

# WHAT IS THE CAPITAL MARKETS UNION?

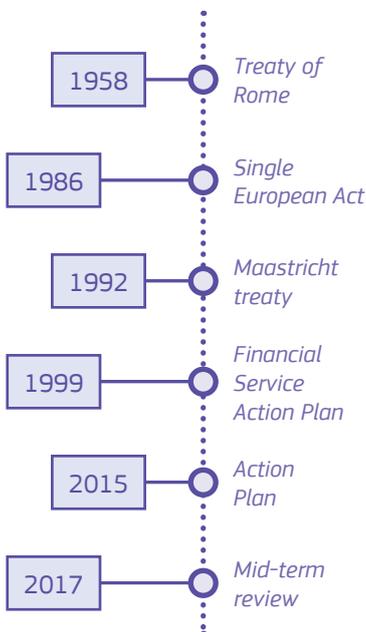
The Capital Markets Union (CMU) is the EU's plan to create a single market for capital. It provides new sources of funding for business, increases options for savers, and makes the economy more resilient.

The CMU aims to get investments and savings flowing across the EU - to benefit citizens, investors and companies, regardless of where they are located. It will help the EU economy recover from the crisis, resume growth and channel money towards the green and digital transition.



#CMU

January 2021



## History of CMU

Efforts to put in place a genuine single market for capital started with the Treaty of Rome, continued with the establishment of the Single Market (1986-1992), and the introduction of the euro (1999).

With the 2015 Action Plan, the Commission defined CMU as one of its top priorities and set out measures to establish its foundations.

In 2017, the Commission introduced additional measures to address new challenges through the Mid-term review of the CMU Action Plan. All of the announced actions have been completed, and 12 out of 13 legislative proposals have been agreed by the European Parliament and Council and are now being implemented.

# Why do we continue pushing for CMU?

While progress has been made, our capital markets remain fragmented - depriving our citizens and businesses from the benefits of deep, competitive, efficient and reliable sources of funding and investment.

The coronavirus crisis has injected real urgency into delivering on the CMU. While banks have kept the economy afloat - market-based financing will be essential to sustain the recovery and the return to long-term growth.



## Capital markets are essential for our **PEOPLE** and **BUSINESSES**

- A storage and growth opportunity for our individual savings and investments, helping us accumulate wealth and reach our financial goals
- An important source of financing for our companies, especially SMEs and a necessity for those willing to scale up and compete at a pan-European or global level

## Capital markets lay the foundation for our **FUTURE**

- Efficient capital markets will contribute to channeling funds to the twin **Green** and **Digital** transition
- Capital markets will help address societal challenges posed by ageing populations by providing for an adequate retirement
- Market-based financing is the main source of financing for long-term projects in innovation, research and development of new technologies



## Capital markets are crucial for the resilience and open strategic autonomy of the **EU**

- Build resilience against future crises and shocks
- Strong local capital markets, integrated into an EU single market for capital
- Support economic growth and employment within the EU
- Pillar for a well-functioning Economic and Monetary Union
- Pre-condition for an internationally strong euro



## What are the new challenges?

Much still remains to be done in order to establish a deep and efficient single market for capital. Remaining barriers are conditioned by history, customs, culture and are deep-rooted. They exist in many areas, including supervision, taxation and insolvency law. It will take time, determination and political support to tackle them.

## The 3 pillars of the new CMU Action Plan

Building CMU is a gradual process, based on delivering many detailed, but vital changes. The only way forward is step-by-step, in all areas where barriers to free movement of capital still exist, keeping in mind the overarching goal. While it is for the Commission to put forward the tools needed to make progress, it is for national authorities and market operators to use them and make a success of the CMU.

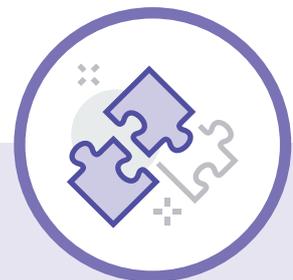
With the new Action Plan, the Commission commits to **16 new actions** to achieve three key objectives:



Support a green, digital, inclusive and resilient economic recovery by making financing more accessible to European companies.



