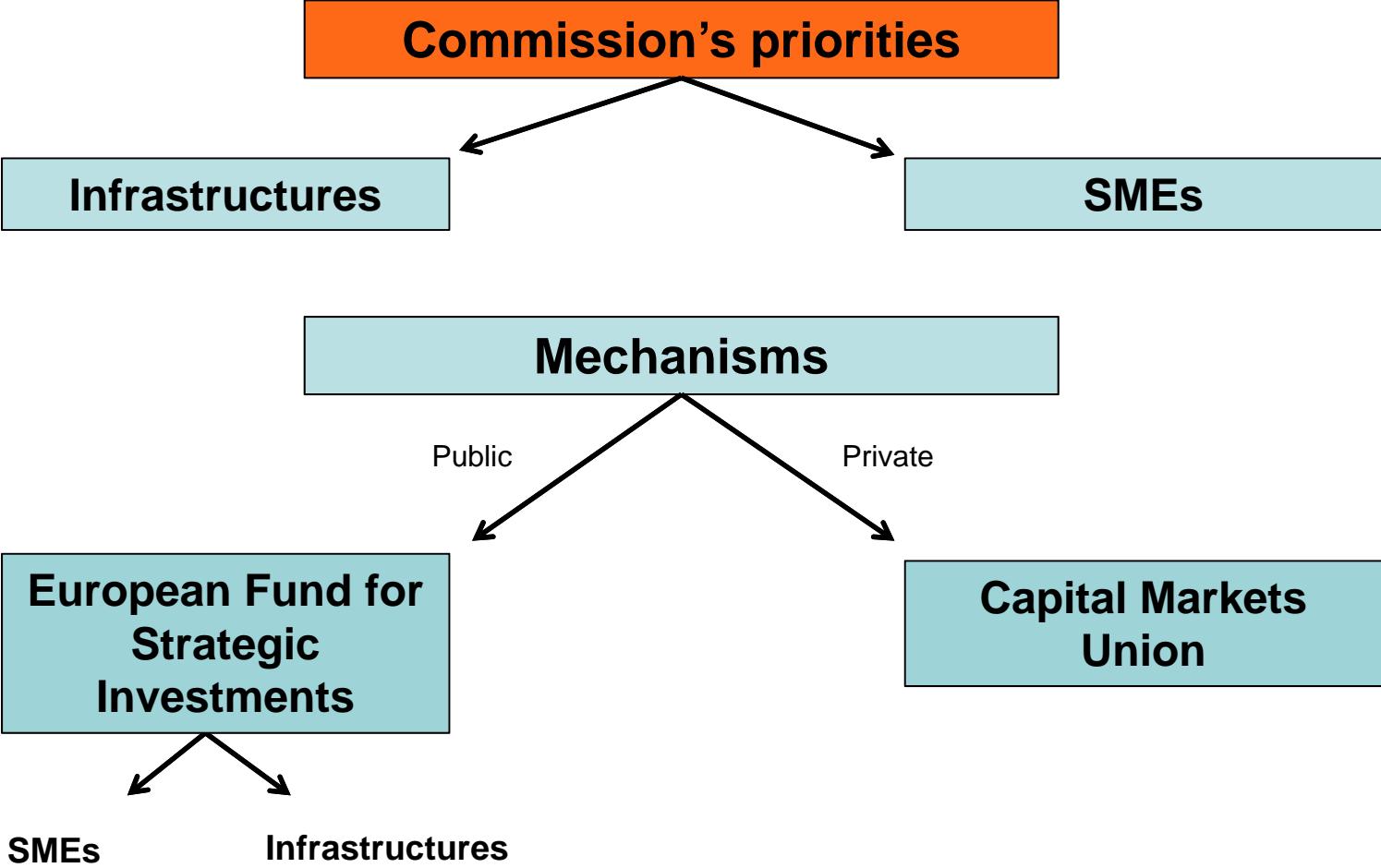




**BUILDING A CAPITAL
MARKETS UNION**
European Commission
Green Paper

EFMLG, Copenhagen 27 February 2015

Commission Strategy for Growth and Jobs



Capital Markets – EU vs US

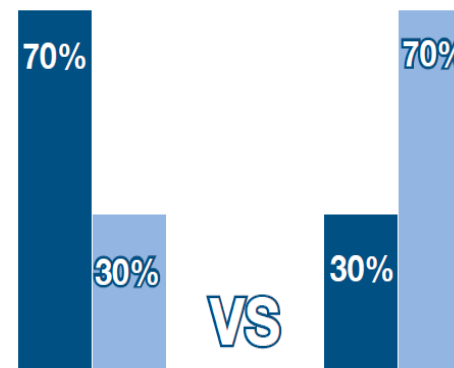
Banking system assets



EU 284% of GDP vs US 90% of GDP

Source: EBF, 2014, International Comparison of Banking Sectors

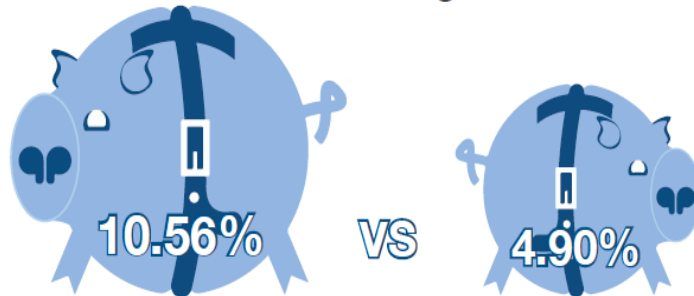
Bank vs Market based financing



EU 70% Bank loans & 30% Market financing vs US 30% Bank loans & 70% Market financing

Source: EBF, 2014, Capital Markets Union: what is at stake?

