Basic information

2015/2106(INI) INI - Own-initiative procedure	Procedure completed
Stocktaking and challenges of the EU Financial Services Regulation: impact and the way forward towards a more efficient and effective EU framework for financial regulation and a capital markets union **Subject** 2.50 Free movement of capital 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments 2.50.04 Banks and credit 2.50.08 Financial services, financial reporting and auditing	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	BALZ Burkhard (PPE)	21/10/2014
	Shadow rapporteur TANG Paul (S&D) SWINBURNE Kay (ECR) JEŽEK Petr (ALDE) DE MASI Fabio (GUE/NGL) GIEGOLD Sven (Verts/ALE) ZANNI Marco (EFDD)	

Committee for opinion	Rapporteur for opinion	Appointed
INTA International Trade	The committee decided not to give an opinion.	
EMPL Employment and Social Affairs	The committee decided not to give an opinion.	
ITRE Industry, Research and Energy	LEWANDOWSKI Janusz (PPE)	21/05/2015
IMCO Internal Market and Consumer Protection	The committee decided not to give an opinion.	

	JURI Legal Affairs	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	3413	2015-10-06
Economic and Financial Affairs ECOFIN	3421	2015-11-10

European Commission

Commission DG	Commissioner
Financial Stability, Financial Services and Capital Markets Union	HILL Jonathan

Key events

Date	Event	Reference	Summary
18/02/2015	Non-legislative basic document published	COM(2015)0063	Summary
21/05/2015	Committee referral announced in Parliament		
06/10/2015	Debate in Council		
10/11/2015	Resolution/conclusions adopted by Council		Summary
01/12/2015	Vote in committee		
09/12/2015	Committee report tabled for plenary	A8-0360/2015	Summary
18/01/2016	Debate in Parliament		
19/01/2016	Decision by Parliament	T8-0006/2016	Summary
19/01/2016	Results of vote in Parliament		
19/01/2016	End of procedure in Parliament		

Technical information

Procedure reference	2015/2106(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	ECON/8/03243

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE564.921	26/08/2015	
Amendments tabled in committee		PE567.730	25/09/2015	
Amendments tabled in committee		PE567.815	25/09/2015	
Committee opinion	ITRE	PE560.837	13/10/2015	
Committee report tabled for plenary, single reading		A8-0360/2015	09/12/2015	Summary
Text adopted by Parliament, single reading		T8-0006/2016	19/01/2016	Summary

European Commission

Document type	Reference	Date	Summary
Commission document (COM)	COM(2015)0063	18/02/2015	Summary
Commission response to text adopted in plenary	SP(2016)220	01/06/2016	

National parliaments

Document type	Parliament/Chamber	Reference	Date	Summary
Contribution	UK_HOUSE-OF-LORDS	COM(2015)0063	31/03/2015	
Contribution	DE_BUNDESRAT	COM(2015)0063	12/05/2015	
Contribution	DE_BUNDESTAG	COM(2015)0063	15/06/2015	
Contribution	PT_PARLIAMENT	COM(2015)0063	02/07/2015	
Contribution	RO_CHAMBER	COM(2015)0063	06/10/2015	

Stocktaking and challenges of the EU Financial Services Regulation: impact and the way forward towards a more efficient and effective EU framework for financial regulation and a capital markets union

2015/2106(INI) - 19/01/2016 - Text adopted by Parliament, single reading

The European Parliament adopted by 575 votes to 106, with 32 abstentions, a resolution on stocktaking and challenges of the EU Financial Services Regulation: impact and the way forward towards a more efficient and effective EU framework for Financial Regulation and a Capital Markets Union (CMU).

Against the background of the 2007-2008 financial crisis, an ambitious reform agenda for the EU financial sector has been launched to strengthen financial regulation and supervision. While the outlook for growth in Europe has improved, the transposition and implementation of the financial regulatory reform is still ongoing and not yet completed.

Stocktaking and challenges for the current framework: Parliament stressed that an efficient and effective financial services framework ensuring financial stability is a prerequisite for increasing (long-term) investment and fostering growth in a competitive European economy. It acknowledged the important role that capital markets can play in addressing the financing needs of Member State economies.