Make the EU a safer place for individuals to save and invest long-term.



Integrate national capital markets into a genuine single market.

## LIST OF NEW CMU ACTIONS

	ACTION	STATE OF PLAY	
SMEs	<b>ACTION 1</b>	Establish an EU-wide platform ( <b>European Single Access Point</b> ) that provides investors with seamless access to financial and sustainability related company information.	Inception Impact Assessment finalised on <b>15 January 2021</b> ; public consultation launched (open for 6 weeks).
	<b>ACTION 2</b>	Simplify the listing rules for public markets in order to help <b>small and innovative companies have easier access to funding</b> .	Technical Expert Stakeholder Group set up; targeted recommendations expected in <b>Spring 2021</b> .
	<b>ACTION 3</b>	Channel more <b>long-term financing</b> to companies and infrastructure projects, in particular those contributing to the objective of smart, sustainable and inclusive growth.	Public consultation ongoing (open until <b>1 February 2021</b> ).
	<b>ACTION 4</b>	Encourage insurers and banks to invest in <b>equity and other long-term assets</b> .	Public consultation on SolvencyII finalised in <b>October 2020</b> ; EIOPA published their opinion on SolvencyII in <b>December 2020</b> .
	<b>ACTION 5</b>	Assess the merits of a requirement to direct companies to <b>alternative finance providers</b> when rejecting their credit application.	Work on a feasibility assessment <b>ongoing</b> .
	<b>ACTION 6</b>	Support the provision of credit to European companies and in particular SMEs, through an <b>improved securitization market</b> .	Preparative work is <b>ongoing</b> .
Retail	<b>ACTION 7</b>	<b>Improve financial literacy</b> by developing a European financial competence framework and incentives for Member States to promote financial education and responsible investing.	Work on a feasibility assessment <b>ongoing</b> .
	<b>ACTION 8</b>	Build trust of retail investors by reducing informational overload and <b>increase the quality of financial advice</b> . Review the rules related to inducements, investment advice and information disclosure in order to ensure fair advice as well as clear and comparable product information.	External study contracted on Disclosure, Inducements and Suitability Rules for Retail Investors. Work on a feasibility study for a pan-European label <b>ongoing</b> .
	<b>ACTION 9</b>	Help Member States <b>improve pension adequacy</b> in Member States.	Call for technical advice on best practices for pension tools sent to EIOPA in <b>December 2020</b> . External study contracted on best practices and performance of auto-enrolment mechanisms in <b>December 2020</b> .
Single Market	<b>ACTION 10</b>	Lower costs for cross-border investment by <b>simplifying withholding tax procedures</b> .	Preparative work is <b>ongoing</b> .
	<b>ACTION 11</b>	Foster <b>more similar insolvency rules</b> across Member States.	Inception Impact Assessment published; public consultation launched (open until <b>26 March 2021</b> ).
	<b>ACTION 12</b>	Enable <b>cross-border shareholders</b> to better exercise their rights.	Further work being conducted as part of the compliance assessment.
	<b>ACTION 13</b>	Enhance the <b>cross-border provision of settlement services</b> in the EU.	Public consultation launched (open until <b>2 February 2021</b> ).
	<b>ACTION 14</b>	Establish a consolidated source of <b>data about trading conditions</b> across all EU trading venues to foster competition.	Work on an impact assessment <b>ongoing</b> .
	<b>ACTION 15</b>	<b>Strengthen the protection of investments</b> and further facilitate cross-border investments.	Work on an impact assessment <b>ongoing</b> .
	<b>ACTION 16</b>	Enhance the <b>single rulebook for capital markets</b> and foster progress towards supervisory convergence.	Targeted consultation to be <b>launched shortly</b> .