



Capital Markets Union, Proportionality and Securitisation

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What challenges is the MTR addressing?

Future departure of the UK from the Single Market



Strengthening EU-27 capital markets

Uneven standards of supervision and enforcement



Make the supervisory framework more effective and consistent

FinTech is transforming capital markets



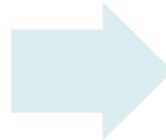
Increase competition and lower costs for businesses and investors

Europe must face environmental and social challenges



Re-engineer the financial system to make investments more sustainable

Challenges set out in CMU Action Plan remain as relevant as ever



Need for ambitious implementation of outstanding CMU actions

Capital markets are very diverse across Europe

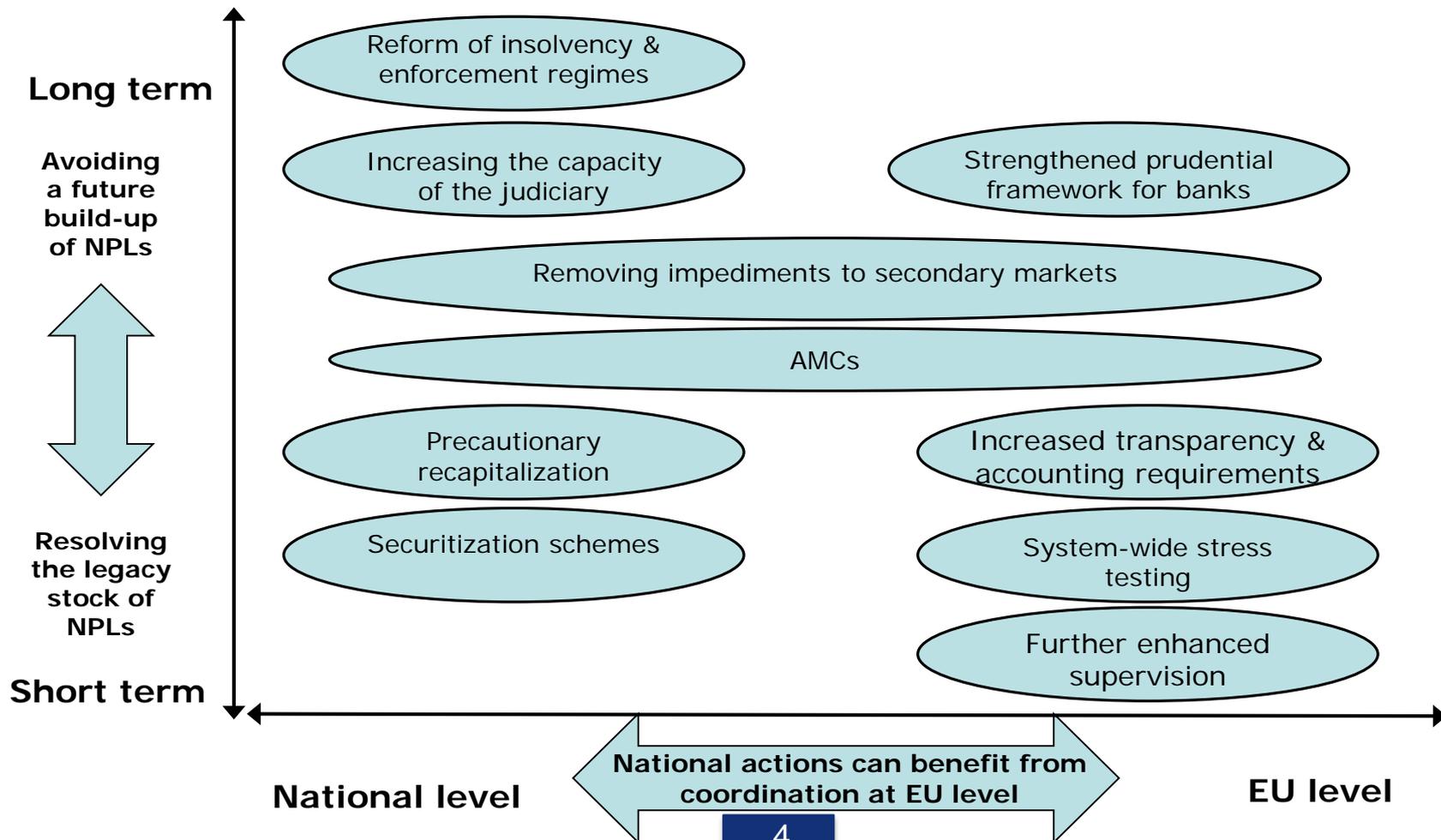


Savers and businesses in all Member States should benefit from capital markets

New CMU priorities under the Mid Term Review:

Supervision: Upgrade functioning of ESAs to promote consistent supervision.	Sustainable Finance: policy blueprint to integrate ESG in financial policy framework
Develop a more proportionate regulatory environment for SME listing.	Investment funds: remove residual frictions to cross-border distribution and supervision of UCITS & AIFs.
Investment firms: review the prudential treatment of investment firms.	Increase legal certainty for cross-border investments
FinTech: decide on need for an EU licensing/passporting framework for crowdfunding.	Develop local capital markets: Comprehensive strategy to support local and regional capital market development across EU – using TA, IFIs, public finance.
Secondary markets for non-performing loans (NPLs) and measures to strengthen capacity of creditors to recover value	

NPL disposal: what strategy?





