



TEXTS ADOPTED

Provisional edition

P8_TA-PROV(2015)0268

Building a Capital markets union

European Parliament resolution of 9 July 2015 on Building a Capital Markets Union (2015/2634(RSP))

The European Parliament,

- having regard to the Commission Green Paper of 18 February 2015 entitled ‘Building a Capital Markets Union’ (COM(2015)0063),
 - having regard to the Commission communication of 15 May 2014 entitled ‘A reformed financial sector for Europe’ (COM(2014)0279),
 - having regard to its resolution of 11 March 2014 with recommendations to the Commission on the European System of Financial Supervision (ESFS) Review¹,
 - having regard to the Commission review reports on the European System of Financial Supervision (COM(2014)0509 on European Supervisory Authorities (ESAs) and COM(2014)0508 on the European Systemic Risk Board (ESRB)),
 - having regard to the Commission communication of 27 March 2014 entitled ‘Long-Term Financing of the European Economy’ (COM(2014)0168),
 - having regard to its resolution of 26 February 2014 on long-term financing of the European economy²,
 - having regard to the Commission communication of 26 November 2014 entitled ‘An Investment Plan for Europe’ (COM(2014)0903),
 - having regard to the question to the Commission on the Green Paper on Building a Capital Markets Union (O-000075/2015 – B8-0564/2015),
 - having regard to Rules 128(5) and 123(2) of its Rules of Procedure,
- A. whereas Parliament, in its resolution of 26 February 2014 on long-term financing of the European economy, stressed ‘the need to improve access to capital markets through new

¹ Texts adopted, P7_TA(2014)0202.

² Texts adopted, P7_TA(2014)0161.

sources of funding’ and at the same time noted that ‘commercial banks are likely to remain a main source of finance and that it is key for the Member States to establish new sources to complement established mechanisms and fill the funding gap, while providing for an appropriate regulatory and supervisory framework geared to the needs of the real economy’;

- B. whereas the Commission, in its communication of 27 March 2014 entitled ‘Long-Term Financing of the European Economy’, explored possibilities to take concrete actions in order to diversify funding, develop European capital markets and improve access to financing, especially for SMEs, for instance in the areas of equity and corporate bond markets, simple and transparent securitisation, covered bonds and private placement;
- C. whereas, as declared by Commission President Jean-Claude Juncker, the Commission’s first strategic priority is ‘to strengthen Europe’s competitiveness and to stimulate investment for the purpose of job creation’;
- D. whereas insufficiently regulated and controlled capital markets were a major reason for the outbreak of the financial crisis; whereas any new proposals, notably on securitisation, need to adequately reflect this fact;
- E. whereas, in the wake of the financial crisis, the EU institutions have introduced a number of pieces of legislation aimed at preventing such a crisis from recurring, and at creating the environment of financial stability that is essential for truly sustainable growth; whereas this legislation should be seen as the framework in which Capital Markets Union (CMU) takes place, and not as an impediment to it;
- F. whereas a reduction in fragmentation of capital markets could lead to a lower cost of capital while improving its allocation, and could thus support the growth of businesses, especially SMEs, and the creation of jobs within the EU;
- G. whereas various EU institutions and the private sector are currently developing solutions or recommendations in order to further develop the capital markets, for example in the area of simple and transparent securitisation, private placement, equity financing, European covered bonds and initial public offerings (IPOs);
- H. whereas any previous regulatory efforts (the Capital Requirements Directive (CRD), the Markets in Financial Instruments Directive II (MIFID II) / Markets in Financial Instruments Regulation (MIFIR)) must be complemented and further developed by a CMU;

Economic background

1. Notes that investment in the real economy in Europe has relatively declined over several decades, despite a large increase in the size of the European and global financial sector over the same period; points out that the real economy remains heavily reliant on banks, which makes the economy vulnerable to a tightening of bank lending;
2. Notes that massive public intervention since the start of the crisis, triggered by the failure of the financial sector, has resulted in abundant liquidity, and yet this has not resulted in an increase in demand by the real economy for financing;

