



Introductory remarks by Commissioner Jonathan Hill at the launch of the Capital Markets Union Action Plan

Brussels, 30 September 2015

Press Conference

I am very pleased to be here and to have the chance after a number of months to publish our Action Plan on the Capital Markets Union. And I have just come from the College where there was very strong support for this package because I think my colleagues all see that the Capital Markets Union is a central part of our overall effort to encourage jobs and growth. And I'm particularly pleased that this is the first of three big single market initiatives set out by President Juncker on which the Commission is taking action. It lies at the heart of our economic agenda alongside our drive on free trade and our drive on better regulation.

I know that sometimes the CMU as a concept sounds a bit abstract. Well actually, it isn't. Because what it is about at its most simple is creating the right conditions for more funding to flow from Europe's savers to Europe's businesses.

Over the past year I have had the chance to speak to entrepreneurs from all over Europe and many of them have said the same thing: that they can't get hold of the funding they need to get going, particularly if they have a business idea, for example in an area like bio-tech, which is sometimes high reward but higher risk to get going. Other businesses can't get hold of the investment that they need to grow. And that is why I think many European ideas and many European start-ups are heading off to markets where funding is easier to come by, and where innovation is better rewarded.

I have also had the chance to meet the insurance funds who are responsible for making people's savings grow. They want to be able to invest more in European infrastructure projects. I have talked to the banks who say that they want to be able to lend more to Europe's businesses. And I also had the chance to reflect a bit about this huge demographic challenge that Europe faces, with our population growing older, where we know that we have to encourage people to plan and save more for their old age.

I think that the CMU brings these different strands together. So it isn't abstract - it's very practical. It is about unlocking those savings and putting them to work to support growth.

A couple of figures to set out the scale of the challenge that we have. Europe's economy is about the same size as America's, but our equity markets are less than half their size. In the US, SMEs get about five times as much funding from the capital markets - or non-bank financing - as they do here in the EU.

And if our venture capital markets were as well developed as they are in the US, companies could have raised an extra EUR 90 billion over the past five years. And perhaps even more importantly, the differences that there are between EU Member States are greater than the differences between the EU and the US.

So I think that if we can build stronger more sustainable capital markets and remove these barriers to cross-border investment, that there would be very clear benefits.

We could increase investment in our infrastructure. Connecting our markets better would mean that entrepreneurs seeking capital to grow and invest would be more likely to have access to funding wherever they are in the EU. We could increase opportunities for successful businesses to sell into bigger markets, reducing costs to consumers. We could add to the options for people saving for the long term. And we could make the whole financial system stronger, diversifying away from our traditional dependency on banking, particularly in the eurozone, as set out in the 5 Presidents' Report.

We have consulted widely and we have used that consultation and identified the issues we need to tackle and come up with a comprehensive, bottom-up Action Plan to address them all. It is an approach that has received strong support from national governments and from the European Parliament.

Now it is quite clear that building Capital Markets Union will require a sustained effort year in, year out. But we are starting fast to build momentum. And today I am able to present six immediate initiatives

as a first step, a down-payment if you like, in the longer-term programme to work through the biggest barriers we face one by one. So let me give you my top six initiatives for today.

First, to support the Juncker Investment Plan in the way that we just heard from Jyrki Katainen, we are acting to encourage more long-term investment in infrastructure. The insurance sector has almost EUR 10 trillion to invest in the European economy which is a huge amount. I am keen that we could throw more of its weight behind European infrastructure.

So we will define what an infrastructure investment is and then we will lower the capital requirements associated with it. Risk charges on infrastructure investment will come down by some 30%.

Second, we are acting to relaunch European securitisation markets. And that will help diversify funding sources and in turn free up bank lending for the wider economy. And I think that is a good example of how CMU can complement our banking sector.

Today we are proposing a new framework to encourage the take-up of simple, transparent and standardised securitisation – STS. This will define when a securitisation counts as STS and again, it will set lower capital requirements that will apply when it meets those criteria.

If we could rebuild the securitisation market to the levels they were at before the crisis, that could add up to an extra EUR 100 billion of investment for the whole economy.

Third, to help SMEs get financing on capital markets, we are looking at our Prospectuses. These, as you know, are what businesses have to publish when they want to list on a stock exchange.

These prospectuses can be real door stoppers: running to hundreds of pages in length and cost upwards of a hundred thousand euros to produce.

So we will be bringing forward a proposal to modernise the Prospectus Directive so that these documents serve their initial purpose. They certainly need to provide clear information for investors. But they also need to be affordable for SMEs to produce.

So we will update and modernise, simplify and streamline. We will publish a proposal on this before the end of the year.

Fourth, we will be proposing a package of measures to support investors who are willing to take more risk. Too many start-ups and SMEs cannot get the funding they need here.