Whilst recognising the achievements of financial regulation in responding to the ramifications of the financial crisis, Parliament noted concerns about the **increased complexity**, reflected in the greater amount, detail and number of layers of regulation and supervision with requirements at international,

European and national level. It also stressed the need for a **holistic view of EU financial services regulation** in which the CMU contributes to complementing banking financing.

To that end, the Commission should work closely with the ESRB, ESAs and National Competent Authorities to resolve any mismatches in approach that could risk undermining the objectives of the CMU.

Harmonised and coherent regulation: Members stated that that effective and efficient EU financial services regulation should be coherent, consistent (also on a cross-sectoral basis), proportionate, non-duplicative and free of superfluous complexity and prevent legal uncertainty, regulatory arbitrage and high transaction costs.

Serve the needs of the real economy: according to Parliament, the stocktaking exercise should:

- contribute to building better functioning financial markets serving the financing needs of the real economy, including by addressing loopholes, gaps, inconsistencies, incoherence and disproportionality,
- **not undermine the legislative achievements obtained so far**, bearing in mind the requests made in review clauses as adopted in each specific legislative act,
- not be seen as an exercise leading to deregulation.

Break the link between sovereigns and banks at national level: in this regard, Members insisted on the need to **break the link** between sovereigns and banks at national level through full and consistent national implementation of the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism (SRM) and Single Resolution Fund (SRF) provisions.

The report called for the promotion of **additional rating providers** with a view to increasing competition in a highly concentrated market. It recalled that the Commission is due to publish a report on the appropriateness and feasibility of supporting a European Public Rating Agency for sovereign debt and /or a European credit rating foundation for all other credit ratings by the end of 2016.

International framework: underlining the importance of the international framework with respect to its scope, methodologies and implications for the EU framework, the Member States, the Council, the Commission and ESAs are called upon to **streamline the EU position**, with a view to increasing its influence and promoting the legislation it has adopted through a democratic process. The need to **achieve consistency of new regulation**, both with the European acquis and with international guidance, and proportionate implementation, including in scope, is stressed in order to avoid unnecessary divergences and duplication in legislation.

Better EU financial services regulation: Parliament stated that better financial regulation implies a robust framework and starts with Member States **applying the current acquis**. The Commission is called on: (i) for regular reports to Parliament on the state of transposition and implementation of the legislation, and where applicable, the infringement proceedings brought against Member States; (ii) to come up with a thorough analysis and report of all gold-plating measures taken by Member States in the field of financial legislation and to submit them to Parliament by the end of 2016.

Member States are urged to commit to **respecting the deadlines** set for the transposition of directives since, in addition to being a legal requirement, this is key in order to avoid undue delays in the full implementation of legislation, as well as its partial or uneven application across the Union, which might result in the absence of a level playing field for the different actors involved and in other types of distortions.

ESAs and SSM: Parliament stated that the ESAs and SSM have a crucial role to play in achieving the objectives of better regulation and supervision. They have to be **adequately funded** and staffed if they are to fulfil the tasks given to them by the co-legislators.

Parliament called on the Commission and ESAs to regularly **publish consolidated versions of EU financial services regulations** on their websites, including a summary which can be accessed and understood by businesses, consumers, civil society organisations and others. It stressed that the creation of a **common register** that includes references to national implementation would be an option worth exploring.

The way forward: lastly, Members called on the Commission and the ESAs to:

- conduct regular (at least annual) **coherence and consistency** checks;
- conduct regular (at least annual) **proportionality and effectiveness** checks, particularly with regard to the requirements applicable to small and medium-sized market participants, and on every draft legislative act, and to dedicate resources to this activity;
- conduct a comprehensive **quantitative and qualitative assessment every five years** of the cumulative impact of EU financial services regulation on financial markets and its participants at EU and Member State level;

The Commission is called upon to:

- publish a **Green Paper** exploring new approaches to promoting proportionality in financial regulation;
- complete the first assessment by the end of 2016 which should examine, *inter alia*, the effects on the different financial sectors, possible gaps and loopholes, the actual and expected economic effects.

Stocktaking and challenges of the EU Financial Services Regulation: impact and the way forward towards a more efficient and effective EU framework for financial regulation and a capital markets union

2015/2106(INI) - 09/12/2015 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted the own-initiative report by Burkhard BALZ (EPP, DE) on stocktaking and challenges of the EU Financial Services Regulation: impact and the way forward towards a more efficient and effective EU framework for Financial Regulation and a Capital Markets Union (CMU).