3. Points out that before the crisis Europe was not short of cross-border flows, but that they were concentrated in interbank lending and in debt often held by highly leveraged investors, which resulted in a transfer of risks within the internal market;
4. Notes that restoring the stability of the banking sector in the EU took over as a priority vis-à-vis the financing of long-term investment and of the real economy;
5. Points out that there is a large stock of idle capital held by the insurance sector that should be put to more effective use by improving the regulatory framework through reconsideration of the capital requirements for certain investments made by the insurance sector;
6. Points out that, despite the opportunities offered by a well-designed EU capital market, there can be no avoiding the fact that there are formidable obstacles in other areas such as taxation, especially practices that incentivise debt over equity, insolvency and accounting law; believes that in these areas EU harmonisation would not automatically bring added benefits, and that in this context there is no need for an extension of the International Financial Reporting Standards (IFRS) in Europe;
7. Stresses that the degree of financial integration has declined since the crisis, with banks and investors moving back to their home markets;
8. Stresses that demand and supply can be encouraged by creating confidence in the real economy through clear commitments at Member State and Union level to foster a positive investment environment and legal certainty for investors, to formulate long-term objectives for a stabilising, competitive and growth-friendly legislative framework and to incentivise and diversify investment in infrastructure, thus enabling firms to plan for the long term;
9. Acknowledges that Europe's future is connected to its power to innovate; considers that, in addition to an innovation-friendly regulatory framework, easy, adequate and diversified access to financing for businesses is key to creating smart, sustainable and inclusive growth;
10. Points out that the improvement of financing conditions for European businesses has to be built upon reinforced economic and financial stability, which includes the implementation of reforms in all Member States;
11. Highlights that imperfect capital markets have led to a mispricing of risk and to a disconnection between the returns sought and the real risks run, which has caused markets to be unfavourably biased towards entities such as SMEs; believes that one of the objectives of the CMU should be to improve the efficiency of markets and ensure a fair, adequate and economically sound risk-return relationship in the EU capital markets;

A genuine European approach

12. Believes that while, for example, the US has recovered faster from the financial crisis than the EU, which is partly due to a more diversified financial system, the EU needs to build its own genuine version of a CMU, which may draw on the experiences from other parts of the world but not simply replicate them; stresses, however, that a sensible approach for the recognition of equal or similar standards of third countries needs to be developed in order to guarantee compatibility between European and international financial markets;

13. Believes that a genuine European approach to capital markets should duly take into account international developments so that Europe remains attractive for international investors by avoiding unnecessary divergences and duplications in legislation;
14. Underlines that, while Europe saves more than the US in terms of percentage of GDP (20 % and 17 % respectively), the level of savings held in EU mutual funds is equivalent to only 50 % of the US level and savings held in pension funds only 35 %; further indicates that EU equity markets, corporate bond markets and securitisation represent 60 %, 35 % and 20 % of the levels of their US counterparts respectively;
15. Stresses the need for the Commission to take into account the different economic and cultural composition of the SME sector by Member State in order to prevent any unintended consequences resulting from the implementation of the CMU that may accentuate the existing imbalances in access to finance between Member States;
16. Calls on the Commission to establish a European approach to strengthen the diversification of funding sources and investments in European businesses, by means of a CMU that builds upon the characteristics and interdependence of the European banking and capital markets landscape, bearing 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; notes that the Commission should not necessarily only rely on peer reviews with other jurisdictions; draws the attention of the Commission to the fact that cultural differences should not be disregarded and adequate answers need to be provided in order to overcome them; believes further that the Commission should take the newest technological developments into account in its reforms of the capital markets;
17. Calls on the Commission to recognise that diversity between business models and the financial markets of Member States can be strengths worth protecting for Europe as a whole;
18. Underlines that the launch of a CMU and the underlying legislation should be targeted at the functioning of capital markets in the entire EU, completing the single market and enhancing sustainable growth; underlines that, following the crisis, steps have been taken regarding supervision of the banking sector that, for the time being, have not been expanded in the capital markets; underlines that differences between financial sectors exist, which make different solutions necessary; stresses, 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;
19. Highlights that, for this purpose, sound and comprehensive stocktaking needs to be done, which considers the cumulative effect on European capital markets of all files passed in recent years; points out that this also implies a careful review of whether the strict capital requirements applied in the banking and insurance sector need reconsideration;
20. Highlights that initiatives towards a CMU should not reinvent the wheel but acknowledge that financing for businesses in Europe is based on well-developed, historically established structures that, despite their limits, have proven to be successful and crisis-resilient, and that further diversification and the development of new channels could be