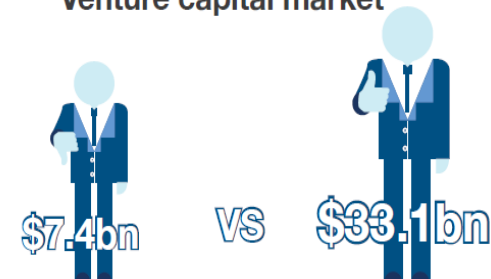
Personal savings rates



EU 10.56% vs US 4.90%

Source: Trading Economics, 2015, European Union Personal Savings

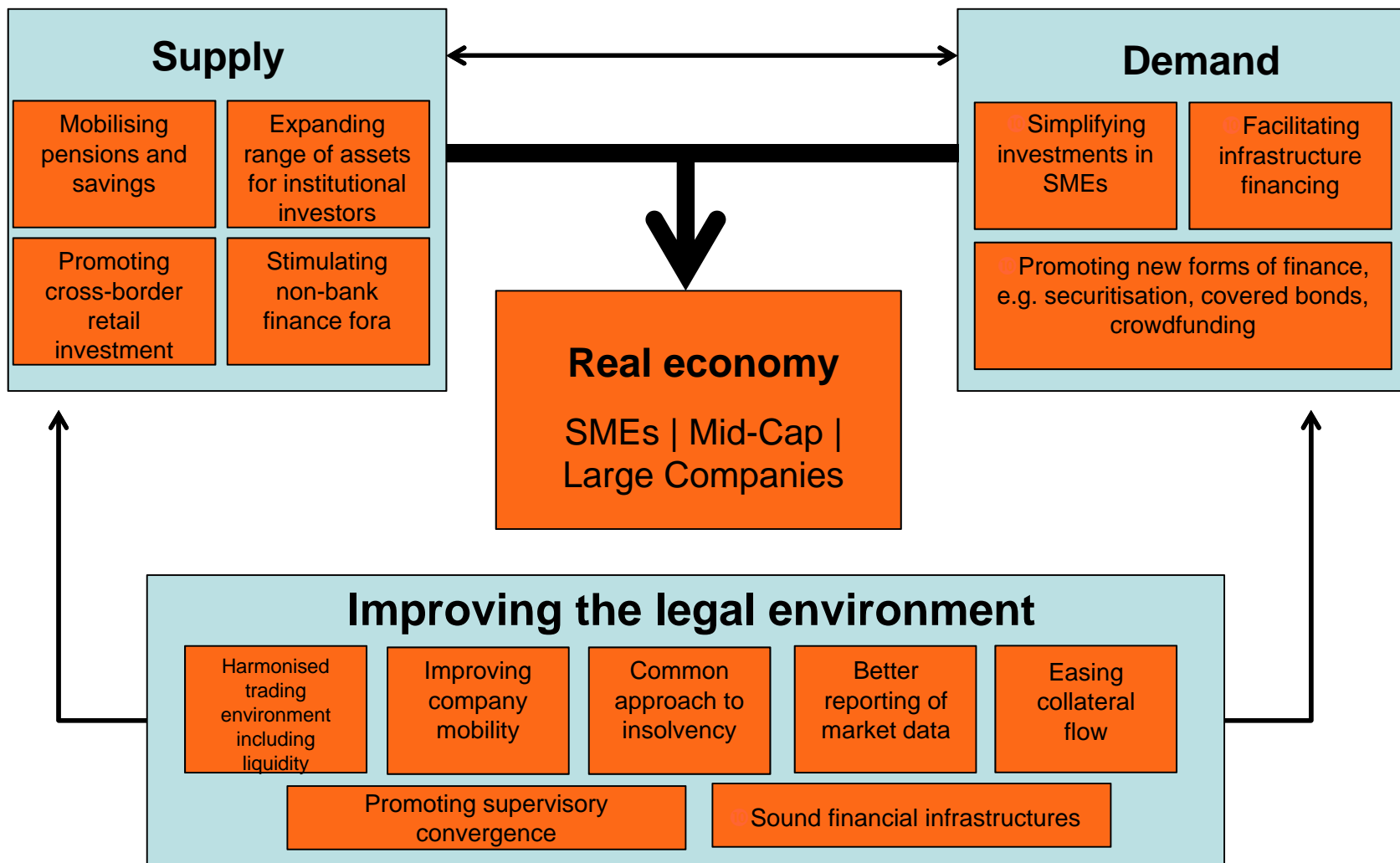
Venture capital market



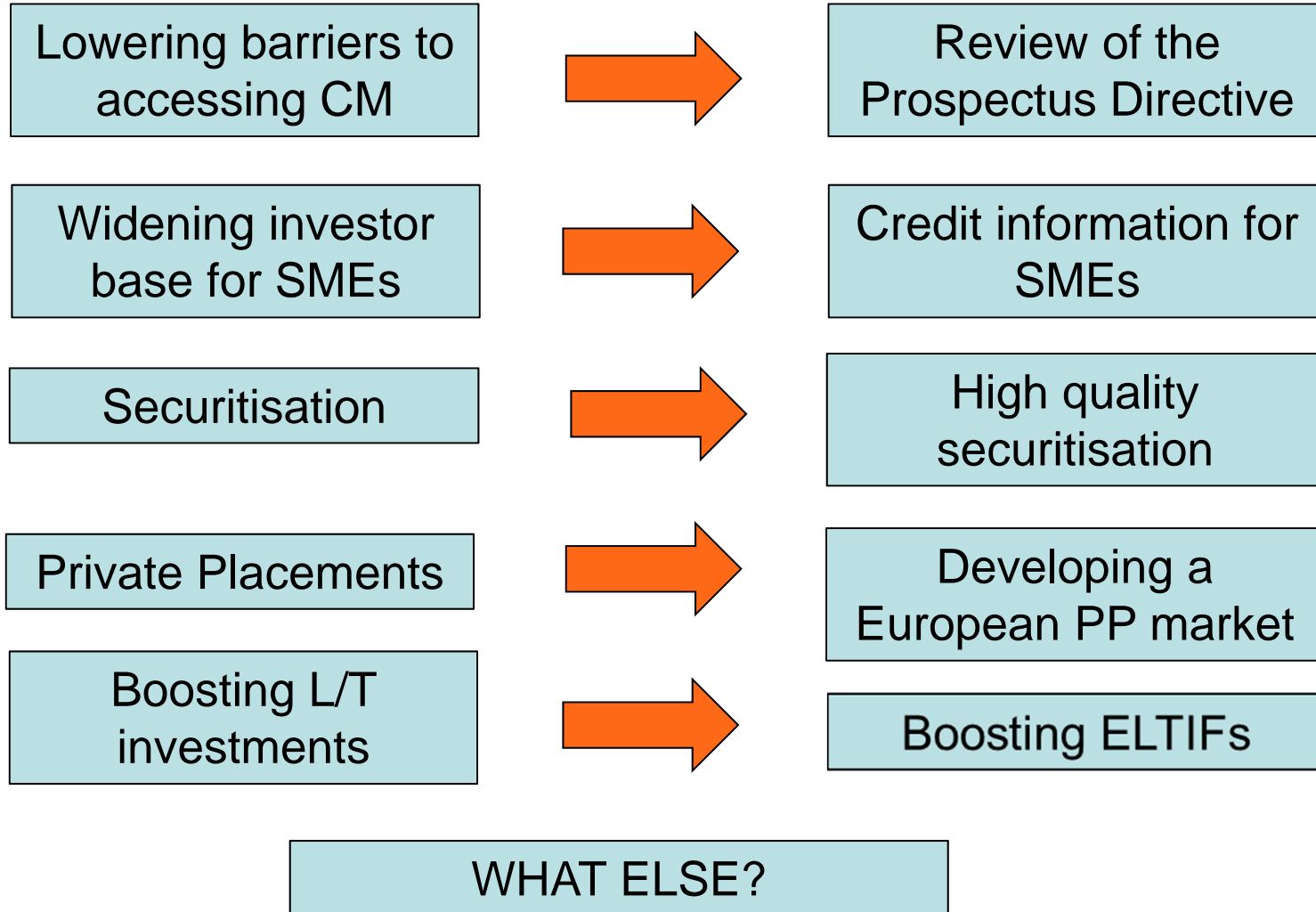
EU \$7.4bn (15% of global market) vs US \$33.1bn (68% of global market)