Against the background of the 2007-2008 financial crisis, an ambitious reform agenda for the EU financial sector has been launched to strengthen financial regulation and supervision. While the outlook for growth in Europe has improved, the transposition and implementation of the financial regulatory reform is still ongoing and not yet completed.

Stocktaking and challenges for the current framework: Members stressed that an efficient and effective financial services framework ensuring financial stability is a prerequisite for increasing (long-term) investment and fostering growth in a competitive European economy. Whilst recognising the achievements of financial regulation in responding to the ramifications of the financial crisis, Members noted concerns about the increased complexity, reflected in the greater amount, detail and number of layers of regulation and supervision with requirements at international, European and national level. Members also stressed the need for a **holistic view of EU financial services regulation** in which the CMU contributes to complementing banking financing.

To that end, the Commission should work closely with the ESRB, ESAs and National Competent Authorities to resolve any mismatches in approach that could risk undermining the objectives of the CMU.

Members stated that effective and efficient EU financial services regulation should be **coherent, consistent** (also on a cross-sectoral basis), proportionate, non-duplicative and free of superfluous complexity and prevent legal uncertainty, regulatory arbitrage and high transaction costs.

This stocktaking exercise should contribute to building better functioning financial markets serving the financing needs of the real economy, including by addressing loopholes, gaps, inconsistencies, incoherence and disproportionality, and should not undermine the legislative achievements obtained so far, bearing in mind the requests made in review clauses as adopted in each specific legislative act, and without anticipating results should not be seen as an exercise leading to deregulation.

Members stressed the need to **break the link** between sovereigns and banks at national level through full and consistent national implementation of the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism (SRM) and Single Resolution Fund (SRF) provisions.

The report called for the promotion of **additional rating providers** with a view to increasing competition in a highly concentrated market. It recalled that the Commission is due to publish a report on the appropriateness and feasibility of supporting a European Public Rating Agency for sovereign debt and /or a European credit rating foundation for all other credit ratings by the end of 2016.

Underling the importance of the international framework with respect to its scope, methodologies and implications for the EU framework, the Member States, the Council, the Commission and ESAs are called upon to streamline the EU position, with a view to **increasing its influence and promoting the legislation it has adopted through a democratic process.** The need to achieve consistency of new regulation, both with the European acquis and with international guidance, and proportionate implementation, including in scope, is stressed in order to avoid unnecessary divergences and duplication in legislation.

Better EU financial services regulation: Members stated that better financial regulation implies a robust framework and starts with Member States applying the current acquis. The Commission is called on for regular reports to Parliament on the state of transposition and implementation of the legislation, and where applicable, the infringement proceedings brought against Member States.

Member States are urged to:

- properly enforce the legislation;
- commit to **respecting the deadlines** set for the transposition of directives since, in addition to being a legal requirement, this is key in order to avoid undue delays in the full implementation of legislation, as well as its partial or uneven application across the Union, which might result in the absence of a level playing field for the different actors involved and in other types of distortions.

ESAs and SSM: Members stated that the ESAs and SSM have a crucial role to play in achieving the objectives of better regulation and supervision. They have to be **adequately funded** and staffed if they are to fulfil the tasks given to them by the co-legislators.

Members called on the Commission and ESAs to regularly **publish consolidated versions of EU financial services regulations** on their websites, including a summary which can be accessed and understood by businesses, consumers, civil society organisations and others. They stressed that the creation of a **common register** that includes references to national implementation would be an option worth exploring.

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- conduct a comprehensive **quantitative and qualitative assessment** every five years of the cumulative impact of EU financial services regulation on financial markets and its participants at EU and Member State level;

The Commission is called upon to:

- publish a Green Paper exploring new approaches to promoting proportionality in financial regulation;
- complete the first assessment by the end of 2016 which should examine, *inter alia*, the effects on the different financial sectors, possible gaps and loopholes, the actual and expected economic effects.