valuable in ensuring that different types of businesses have complementary access to funding;

21. Notes that traditional financing channels through banks are often not supportive of innovative ventures and SMEs; stresses that the lack of access to finance for SMEs is one of the greatest obstacles to growth in the EU; emphasises that while bank credit is continuously difficult to obtain for SMEs, alternatives to bank financing are 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, but also through standardising the rules concerning public-private partnerships (PPPs) throughout the EU;
22. Underlines the fact that a more efficient allocation of capital within the EU need not always lead to higher cross-border capital flows; recalls that the build-up of real estate bubbles in some Member States before the crisis was, to some extent, fuelled by too much capital flowing in;
23. Highlights the necessity of identifying existing financial structures which have proven to be effective and should therefore be retained, and those structures which need substantial improvement; considers that effective structures should also be promoted for local and decentralised financial institutions;
24. Recalls the success of EU-wide initiatives such as undertakings for collective investment in transferable securities (UCITS) that have enabled the growth of EU investment funds, operating with a passport across Member States, with nearly EUR 8 trillion of assets; considers that the Alternative Investment Fund Managers (AIFM) Directive is also a good example;
25. Welcomes the adoption of the European Long-Term Investment Funds (ELTIF) Regulation; considers that ELTIFs could replicate the progress made with UCITS, by encouraging greater allocation of capital to long-term projects in need of funding such as in the infrastructure and energy sectors, in particular at cross-border level; calls on the Commission to investigate how, in the long-term, extraordinary investment programmes such as the European Fund for Strategic Investments (EFSI) could be effectively connected with regular EU funds; considers that institutional investors should be invited to contribute funds under their management to the European capital markets; believes that institutional investors and the conditions under which they can enter the market need to play an important role in the development of the CMU;
26. Recalls previous work on integrating financial markets, such as the Financial Services Action Plan (1999), the Giovannini report and the de Larosière report, and calls on the Commission to build on these reports in its Capital Markets Union Action Plan;
27. Calls upon the Commission to 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 exist, and to indicate by which means, including non-legislative and market-based approaches, these impediments may be removed or minimised; believes that this analysis is a precondition for a CMU to succeed; calls upon the Commission to speed up this process;
28. Calls on the Commission to identify cross-border risks in financial and capital markets in the EU caused by institutional, legal and regulatory differences between Member States,

and to address them with effective measures in order to streamline cross-border capital flows and to reduce the existing home bias among investors;

