Further development of the Capital Markets Union (CMU): improving access to capital market finance, in particular by SMEs, and further enabling retail investor participation

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The European Parliament adopted by 417 votes to 205, with 72 abstentions, a resolution on further development of the Capital Markets Union (CMU): improving access to capital market finance, in particular by SMEs, and further enabling retail investor participation.

Members stated that all actions taken to create a Capital Markets Union (CMU) should have as their core objective improving the range of more attractive, stable and sustainable financing options offered to companies and citizens, while safeguarding economic stability, minimising financial risk and adequately protecting the interests of retail investors, pensioners and consumers, in order to incentivise financial participation and turn savers into investors.

Access to equity financing for SMEs, entrepreneurs and the social economy has become even more crucial with a view to the COVID-19 recovery.

Financing business

Parliament called for the removal of barriers and red tape, simplification of legislation and more proportional application of the interests of financial stability, in order to diversify funding sources for European companies, with particular focus on SMEs, to promote their access to equity markets and access to more diverse competitive investment.

The Commission was invited to:

- commit to making real progress on issues such as supervisory, tax or insolvency legislation, which remain major obstacles to the effective integration of EU capital markets;

- develop a legislative proposal on ‘European secured notes’ as a new dual recourse financing instrument for banks which could help improve access to financing for SMEs across the EU;

- strengthening the feedback that banks are obliged to give when they decline credit applications from SMEs.

Members welcomed the idea of a High-Level Forum to establish a European single access point for gathering information on EU companies by interconnecting existing business registers and databases at national and EU level. They stressed the need to increase transparency and reduce fragmentation in European risk capital markets.

Promote long-term and cross-border investment and financial products

Member States were asked to amend their national tax frameworks to facilitate cross-border investment by investors and retail investors, in particular by facilitating procedures for the refund of withholding tax on dividends to avoid double taxation.

Members called for: (i) increased legal certainty for cross-border investments by making national insolvency proceedings more efficient and by further harmonising rules on corporate governance; (ii) progress in implementing a genuine single rulebook for financial services in the internal market, including the development of common standards in the field of sustainable finance. The Commission was encouraged to present a legislative initiative on an EU Green Bond standard.

Market architecture

The resolution stressed the need for efficient and effective cooperation between European and national supervisory authorities, in order to overcome their differences and to work together towards genuine supervisory convergence to promote a common European model of supervision and enforcement, guided by the European Securities and Market Authority (ESMA), so as to reduce the existing obstacles to cross-border financial operations.

The Commission shall consider the gradual granting of direct supervisory powers to ESMA, including direct oversight over certain market segments, e.g. EU Central Counterparties and Central Securities Depositories, and the European single access point, as well as greater product intervention powers.

Retail investors

Concerned about the low level of retail investor involvement in the financial markets, Parliament called for increased participation of retail investors in the capital markets through more attractive, transparent and appropriate individual retirement savings products.

Members called for initiatives specifically targeted at retail investors, including: (i) facilitating the development of independent web-based EU comparison tools to help retail investors identify the most risk-adjusted products, and (ii) promoting incentives for competitive environmental, social and governance (ESG) products and products traditionally associated with better value for money.

The Commission was also invited to:

- clarify the differentiation between professional and retail investors at all levels of the Markets in Financial Instruments Directive (MIFID), to allow the treatment of clients to be adapted to their knowledge and experience of the market;

- launch programmes in Member States to foster financial and digital literacy through a range of instruments, including digital and social media, and to involve citizens and businesses, including through public agencies set up for this purpose;

- work on the implementation of the digital finance strategy to ensure better access to financial services, offering more choice and increasing efficiency.

Lastly, Parliament called for measures to strengthen the international role and use of the euro, by completing the Economic and Monetary Union, the CMU and the Banking Union, supporting the development of euro benchmarks for commodity markets and reinforcing the role of the euro as a reference currency.

A level playing field should be guaranteed in future relations with the United Kingdom after the transition period, thus promoting the stability of the EU’s financial markets.