



Mid-term review of the Capital Markets Union action plan. June 2017.

In September 2015, the European Commission launched its Capital Markets Union (CMU) Action Plan to boost jobs and growth.

On 14 September 2016 the Commission published [Capital Markets Union - Accelerating Reform](#), a communication that reaffirmed its commitment to CMU and announced a review of priorities to step up the pace of planned reforms.

On 20 January 2017 the Commission duly opened a public consultation, inviting submissions for the Plan's mid-term review. The consultation ended on 17 March and the results were presented in a public hearing on 11 April. The revised Action Plan is due to be presented in June.

The consultation had three aims: a) **to take stock of progress** on the implementation of the Action Plan, b) **to reframe actions in light of work done** so far and evolving market circumstances, c) **to complement the CMU Action Plan with new measures** which constitute an effective and proportional response to key challenges.

The Capital Markets Union is the core component of the Commission's [Investment Plan for Europe](#), a programme of reforms intended to create a deeper and fairer Single Market in the EU, which has three pillars:

- a) the Single Market Strategy,
- b) the Digital Single Market Strategy,
- c) the Capital Markets Union.

The CMU Action Plan ([Action Plan on Building a Capital Markets Union](#)) defines 33 actions and related measures to build an integrated capital market across the EU in 2019 which will deliver the following benefits:

- Mobilise capital, making it available to companies, including SMEs, and infrastructure projects and so promote development and create jobs
- Connect financing to investment projects more effectively
- Configure a more stable financial system with a wider range of sources of finance and long-term investment, reducing the vulnerability of EU citizens and companies to banking crises
- Deepen financial integration across the EU and stimulate competition so helping to drive down costs and improve market liquidity

The Action Plan is built around **6 areas**:

- Financing for innovation, start-ups and non-listed companies
- Making it easier for companies to enter and raise capital on public markets
- Investing for the long term, in infrastructure and sustainable investment
- Fostering retail investment and innovation
- Strengthening banking capacity to support the wider economy
- Facilitating cross-border investment

Since the Plan was launched in September 2015, the Commission has conducted **regular reviews of progress**. Some 15 initiatives have been completed to date, half the Plan, and more will be completed in the coming months.

The Plan defines a series of actions to take in each area. We summarise below the state of progress so far on each action, with a particular focus on actions affecting securities markets.

1. Financing innovation, start-ups and non-listed companies.

Key measures include a proposal for a pan-European venture capital fund-of-funds and multi-country funds, revised

legislation on EuVECA and EuSEF (*venture capital and social project*) funds, various studies on the effectiveness of tax breaks for venture capital and *business angels* and *crowdfunding platforms*, as well as other initiatives on loan origination by funds and promoting *private placements*.

Substantial progress has been made in these areas. In November 2016, the Commission launched its project for a European fund-of-funds, backed by 400 million euros of EU budget money. It is now in the process of selecting the fund managers following a call for expressions of interest that ran from end-2016 to January 2017.

On EuVECA and EuSEF funds, in 2015 the Commission presented proposals to revise current regulations which are now pending approval by the European Parliament. The revised rules make some major improvements, throwing open the passporting system to all sizes of fund managers and extending the range of companies that funds can invest in.

Meanwhile, in December 2015, the Commission launched a study on the effectiveness of *tax incentives in promoting venture capital and business angels*, holding workshops on this issue in 2016 and 2017 with experts from the Member States.

On *crowdfunding*, the Commission put out a report in May 2016 on the state-of-play in the EU and is now working on a project to identify market and regulatory barriers that pose obstacles to cross-border crowdfunding.

On *loan origination by funds*, the European Securities Markets Authority (ESMA) published an opinion in April 2016 setting out the key guiding principles. The Commission is considering its next steps in consultation with Member States and the European Supervisory Authorities.

Finally, on *promoting private placement*, the Commission launched a study in December 2016 to identify regulatory and market barriers in this area and is supporting private initiatives to promote best practice across the EU, such as the “European Corporate Debt Private Placement Guide” first published by the International Capital Markets Association (ICMA) in February 2015.

2. Making it easier for companies to enter and raise capital on public markets.

Plan actions in this area include modernisation of the Prospectus Directive, a review of regulatory barriers to listing SMEs and a review of the corporate debt markets.

On the *Prospectus Directive*, the European Parliament and Council approved the text of the new Regulation in December 2016 and are now working on implementation measures. Notable features include a new simplified prospectus for SMEs: the SME Growth prospectus.

On *regulatory barriers to SME listings* the Commission ran two workshops in October and December 2016 looking at possible solutions and measures to foster growth in markets offering SME shares for trading. It plans to publish a progress report in 2017.