29. Calls upon the Commission to consider also the supply side, and in particular to analyse and address the root causes of why retail and institutional investors are not able to mobilise and transform sufficient capital to strengthen individual financial services and long-term investment in the real economy;
30. Suggests that the Commission promote the financial education of both investors and companies as users of capital markets, and enhance the availability of EU data and research by standardising and improving data collection, in order to enable both companies and investors to understand the comparative costs and benefits of different services provided by capital market participants;
31. Calls upon the Commission to 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; underlines the idea of independent European credit agencies that offer ratings which are also cost-effective for small investments;
32. Welcomes the Commission's announcement to review the Prospectus Directive in order to address the shortcomings of the current prospectus framework; stresses the importance of simplifying its procedures by proportionately lifting the administrative burden for issuers and company listings, in particular with regard to SMEs and mid-cap companies; believes that it might be worth investigating ways to better adapt the requirements according to the type of assets and/or investors and/or issuers; points out that transparency would be enhanced and transaction costs reduced if information to be provided were standardised and made available digitally;
33. Calls upon the Commission to provide more clarity as to how the CMU will interact with the other two pillars of the European Investment Plan, namely the European Fund for Strategic Investments and the European Investment Advisory Hub;
34. Stresses the importance of integrating 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, in order to achieve coherence and consistency among various regulatory and non-regulatory initiatives and thus maximise positive side-effects of different policies on economic growth and job creation;

Building blocks of a Capital Markets Union

35. Takes the view that the CMU should follow a step-by-step approach and that the priorities of the CMU should be threefold: first, to 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; secondly, to 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; thirdly, ensuring that there is an effective complementary channel to finance the real economy;
36. Invites the Commission, where needed, to 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;

37. Underlines the necessity of eliminating 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;
38. Underlines that a core principle for building a CMU must be to put a greater focus on the end users of capital markets, i.e. companies and investors, and to recognise that markets exist for companies and investors; believes, therefore, that EU policies must focus on ensuring that capital markets provide companies with better access to capital and investors with diverse, transparent, affordable saving opportunities;
39. Invites the Commission to make consistent proposals to make sure that the CMU will go hand in hand with a clear strategy to face the counterproductive effects of the shadow banking system;
40. Underlines that, in order to contribute to the priorities mentioned above, the CMU initiatives should aim at limiting the complexity, while increasing the efficiency and reducing the cost of, the chain of intermediation between savers and investments, enhancing end-user awareness of the intermediation chain and its cost structure, enhancing investor protection, ensuring the stability of the intermediation chain by appropriate prudential rules and ensuring that intermediaries can fail and be substituted with minimal disruption to the financial system and the real economy;
41. Welcomes the Commission's plan to take stock of the overall impact of financial regulation, in particular the legislation of the last five years; stresses the need to take the aforementioned priorities into consideration when performing reviews of existing financial regulations;
42. Stresses that bank financing and the intermediary role of banks in capital markets are important pillars in business financing; highlights that the CMU should be based on complementing the fundamental role of banks, not about displacing them, as bank financing should continue to play a key role in the financing of the European economy; stresses the important role of relationship banking in financing micro-, small and medium-sized enterprises, which can also be used to provide alternative methods of financing; recalls the strategic dimension of having a strong and diversified European banking sector; calls on the Commission to investigate access to bank lending for SMEs across the Union, and to tackle inappropriate barriers;
43. Underlines that SMEs should have the broadest available choice of funding structures, so that they themselves have a choice of funding options of differing costs and complexity levels, including mortgage lending and securitisation-based funding;
44. Underlines the necessity of fostering 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; underlines the necessity of adequate safeguards, especially for households, to ensure full awareness of the advantages and disadvantages of capital market investments; stresses the importance of expanding accessibility to financial education aiming at improving investors' trust in capital markets, in particular retail investors; also underlines that financial education should be targeted towards SMEs, teaching them how to use capital markets;
45. Highlights that CMU initiatives should enable borrowers to access funds from market-based sources, supporting more diversity in the forms of borrowings such as equity and

corporate bonds, as well as indirect forms of finance in which banks and markets work together;

