Resolution on the building a capital markets union

2015/2634(RSP) - 09/07/2015 - Text adopted by Parliament, single reading

The European Parliament adopted by 552 votes to 111 with 32 abstentions, a resolution tabled by the Committee on Economic and Monetary Affairs, on Building a Capital Markets Union (CMU).

A genuine European approach: Parliament wanted to see a genuine European approach to capital markets. This approach might draw on the experiences from other parts of the world (e.g. the United States) and should duly take into account international developments so that Europe remained attractive for international investors.

The Commission was asked to establish a European approach **to strengthen the diversification of funding sources and investments in European businesses.** A CMU should build upon the characteristics and interdependence of the European banking and capital markets landscape. It should bear in mind the specificities of the European model for financing of businesses, and the **need to develop reliable non-bank sources of finance** for growth and to complement these with ways for market participants to raise debt, equity and venture capital directly from the market.

Members stressed, however, **that a level playing field among participants must be ensured** for similar financing activities and that the key aim for all sectors must be to improve capital allocation across the European economy and **make better use of capital stocks that remain idle today.**

Parliament recommended the following action:

- analyse in depth, on a country-by-country basis, the current situation in the capital markets, to assess in a comprehensive economic analysis where and to what extent EU-wide impediments to investment via capital markets existed, and to indicate by which means, these impediments may be removed
- identify cross-border risks in financial and capital markets in the EU caused by institutional, legal and regulatory differences between Member States, and address them with effective measures in order to streamline cross-border capital flows and reduce the existing home bias among investors;
- promote the financial education of both investors and companies as users of capital markets, and enhance the availability of EU data;
- investigate ways to reduce the information asymmetries in the capital markets for SMEs, looking into the market for credit rating agencies and the barriers for new entrants to this market;
- integrate initiatives on capital markets with other policy agendas, such as the development of a digital single market and ongoing reforms in the field of company law and corporate governance.

Building blocks of a Capital Markets Union: Parliament took the view that the CMU should follow a step-by-step approach and that the priorities of the CMU should be threefold:

- **incentivise the most efficient allocation of savings** by deepening and diversifying the sources of finance available to businesses and to offer more investment choices, greater transparency and portfolio diversification to savers and investors;
- **enable greater risk mitigation** by creating deeper cross-border markets, enhancing the financial system’s resilience against the adverse effects of severe financial crises and smoothing out the impact of idiosyncratic shocks;
- ensure that there is an effective **complementary channel** to finance the real economy.

The resolution stressed the following points:

- where needed, come forward with proposals to review the current legislation, notably regarding **credit rating agencies and audit firms**, in order to increase and complete investor protection;
- **eliminate existing barriers to cross-border financing**, especially for SMEs, in order to foster the benefits of the CMU for businesses of all sizes in all geographical areas;
- focus on ensuring that capital markets provide companies with **better access to capital and investors** with diverse, transparent, affordable saving opportunities;
- **enhance end-user awareness** in the chain of intermediation between savers and investments and its cost structure, enhance investor protection, and investigate access to bank lending for SMEs across the Union;
- foster an environment where **more household and corporate savings** flow to vehicles that will invest in capital markets, and where investors are encouraged to allocate capital across the borders of Member States; adequate safeguards, especially for households, should be put in place;
- strengthen the common framework for ensuring **comparability and transparency among the different financial instruments;**
- create an appropriate regulatory environment that **enhances cross-border access to information** on the companies looking for credit, quasi-equity and equity structures, in order to promote growth of non-bank financing models, including crowdfunding and peer-to-peer lending.

Bringing the capital markets closer to SMEs: the difficulty of obtaining bank credit for SMEs meant **alternatives to bank financing** were needed, in particular by improving the business environment for venture capital, peer-to-peer funds, private placement, SME loan securitisation and promotion of credit unions, and also through standardising the rules concerning public-private partnerships (PPPs) throughout the EU.

Parliament underlined that **a positive environment for successful SME financing** included the need for SME-friendly economic and regulatory conditions, both at EU and national level. It drew attention to a possible **simplification** of procedures for the access to IPOs by SMEs and mid-cap companies, while ensuring that firm criteria to assess the resilience and eligibility of businesses for an IPO remained. Parliament called on the Commission to look at what more can be done to help SMEs to attract investment.

Creating a coherent EU regulatory environment for capital markets: Members called on the Commission and Member States to **review the over-burdensome regulation** for equity financing of private companies.

Furthermore, aware that the heterogeneity of insolvency rules, Parliament noted the Commission's suggestion of addressing **cross-border insolvency** to the extent necessary for achieving a well-functioning CMU. It called for the establishment of a recovery and resolution framework for non-banks, in particular central counterparties (CCPs).

It recalled the role of payments systems and securities settlements for the **securitisation market** and called for a European market infrastructure to be established for this purpose. It also encouraged the Commission to increase the comparability and quality of financial information.

The Commission was asked to speed up its work on the action plan for a CMU and put forward legislative and non-legislative proposals as soon as possible to achieve the objective of a **fully integrated single EU capital market by the end of 2018**.