



An Action Plan on Building a Capital Markets Union. November 2015.

On *September 2015*, the *30th*, the European Commission (hereinafter EC) published an **Action Plan on Building a Capital Markets Union**. This Plan forms part of the Framework designed by the *Juncker Commission* to foster employment, growth and investment, representing a fundamental pillar of two of its essential elements, the Investment Plan and the Economic and Monetary Union.

In this document, the EC acknowledges that, in spite of the fact that the free movement of capitals is one of the fundamental principles underlying the internal market, the European capital markets are fragmented and not sufficiently developed. In its Plan, and in order to overcome these constraints, the EC proposes adopting *33 measures* aimed at promoting a greater degree of financial integration in Europe, facilitating access to financing to European companies in their varied phases of growth, extending the spectrum of safe investments available to investors, and enhancing the stability of the European financial system.

The above mentioned measures are grouped around 6 types of differentiated policies. These are the following:

- **Providing more funding choices for European businesses and small and medium size enterprises**
- **Making it easier for companies to access the public capital markets**
- **Investing for the long term, infrastructure and sustainable investment**
- **Fostering retail and institutional investment**
- **Leveraging banking capacity**
- **Facilitating cross-border investments**

The most relevant proposals included in each one of the six types of policies mentioned are:

- **Providing more funding choices for European businesses and small and medium size enterprises.** Measures proposed by the EC in this section include: a) assessing the national regimes and best practices with regards *crowdfunding* with a view to a possible subsequent standardisation; b) amending the *Regulations on European Venture Capital Funds* (EuVECA) and *European Social Entrepreneurship Fund* (EuSEF); c) exchanging best practices in order to promote the different funding choices and the pan-European development of a *database containing credit information on SMEs* that, for example, may allow to know the reasons why a bank is unwilling to provide finance to a company; d) a first coordinated approach to *loan origination by funds* and subsequent standardisation if considered appropriate; and e) a study on the constraints in the field of *private placements* and best practices.
- **Making it easier for companies to access the public capital markets.** Measures proposed by the EC in this section include: a) amending the *Prospectus Directive*; b) adjusting the accounting requirements to the reality of companies listed in *SME Growth Markets*; c) improving the *liquidity of corporate bond markets*; and d) carrying out a study on the differences in the *tax treatment* of financial instruments.
- **Investing for the long term, infrastructure and sustainable investment.** Measures proposed by the EC

in this section include: a) reviewing *Solvency II* and the *Capital Requirements Regulation* in order to facilitate investment in infrastructures; b) promoting a *green bond market*; and c) *call for evidence* on the *impact of the financial reform* following the crisis.

- **Fostering retail and institutional investment.** Measures proposed by the EC in this section include: a) publishing a *Green Paper on retail financial services* dealing with banking and insurance products; b) assessing, with the cooperation of the European Supervisory Authorities (hereinafter ESAs), the *transparency of products for long term retail investors* and *pension plans*; c) establishing a European wide framework for *individual pension plans*; d) reviewing *Solvency II* in order to better gauge the capital requirements of long term investment funds; and e) carrying out a study on the main obstacles in the *distribution of investment funds* and the subsequent removal of barriers found if considered convenient.

- **Leveraging banking capacity.** Measures proposed by the EC in this section include: a) regulating *simple, transparent* and *standardised securitisations*; b) studying the need of providing a European framework for the *covered bond market* based on the Member States' best standards and practices; and c) regulating *credit unions* operating outside the capital requirements rules for banks.

- **Facilitating cross-border investments.** Measures proposed by the EC in this section include: a) regulating *rules on conflicts* concerning securities ownership in cross-border contexts; b) continuing to work in *removing national barriers*, to which effect a network with national contacts will be set up; c) submitting a *regulatory proposal on business insolvency* based on the best functioning national regimes; d) with regards *financial stability*, the EC will work with ESAs in assessing possible risks arising from the capital markets; and e) promoting *supervisory convergence*.

Even though this Capital Markets Union is a medium term project, the EC has already taken the initiative with respect to two initial measures it considers a priority: ***regulatory proposal with respect to securitisation***, and ***measures to promote long term investment in infrastructures***. On the other hand, it has announced a ***regulatory amendment of the Prospectus Directive***, which it will present at the end of 2015, and has launched a ***consultation on the regulation of the European venture capital funds*** and ***social entrepreneurship***, and another one on ***covered bonds***. A ***call for evidence*** has also been published ***on the impact of financial legislation***.

Links of interest:

[An Action Plan on Building a Capital Markets Union](#)

[Call for evidence on the amendment of the EuVECA and EuSEF Regulations](#)

[Call for evidence on covered bonds in the European Union](#)

[Call for evidence: on the cumulative impact of the EU legislation for financial services](#)

[Proposal concerning securitisation](#)

[Amended legislation on Solvency II](#)