Source: EY, 2014, Adapting and evolving

Europe's Capital Markets



Priorities for early action



Improving the broader legal environment

Single rule book



Ensuring legislation is correctly implemented and enforced

Supervisory convergence



ESA to promote convergence

Collateral fluidity



Legal enforceability of collateral / close out netting arrangements

Investors' rights in securities



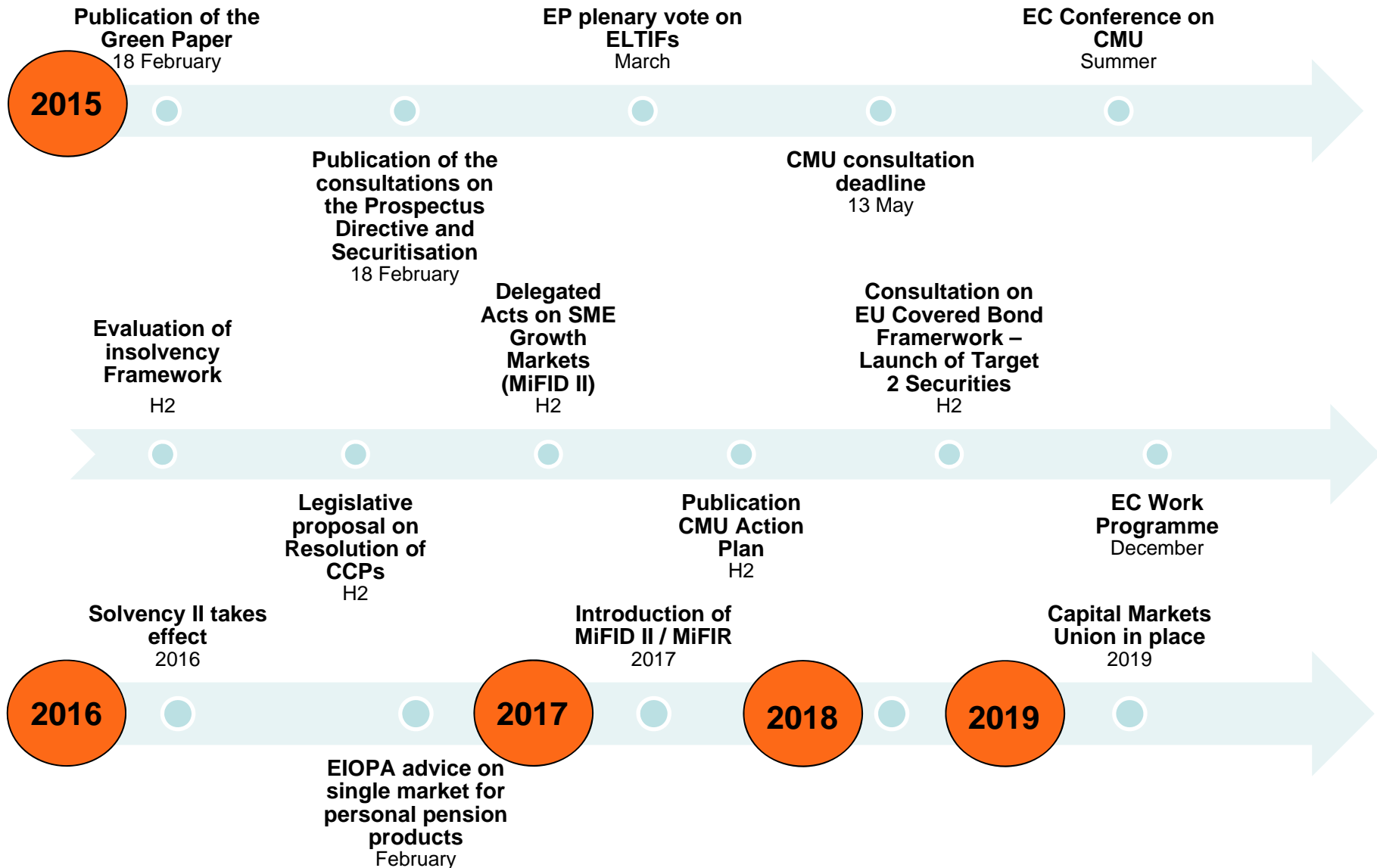
Securities law directive

Insolvency law



Aspects to be harmonized?

Next Steps



The Green Paper in detail

Area	Initiative	Status
Priorities for early action	Review the Prospectus Directive	Consultation published
	Set up a framework to enable a comprehensive approach to securitisation in the EU	Consultation published
	Set up a framework for common minimum and comparable information for SMEs to improve SMEs credit information	EC will hold workshops
	Set up a framework for private placements to take away barriers including insolvency laws and lack of standardisation in processes, documentation and information	Evaluating market-led approach
	Expand the take up of ELTIFs	Potential policy opportunity

The Green Paper in detail

Area	Initiative	Status
Access to finance	Increase issuance of quoted shares for large companies	Potential policy opportunity
	Incentivise long term investments and infrastructure investments in addition to the existing EFSI initiative	Potential policy opportunity
	Develop simplified, common and high quality accounting standards tailored to companies listed on MTFs	Potential policy opportunity
	Set up a central EU-level website for infrastructure projects	Policy action identified
	Set up framework for covered bond market by adopting best practices	Consultation coming in 2015
	Consider setting up framework for standardisation in corporate bond market, either being market led or by regulatory intervention	Potential policy opportunity
	Monitor industry framework to Green bonds	Potential policy opportunity
	Review possibilities for a cross-border approach to crowdfunding	Potential policy opportunity