46. Stresses the importance of facilitating a comprehensible comparison of the investment options available to financial actors in order to establish an efficient CMU; calls in this respect for strengthening of the common framework for ensuring comparability and transparency among the different financial instruments, in particular with a proper implementation of the measures foreseen for this purpose in MIFID, the Insurance Mediation Directive (IMD) and PRIIPs; stresses the importance of legislative coherence in general and between the aforementioned files in particular, in order to avoid regulatory arbitrage and ensure the highest investor protection standards across markets;
47. Believes that the CMU should 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; believes that disclosure of such information should be on a voluntary basis for SMEs; underlines that investor protection rules should apply to all financing models to the same extent, irrespective of whether they are part of bank or non-bank financing models; considers that such an environment would also require more systemic resilience and supervision of systemic financial intermediaries outside the banking sector;
48. Believes that standardisation of certain financial instruments and their accessibility across the internal market could be an appropriate tool to help enhance liquidity, strengthen the functioning of the single market, and enable a comprehensive overview and supervision of the European capital markets, with the best practices of existing Member States' standards considered appropriately; underlines the necessity of retaining the possibility of issuing tailor-made financial instruments that fit the needs of individual issuers and individual investors;
49. Recalls that a historical overview of the Financial Services Action Plan invites consideration of two loopholes that have appeared in the wake of its implementation, the need to carefully consider the special impact on the functioning of the euro area of measures designed in the framework of the internal market and the need to improve in parallel integration of the market and of supervision; invites the Commission, while drafting the Action Plan, to draw all the necessary lessons from this precedent;
50. Emphasises that the legal and supervisory frameworks should play a fundamental role in avoiding excessive risk-taking and instability in financial markets; underlines that a strong CMU project needs to be accompanied by strong EU-wide and national supervision including adequate macroprudential instruments; believes that among possible options, a stronger role could be attributed to the European Securities and Markets Authority (ESMA) in improving supervisory convergence;
51. Calls on the Commission to carefully assess the risks of capital market-based credit financing and relevant experiences during the emergence of the 2007/2008 financial crisis, and to tackle any problems emerging therefrom;

Bringing the capital markets closer to SMEs

52. Points out that possible changes or additions to the existing regulatory framework for financial intermediaries should aim at removing barriers to entry for small and medium-

sized intermediaries and at improving access to finance, particularly for innovative start-ups and small and medium-sized companies, and ensure risk-proportionate prudential standards;

53. Welcomes the Commission proposal for a Directive amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement and Directive 2013/34/EU as regards certain elements of the corporate governance statement (COM(2014)0213); in particular, believes that this proposal could be a vehicle to support an attractive environment for shareholders by improving the efficiency of the equity investment chain; stresses that a sound and practicable framework for corporate governance would strengthen the CMU;
54. Highlights that the sophistication of capital markets should not end up excluding SMEs, which are the enterprises that most need to access complementary financing, particularly in Member States that face(d) economic difficulties; underlines that a positive environment for successful SME financing includes the need for SME-friendly economic and regulatory conditions, both at EU and national level; in particular, stresses that attention should be drawn 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 remain; calls on the Commission to look at what more can be done to help SMEs to attract investment;
55. Recalls that lack of information on the financial situation of SMEs is one of the major barriers to investment in this type of company; calls for in-depth reflection on the ways and means to improve investors' access to transparent and comparable data on SMEs while limiting to the greatest extent possible the additional onus put on these companies;
56. Encourages a diverse and attractive funding base in European public markets for companies of all sizes, while promoting the concept of 'Think Small First' in EU financial regulation affecting Emerging Growth Companies and revising EU financial regulation to reduce the administrative costs of listing for companies by 30-50 %;
57. Believes that, given the importance of SMEs and mid-cap companies for the creation of new jobs, existing non-bank financing opportunities such as the development of specialised secondary markets (e.g. SME growth markets) and simple, transparent and standardised securitisation have to be better exploited; welcomes the initiative to establish a sustainable, transparent securitisation market by developing a specific regulatory framework with a uniform definition of high-quality securitisation, combined with effective methods for monitoring, measuring and managing risk; stresses, however, that SMEs constitute a highly diverse group and that securitisation is not the only instrument available; calls, therefore, on the Commission to use a wide range of approaches and to reflect on a broad variety of venues to improve SME financing;
58. Supports suggestions to enhance possibilities for access to data for European companies, particularly SMEs; at the same time, draws attention to the fact that the costs of market data are small compared to the overall transaction costs;
59. Urges the Commission to enhance the capacity to monitor the types, volumes and trends of bank-like intermediation activities carried out outside the regulated banking sector and to implement appropriate measures to ensure that they are subject to the principle of 'same risks, same rules';

