Basic information

2015/2634(RSP) RSP - Resolutions on topical subjects	Procedure completed
Resolution on the building a capital markets union **Subject** 2.50 Free movement of capital	

Key players

European Parliament	**Committee responsible**	**Rapporteur**	**Appointed**
	ECON Economic and Monetary Affairs		
Council of the European Union	**Council configuration**	**Meetings**	**Date**
	Economic and Financial Affairs ECOFIN	3399	2015-06-19
European Commission	**Commission DG**		**Commissioner**
	Financial Stability, Financial Services and Capital Markets Union		HILL Jonathan

Key events

Date	Event	Reference	Summary
19/06/2015	Resolution/conclusions adopted by Council		Summary
06/07/2015	Debate in Parliament		
09/07/2015	Decision by Parliament	T8-0268/2015	Summary
09/07/2015	Results of vote in Parliament		
09/07/2015	End of procedure in Parliament		

Technical information

Procedure reference	2015/2634(RSP)
Procedure type	RSP - Resolutions on topical subjects
Procedure subtype	Debate or resolution on oral question/interpellation
Legal basis	Rules of Procedure EP 142-p5
Stage reached in procedure	Procedure completed

Committee dossier	ECON/8/03120

Documentation gateway				
European Parliament				
Document type	**Committee**	**Reference**	**Date**	**Summary**
Motion for a resolution		B8-0655/2015	01/07/2015	
Text adopted by Parliament, single reading		T8-0268/2015	09/07/2015	Summary
Amendments tabled in committee		PE557.118	05/11/2015	

European Commission			
Document type	**Reference**	**Date**	**Summary**
Commission response to text adopted in plenary	SP(2015)575	01/12/2015	

Resolution on the building a capital markets union

2015/2634(RSP) - 19/06/2015

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.

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**.