It also made progress on *corporate bond markets* and the key issue of liquidity. In July 2016, the Commission launched a study programme, due to report in summer 2017. This will be complemented in September by the report from an expert group working since October 2016 on practical solutions to improve the functioning of these markets.

3. Investing for the long term, in infrastructure and sustainable investment.

Plan actions to promote long-term investment included a call for evidence on the cumulative impact of financial reforms, sustainable investment initiatives and a consultation on barriers to the cross-border distribution of funds.

In September 2015, the Commission published the *consultation on the regulatory framework for financial services in the EU* to try and identify how different regulations were interacting and whether they were generating undesirable side-effects. Having analysed responses, in November 2016 the Commission published a Communication to the Parliament and Council which identified follow-up actions to reduce regulatory constraints on the financing of the economy, enhance the proportionality of rules, reduce undue regulatory burdens and make rules more consistent and forward-looking. The Commission expects to publish a report on progress toward the actions proposed in the next few months.

Regarding *initiatives to support sustainable investment*, the Commission set up a high-level expert working group in October 2016. In June the group published an interim report including policy recommendations for the creation of an effective European agenda on sustainable finance to be launched by end-2017.

Finally, in June 2016, the Commission initiated a consultation on the *main barriers to the cross-border distribution of funds* (completed last October). It is currently considering the results with a view to identifying follow-up actions and possible legislative or non-legislative initiatives to promote cross-border distribution of funds.

4. Fostering retail investments and innovation.

In December 2015 the Commission published the consultative *Green paper on retail financial services and insurance*. This led to a new Action Plan published in March this year which aims to widen the range of financial services options available to EU consumers and make it easier for them to access services. Meanwhile, in March this year the Commission also published a consultation on technology and its impact on the EU financial services sector: FinTech.

Investigation of *retail investment product markets* across the EU began with the start of a Commission study and a request to the European Supervisory Authorities to work on transparency for fees and net returns on long-term retail saving and pension products, due to report at the end of 2017.

5. Strengthening banking capacity to support the wider economy.

In this area, the Plan sets out a number of initiatives, including proposals for *simple, transparent and standardised (STS) securitisations*, a review of bank capital requirements and consultation on a European framework for covered bonds and similar structures for SME loans.

On *securitisations*, the Commission presented its proposals in September 2015 and they are currently pending approval by the European Parliament and the Council.

The Commission also launched a consultation in 2015 on a new *European framework for covered bonds and similar structures using loans to SMEs*. A study is ongoing as to the detailed aspects of such instruments. Next steps are yet to be decided.

6. Facilitating cross-border investment.

In this area, the Action Plan proposes, among other measures, a report on national barriers to the capital flows, new proposals on securities ownership and the effect on third parties of the assignment of claims within the EU plus a study on the elimination of remaining Giovannini barriers ⁽¹⁾ and a strategy for supervisory convergence to improve the workings of the Single Market.

On *national barriers to capital flows*, the Commission published a report in March 2017 drawing on discussions between ECOFIN and Member States expert group. This identified a number of current barriers and proposes measures to Member States in order to address them.

On *securities ownership and third-party effects of assignment of claims* in the EU, the Commission put out proposals for consultation on 7 April (responses by 30 June) seeking stakeholders' opinions on the practical problems and types of risks created by the current state of regulatory harmonisation with a view to improving present regulations.

Also, building on work done by the Giovannini Group, in the context of CMU, the *European Post-Trade Forum (EPTF)* was set up in early 2016 to help the Commission review progress made toward eliminating barriers to cross-border clearing and settlement. It will shortly be reporting on progress to date. Meanwhile, the Commission is due to publish its Communication on post-trade issues in the fourth quarter 2017.

Finally, with a view to developing a supervisory convergence strategy to improve the functioning of the single market, the Commission is working with ESMA on new ways to strengthen supervision in the Union. In 2016 ESMA ran its first annual Supervisory Convergence work programme to foster supervisory convergence in the EU and will shortly be reporting on outcomes. It is currently rolling out the 2017 Supervisory Convergence work programme and will begin to design the 2018 programme in coming weeks.

⁽¹⁾ *The Giovannini expert group was set up in 1996 to advise the Commission on financial market issues, particularly identifying barriers to efficient cross-border clearing and settlement and to propose practical measures to eliminate them. The group identified 15 specific barriers which became known as the Giovannini barriers.*

Links:

[Public consultation on the Capital Markets Union Mid-Term Review](#)

[Capital Markets Union Action Plan](#)