60. Points out that private equity and venture capital offer interesting alternatives for financing, in particular for start-ups; calls on the Commission to develop additional instruments building on the experience gained with the European Venture Capital Funds and the European Social Entrepreneurship Funds in order to tackle major shortcomings of risk capital markets in the EU, such as the lack of information for investors; believes that the development of a dedicated database to collect, on a voluntary basis, information on SMEs and start-ups could be a useful tool to provide information to investors, thus eventually widening the range of market participants and reinforcing further risk capital markets among Member States;
61. Welcomes moves to support the development of private placement markets through standardised documents and definitions, while ensuring that potential investors are sufficiently informed about the risks and rewards of this form of investment;
62. Calls on the Commission to ensure that any development of new ‘fund-of-fund’ proposals as part of the CMU does not lead to loopholes in the overall assessment and management of systemic and specific risk;
63. Insists on the necessity, while building the CMU, of strengthening and improving EU coordination at international level, notably in the framework of the G20, the International Organisation of Securities Commissions (IOSCO), the International Accounting Standards Board (IASB) and the Basel Committee;

Creating a coherent EU regulatory environment for capital markets

64. Further underlines the importance of equity financing that can help to mitigate risks and reduce excessive levels of debt and leverage in the financial system; calls, therefore, on the Commission and the Member States to review and address the over-burdensome regulation for equity financing of private companies; stresses the importance of addressing the debt equity tax bias;
65. Is aware that the heterogeneity of insolvency rules complicates the creation of cross-border asset pools and therefore the securitisation process; notes in this regard the Commission’s suggestion to address cross-border insolvency to the extent necessary for achieving a well-functioning CMU; calls for the establishment of a recovery and resolution framework for non-banks, in particular central counterparties (CCPs);
66. Recalls the role of payments systems and securities settlements for the securitisation market and calls for a European market infrastructure to be established for this purpose, as well as for coordinated and more harmonised monitoring of critical market infrastructure, in particular the possibility of creating a data repository for securitisation, which would register each securitisation’s participants, track aggregate exposures and flows between market participants, monitor the efficiency and effectiveness of policy initiatives and detect possible emerging bubbles and reduce information asymmetries;
67. Stresses the need, given the role played by ICTs, to address the threat of cyberattacks and make the whole financial system resilient to such attacks;
68. Encourages the Commission to increase the comparability and quality of financial information looking into the current framework on accounting standards, also with a global perspective and with regard to conservative valuation models and the

proportionality of the requirements; understands that the recently revised European accounting law has to be assessed in practice first;

69. Stresses the necessity of performing an impact assessment and cost-benefit analysis of any additional legislation, including delegated and implementing acts; notes that new legislation might not always be the appropriate policy response to these challenges and that non-legislative and market-based approaches, as well as in some cases already existing national solutions, should be looked into; calls upon the Commission to implement proportionality in the relevant legislation in order to enhance positive effects for SMEs and mid-cap companies;
70. Believes that the building blocks for a fully functional CMU should be in place no later than 2018; reiterates the demand for a comprehensive analysis of the current situation in the EU capital markets and the existing EU-wide impediments; calls on the Commission to speed up its work on the action plan 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;
71. Notes that the developing digital environment should be seen as an opportunity to improve the performance and value delivered in the capital markets industry to enterprises, investors and society in general;

o

o o

72. Instructs its President to forward this resolution to the Commission and the Council.