ireland <https://youtu.be/57VT9mcnZJI>
- Germany [https://youtu.be/DFC\\_uB7ik-8](https://youtu.be/DFC_uB7ik-8)
- Spain <https://youtu.be/0wSzhblq54Y>
- <https://youtu.be/YU-61eGtbmc>
- Italy <https://youtu.be/UB6hQ2mBmfw>
- Croatia <https://youtu.be/s0IiQpR28I>
- Playlist (all of them): [https://www.youtube.com/playlist?list=PLEFN857evR6-ffV9OGQ8Hluh3gmsXiF\\_L](https://www.youtube.com/playlist?list=PLEFN857evR6-ffV9OGQ8Hluh3gmsXiF_L)

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Attachments

[FINAL infographics-securitisation-a4.pdf](#)

[CMU fact sheet 12.pdf](#)