Priority Action 1- Supervision

Supervisory framework is a necessary element for well-functioning and integrated capital markets.

Strong and effective supervision performed to the same standard across all markets ensures orderly markets, a level playing field and eliminates regulatory arbitrage.

Propose amendments to the functioning of ESMA and other ESAs to promote the effectiveness of consistent supervision. *In targeted areas, strengthen ESMA's powers to support a well-functioning CMU.*

When? Q3 2017



Priority Action 2 – towards an 'EU Small Listed Companies Act'

Public listings of SMEs remain low in the EU (equity raised on SME-dedicated markets decreased by EUR 9 billion compared to pre-crisis levels).

Current regulatory environment may discourage these firms from raising capital on public markets.

Review how targeted amendments to EU legislation can deliver a more proportionate regulatory environment to support SME listing on public markets.

When? Q1 2018

Priority Action 3 - Investment firms

*Investment firms provide services which give investors access to securities & derivatives markets
Authorisation and conduct are governed by MiFID but investment firms are also subject to CRR/CRD.*

Need for a more effective prudential & supervisory framework calibrated to the size and nature of these firms.

Present a legislative proposal to review the prudential treatment of investment firms.

When? Q4 2017



Priority Action 4- FinTech

FinTech can contribute to deepening and broadening EU capital markets by integrating the potential to change business models through data-driven solutions in asset management, intermediation and product distribution.

Commission will assess the case for an EU licensing and passporting framework for FinTech activities.

This will draw on the results of on-going consultation.

When? Q4 2017



Priority Action 5 – Support secondary markets for non-performing loans (NPLs)

NPLs are weighing heavily on some national banking systems. This has a negative impact on banks' capacity to lend, including to SMEs.

Policies aimed at improving functioning of NPL secondary markets– including capital market solutions- are key part of durable solution.

Present measures to support secondary markets for NPLs.

Launch impact assessment with a view to considering a possible legislative proposal to strengthen the ability of secured creditors to recover value from secured loans to corporates and entrepreneurs.

Ensure consistency with Commission proposal on preventative restructuring and second chance



Priority Action 6- Sustainable finance

2030 Agenda for Sustainable Development and Paris agreement make it clear that reform of the financial system is central to putting our economies on a sustainable growth path.

Reorienting private capital flows to more sustainable investments requires comprehensive & deep rethinking of financial framework.

Decide concrete follow-up to recommendations of High Level Expert Group on Sustainable Finance (by Q1 2018)

- **Launch work to prepare measures to improve disclosure & better integrate sustainability/ESG in rating methodologies and supervisory processes, as well as in the investment mandates of institutional investors and asset managers.**
- **Develop an approach for taking sustainability considerations into account in upcoming legislative reviews.**

Priority Action 7- Investment funds

Investment funds in the EU are still small and less cost-efficient than in some other jurisdictions. Fund distribution remains geographically limited.

Evidence from public consultation shows that the lack of regulatory and supervisory convergence contributes to this situation.

Greater cross-border distribution and in particular digital cross-border distribution would allow funds to grow, allocate capital more efficiently across the EU, and deliver better value and innovation.

Launch impact assessment with a view to a possible legislative proposal to facilitate the cross-border distribution and supervision of UCITS & AIFs.

When? Q1 2018



Priority Action 8- Treatment of cross-border EU investments

EU single market freedoms provide a comprehensive set of rules for investment protection. National authorities might not always be fully aware of such rules/may find them difficult to apply.

Intra-EU investors may lack appropriate mechanisms to prevent disputes with MS, or solve them amicably.

Adopt interpretative Communication to provide guidance on existing EU rules for the treatment of cross-border EU investments. When? Q1 2018

Launch impact assessment with a view to setting out an adequate framework for amicable resolution of investment disputes. When? Immediately



Priority Action 9- Develop local capital markets

Maturity of capital markets differs considerably among MS. Need to broaden the geographical reach of capital markets so that all MS benefit from CMU.

CMU needs to build the financial circuits, technical and legal infrastructure.

Comprehensive EU strategy on steps at EU level to support local and regional capital market development across the EU. When? By Q2 2018.

This will build on the report of the Vienna Initiative's CMU Working Group. It will take account of experience through the growing delivery of on-demand technical support under the SRSS.