So today we are launching a comprehensive package of support for venture capital. We will start by amending the Regulation on Venture Capital Funds and European Social Entrepreneurship to make it easier for more funds to participate, and to be active in more investments.

Fifth, I am also today launching a call for evidence on the cumulative impact of the rules that we have passed in the financial services sector.

In recent years, over the past five or six years, we had to legislate at speed and we introduced a whole battery of measures. That overall architecture has made the system safer, and it has made the system more resilient. That is not in question at all. But now, as we work to create an environment that supports investment, we need to check that the cumulative impact of these rules hasn't had any unintended consequences. And that is something, incidentally, that the European Parliament has been calling for.

So I am inviting people to let us have hard evidence. Are there overlaps, are there duplications, are there any gaps, are our rules affecting lending? And if our regulatory framework has not achieved the right balance between stability and growth, if there are unnecessary regulatory burdens that are damaging our ability to invest, then I think we should be ready to make amendments.

And then our sixth and final initiative I'm announcing today, is that we will be publishing a Green Paper looking at ways to increase choice for consumers and to increase the cross border supply of retail financial services.

These retail investors are consumers, citizens, who want to save for their retirement or to protect against ill health. And they lie at the heart of everything that we are trying to do.

I want a system that is built on transparency, on competition, on choice, and one that takes into account the huge changes that the development of digital services are going to bring. So our Green Paper will seek views on how best to achieve this and we will publish that by the end of this year.

So those are just the immediate initiatives. I hope you will feel that they in themselves are a weighty package, a mix of legislative and non-legislative measures.

The Action Plan also sets out a whole range of further actions to increase funding options for Europe's businesses, to increase investment, and to break down those cross-border barriers to the free movement of capital.

They are all set out in the plan with a timetable at the back. I am just going to highlight just a few areas.

At the heart of our action plan is how we can build a financial system that meets the financing needs of all our businesses — from the smallest micro-firm to the largest listed companies — at different stages in their development. We will look at how to remove barriers to small firms raising money from the capital markets, and how we can better connect information on investment opportunities in SMEs to investors the world over.

We also need to improve the connection between retail and institutional investors, the fuel in the tank of the CMU, to our companies and our infrastructure projects.

We have a European system that allows investment funds to operate across the EU – but we know it does not work as well as it should. So I want to create a proper European passport system for investment funds to increase competition and choice for European citizens.

Personal pensions have the potential to inject more savings into capital markets and to channel more of that money to productive investments. Yet the EU doesn't have a single market for voluntary personal pensions and that means we are missing out on economies of scale and that in turn limits choice and pushes up the cost for savers.

Next year, we will start work to determine exactly what is needed to establish a European market for simple personal pensions. And we will clarify whether or not EU legislation could help to underpin that market.

The Action Plan also sets out our approach to long standing cross-border barriers to the free movement of capital.

These range from longstanding differences in national laws on insolvency, on tax, on securities through to obstacles that arise from fragmented market infrastructure. Progress here will by necessity be slower. But I am committed to the long haul.

So we will be consulting on the key differences between insolvency and early-restructuring regimes across the EU. By the end of next year, we will bring forward legislation to align insolvency proceedings better across the EU. We will also seek to address the current bias in our tax system that makes it cheaper to issue debt rather than equity.

We will work with the European Supervisory Authorities to strengthen supervisory convergence and keep a careful eye on the possible emergence of any new risks. Wherever companies operate in Europe the rules of the game need to be consistent and make sure that they safeguard financial stability.

So I think that today, the Action Plan that we are publishing is delivering on the quick start I promised in June.

The first targets are infrastructure, bank lending, SMEs, venture capital, and assessing the rules that we have passed. To support long-term infrastructure investment we are tabling legislation to modify Solvency II. To support bank lending we are proposing legislation to revitalise safe, transparent and standardised securitisations. To support SME access to capital markets, we will be proposing a revision on the Prospectus Directive before the end of year. To diversify funding sources for all businesses, we will be bringing forward a package of measures to support venture capital and equity financing. And to make sure that we have an overall regulatory environment that strikes that right balance between managing risk and supporting growth, we are also launching the call for evidence on the cumulative impact of our reforms.

Our commitment to a single market for capital dates back to the Treaty of Rome. Now though, in the climate we have, with the support and the leadership of President Juncker, of Member States and the European Parliament, we have the opportunity to drive this programme forward; to unlock the potential of the single market; and deliver more competitiveness, more jobs and more growth across Europe.

Press contacts:

[Vanessa MOCK](#) (+32 2 295 61 94)

[Maud SCELO](#) (+32 229-81521)

General public inquiries: [Europe Direct](#) by phone [00 800 67 89 10 11](#) or by [email](#)