Resolution on the building a capital markets union

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The Council adopted conclusions on the development of a capital markets union in the EU.

The Council recognised that although EU capital markets have expanded over recent decades, they remain fragmented and less developed as compared to those in some other comparable jurisdictions, in particular in certain market segments crucial for jobs and growth such as securitisation and venture capital.

Consequently, it considered that **more developed and more integrated capital markets could unlock investment for companies** and infrastructure projects, attract foreign investment, contribute to growth and job creation and make the financial system more efficient, robust and resilient to shocks.

The Council **welcomed the Commission's initiative of building a Capital Markets Union** (CMU) and the wide range of issues being considered in this context. It insisted on the following issues:

- the need to **broaden and diversify sources of financing** for European companies, especially SMEs, bearing in mind the need to create effective conditions for healthy competition between banks and non-banks in the European financial system;
- the need to **strengthen the equity culture** in the EU and to encourage long-term investment in companies, rather than rely excessively on debt;
- the importance of focusing on improving bank financing as well as on developing non-bank financing opportunities for all SMEs from smaller or larger financial markets;
- the importance of **increasing retail investment** and ensuring robust investor and consumer protection;
- the need to consider approaches enhancing access to **intermediated financing** for companies as a necessary complement to the CMU;
- the principles of **subsidiarity and proportionality should be respected** in any future related initiative and that financial market stability should not be put at risk;
- the CMU should **encompass all 28 Member States**, while taking account of the various degrees of development of capital markets and their different levels of size and integration;
- the process of promoting ESG (Environment, Social and Governance) investment;
- the important catalysing role of the new European Fund for Strategic Investments (EFSI) and of the European Long-Term Investment Funds (ELTIFs) should be stressed;
- the need to **address barriers to the free movement of capital** to ensure that Europe's capital markets can compete on a fair basis with other economic areas.

Short-term priorities for action: recognising that securitisation can provide an effective mechanism to transfer risk from bank lenders to non-bank operators, the Council called on the Commission to **propose a framework for simple, transparent and standardised securitisation**, building on the numerous ongoing initiatives at European and international levels, as a matter of priority **at the latest by the end of 2015**, including:

- a clear overarching definition of such securitisations, ensuring consistency of the common key aspects across different sectoral legislations;
- a sound mechanism for verifying qualifying securitisations, and areas where these deserve a preferential treatment, as well as an appropriate calibration thereof.

The Council also:

- stressed the need to enhance and streamline **access to credit information** while keeping the provision of data on a voluntary basis where justified for certain SMEs, and minimising the burdens on SMEs in the EU;
- confirmed the need to simplify and streamline the process for preparing and, where appropriate, approving the **prospectus**, ensuring an appropriate balance between achieving adequate investor protection and confidence and minimising the burden on businesses.

Medium to long-term action: achieving a CMU will require a broad range of initiatives aimed at stimulating and matching the supply-side and the demand-side of finance.

The Council proposed that an **ambitious approach is needed, requiring work to be started immediately** . In order to ensure cross-sectorial consistency, work to prepare the CMU should carefully evaluate the cumulative effect of legislative changes since the financial crisis and assess the need for proportionate measures to:

- enhance liquidity and market making, especially on asset classes where liquidity has recently diminished; and,
- improve cross-border investment in corporate debt and equity securities;
- increase investment capacity in the Union, where necessary through appropriate adjustments of the prudential framework for key finance providers, such as insurance companies, while taking due account of financial stability considerations;
- remove barriers to marketing and growth of investment funds and their operation cross border, in recognition that such funds are a significant source of finance in the EU.

The Council also stressed the importance of:

- improving 'financial ecosystems' throughout the Union, in particular through promoting entrepreneurship, improving corporate governance practices, diversifying the sources of financing and enhancing financial literacy;
- a fully functioning CMU which should rely on an efficient, effective and stable investment chain supported by robust market infrastructures and foster a well-functioning cross border flow of collateral;
- a long-term structural policy agenda which should go beyond initiatives in the field of financial services and that building an effective CMU will also require further analysis of possible barriers in related areas such as insolvency, securities and company law;
- enhancing supervisory convergence and ensuring coherent application of financial regulation across the Union;
- strengthening the macro-prudential toolkit beyond banking, and specifically into the areas of investment, securities and shadow banking.

Lastly, the Commission is invited to consider the full range of possible actions, taking into account the outcome of its consultation process, and to **elaborate by September 2015 a comprehensive, targeted and ambitious action plan** for building the CMU.