Area	Initiative	Status
Supply of funding	Identify policy measures to incentivise institutional investors to invest in a broader range of assets	Potential policy opportunity
	Institutional investors – Review prudential rules for lower risk debt and equity investments	Policy action identified
	Institutional investors – Amend prudential requirements for pension provision through the IORP II Directive	Legislative proposal in progress
	Institutional investors – Examine a standardised product (29 th regime) to create a single market for personal pension provision	Policy action identified
	Institutional investors – Explore how to widen range of market participants in EuVECA and EuSEF and potentially remove the €500 million cap on size of investors	Potential policy opportunity
	Examine what measures can be taken to create a better environment for business angels, venture capitals and initial public offerings	Potential policy opportunity
	Explore the barriers to entry for new and innovative financing vehicles such as peer to peer lending	Potential policy opportunity
	Retail investors – Incentivise standardised or simple financial products to restore consumer confidence in financial markets	Potential policy opportunity
	Retail investors – Enhance cross-border competition in retail financial services , especially in electronic and mobile financial services	Potential policy opportunity
	Retail investors – Preparatory work on how a single market for retail financial services can deliver more benefits to consumers	Policy action identified
	International investors – Facilitate direct marketing of EU investment funds and other investment instruments in third countries	Potential policy opportunity
	International investors – Increase the attractiveness of EU markets to international investors	Potential policy opportunity

Area	Initiative	Status
Improving the investment chain	Enforcing the single rulebook and avoiding gold-plating to prevent divergent implementation of EU law	Policy action identified
	Explore a single framework to govern the treatment of cross-border investment	Potential policy opportunity
	Act on possible improvements on the ESAs set out in the EC's report on the functioning of the ESAs	Policy action identified
	Use the ESAs to prevent national supervisory regimes from creating differing investor protection standards and barriers to cross-border investments	Potential policy opportunity
	Consider appointing commercial entity to run consolidated tape if market-led efforts fail	Policy action identified
	Review if more work is needed to improve trade data and reporting	Policy action identified
	Set up common IT approaches for certain reporting requirements under EU legislation involving national authorities and ESAs	Policy action identified
	Proposal for recovery and resolution of systemically relevant financial institutions such as CCPs	Legislative proposal to be published
	Potentially remove barriers to facilitate flow of collateral throughout the EU	Potential policy opportunity
	Assess need for changes to the securities ownership rules	Potential policy opportunity
	Examine potential improvements to market liquidity	Potential policy opportunity
	Examine legal certainty in cross-border transfer of claims	Report planned in 2015
Review company law on cross-border establishment, operation of companies and company mobility	Policy action identified	

Area	Initiative	Status
Improving the regulatory environment	Review conflict-of-law rules on the internal functioning of companies and consequences for third parties of transfers of claims	Policy action identified
	Evaluate the EC Recommendation on a new approach to business failure and insolvency to prevent further divergence of national insolvency framework	Evaluation planned in 2015
	Examine the tax treatment of cross-border investments by life insurance companies and by pension funds in real estate	Policy action identified
	Will take action if discriminatory tax rules are found on cross-border investments by life insurance companies and by pensions funds in real estate at a later stage	Policy action identified
	Simplify withholding tax relief procedures related to post-trading and link in to OECD TRACE project	Policy action identified
	Examine the treatment of debt and equity and consider harmonised definition	Potential policy opportunity
	Consider targeting tax incentives for R&D expenditure at young innovative companies	Potential policy opportunity
	Consider measures to increase the use of modern technologies and integrate the benefits of digitalisation	Potential policy opportunity