Stocktaking and challenges of the EU Financial Services Regulation: impact and the way forward towards a more efficient and effective EU framework for financial regulation and a capital markets union

2015/2106(INI) - 10/11/2015

The Council adopted **conclusions** in which it welcomed the Commission Action Plan on building a Capital Markets Union, whilst stressing the importance of preserving momentum also in the long-term with a **concrete and ambitious agenda** for further on-going action.

The Council supported accordingly the following priority areas:

- **increasing the variety of financing sources available for all businesses**, in particular SMEs and small mid-caps, from smaller or larger financial markets, including high-growth potential and innovative SMEs, and building on successful solutions for connecting them to a wider basis of prospective investors. This should be achieved by using: (i) market-led initiatives and self-regulation of the market; (ii) legislative initiatives where unjustified barriers warrant an intervention from the legislator; (iii) work streams in areas such as: the Prospectus Directive, Venture Capital, Crowdfunding, Private Placements, Mini Bonds, SME growth markets and SME credit information;
- **ensuring an appropriate regulatory environment** for long-term, sustainable investment and financing of Europe's infrastructure, including steps to attract private capital in order to realise the targets of the Investment Plan for Europe;
- **increasing investment and choices for retail and institutional investors within a framework of adequate investor protection**, beginning with: (i) the publication of a Green Paper focused on retail financial services and insurance in the last quarter of 2015; (ii) exploratory work on the potential merits of a European framework for long-term individual savings schemes such as third pillar personal pensions;
- **enhancing the capacity of banks to lend, in particular to SMEs**, notably through establishing an appropriate framework to revive simple, transparent and standardised securitisation;
- assessing the coherence, consistency and the cumulative impact of the **financial reforms** on the financing of the real economy;
- **examining and dismantling unjustified cross-border barriers to the development of capital markets** for all 28 Member States, including where appropriate in the area of clearing and settlement and other market infrastructures, and also finding (through appropriate tax working groups) pragmatic solutions to long-standing tax obstacles such as double taxation linked to current withholding tax arrangements.

The Council:

- called for a swift adoption of the Regulation of the European Parliament and of the Council laying down common rules on securitisation and of the Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms;
- looked forward to the Commission's proposal to revise the Prospectus Directive to make it easier and cheaper for firms to raise funding on public markets;
- stressed the importance of **preserving financial stability** objectives of financial legislation, consumer and investor protection and the single market, including through the single rulebook.

The Commission is invited to:

- **assess the impact of third-country regimes**, including equivalence and mutual recognition, in current regulations on the structure of European capital markets, the competitiveness of the European financial industry as well as effective access to third-country markets;
- consult the Member States with a view to **identifying business insolvency law-related barriers** to the development of a single market for capital;
- present the outcome and possible follow-up of its study on the cross-border issues in the **area of directors' liability and disqualifications** as soon as possible;
- analyse possible barriers in other relevant areas, such as for instance **securities law**.

The Council recognised the need for the European Supervisory Authorities (ESAs) to work on strengthening supervisory convergence, to improve the functioning of the single market for capital. It noted the importance of the Commission's plan to further analyse, in a **White Paper**, by mid-2016, the governance and financing of the ESAs, with due account of their European role.

Moreover, there is a need for all national authorities to implement **EU financial rules** fully and consistently in order to ensure the highest levels of conduct and integrity across the EU capital.

Members look forward to working with the Commission to develop a **roadmap** to identify existing barriers to the free movement of capital. It invited the Commission to report, **at least every six months**, in order to provide an evidence-based assessment of the progress made in the build-up of the Capital Markets Union including on the basis of key indicators and evidence.

Stocktaking and challenges of the EU Financial Services Regulation: impact and the way forward towards a more efficient and effective EU framework for financial regulation and a capital markets union

2015/2106(INI) - 18/02/2015 - Non-legislative basic document

PURPOSE: to launch a debate on building a Capital Markets Union (Commission Green Paper).

BACKGROUND: the free movement of capital was enshrined in the Treaty of Rome more than fifty years ago. It is one of the fundamental freedoms of the European Union and should be at the heart of the single market. Yet despite the progress that has been made, **capital markets today remain fragmented** and are typically organised on national lines. Following a period of deepening, the degree of financial market integration across the EU has declined since the crisis, with banks and investors retreating to home markets.

Compared with other jurisdictions, **capital market based financing in Europe is relatively underdeveloped**. Compared to other parts of the world, European businesses remain heavily reliant on banks for funding and relatively less on capital markets. **Stronger capital markets** would complement banks as a source of financing, and would:

- unlock more investment for all companies, especially SMEs, and for infrastructure projects;
- attract more investment into the EU from the rest of the world; and
- make the financial system more stable by opening up a wider range of funding sources

The Commission has therefore committed to **put in place the building blocks of a well-regulated and integrated Capital Markets Union**, encompassing all Member States, **by 2019**, with a view to maximising the benefits of capital markets and non-bank financial institutions for the wider economy.

CONTENT: the purpose of this Green Paper is to **launch a debate at EU level on the necessary measures to build a single market for capital - a Capital Markets Union**. Interested parties are invited to send their contributions by 13 May 2015.

Objectives: on the basis of the consultations, the Commission should develop an action plan to put in place the building blocks for a fully functioning Capital Markets Union by 2019, and on possible measures which could be taken to achieve this objective. The main areas that the Green Paper seeks to address are:

- **improving access to financing** for all businesses across Europe and investment projects, in particular start-ups, SMEs and long-term projects;
- **increasing and diversifying the sources of funding** from investors in the EU and all over the world; and
- **making the markets work more effectively** so that the connections between investors and those who need funding are more efficient and effective, both within Member States and cross-border.

Priorities for early action: the Green Paper seeks views on the early policy priorities we intend to take forward, building on the Commission Communication "An Investment Plan for Europe" such as:

- **revision of the** Prospectus Directive: the prospectus is a detailed document setting out company information, and the terms and risks of an investment. It is crucial that it does not act as an unnecessary barrier to the capital markets. The Commission will review the current prospectus regime through a specific public consultation launched in parallel to this Green Paper, with a view to making it easier for companies (including SMEs) to raise capital throughout the EU;
- **widening the investor base for SMEs**: access to finance by SMEs has suffered more than that by larger companies in the crisis. Improving credit information would help build an efficient and sustainable capital market for SMEs. The development of a common minimum set of comparable information for credit reporting and assessment could help to attract funding to SMEs;
- **building sustainable securitisation**: a sustainable EU high quality securitisation market relying on simple, transparent and standardised securitisation instruments could bridge banks and capital markets. For investors, an EU-wide initiative would need to ensure high standards, legal certainty and comparability across securitisation instruments. The Commission will consult on specific measures to meet these objectives;
- **European Long-Term Investment Funds** (ELTIFs) **regulatory framework**: the recently finalised European Long-Term Investment Funds (ELTIFs) regulatory framework will allow investors to put money into companies and infrastructure projects for the long term. Views are welcome on what further role the Commission and Member States could play in supporting the take up of ELTIFs, including the possible extension to ELTIFs of advantages currently available for national regime;
- **developing European private placement markets**: the Commission considers that one way for firms to raise funds is via private placements, where a company makes an offering of securities to an individual or small group of investors not on public markets. These can provide a more cost effective way for firms to raise funds, and broaden the availability of finance for medium to large companies and potentially infrastructure projects. As a first step towards developing European private placement markets, a consortium of industry bodies have established a market guide on common market practices, principles and standardised documentation for private placements, compatible with a diversity of legal frameworks. The Commission welcomes this market-led approach, which could help to facilitate the creation of a European private placement market in the short term.

Measures to develop and integrate capital markets: the Green Paper also seeks views on how to overcome other obstacles to the efficient functioning of markets in the **medium- to long-term**, including:

- the barriers to access to finance, widening sources of funding and making markets work more effectively;
- facilitating the development of standardised, transparent and accountable ESG (Environment, Social and Governance) investment, including green bonds;
- improving access to finance, including to risk capital, notably for SMEs (for example innovative and high growth start-ups);
- boosting the flow of institutional and retail investment into capital markets;
- boosting the scale of venture capital funds;
- impediments to increasing both bank and non-bank direct lending safely to companies that need financing;
- how to further develop venture capital and private equity; whether targeted measures in the areas of company, insolvency and securities laws as well as taxation could materially contribute to CMU; and the treatment of covered bonds, with a specific consultation in 2015 on a possible EU framework.

During the consultation process, the European Commission will engage with the European Parliament to get direct feedback from its Members.