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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN
CENTRAL BANK, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE
AND THE COMMITTEE OF THE REGIONS**

**Capital Markets Union: progress on building a single market for capital for a strong
Economic and Monetary Union**

{SWD(2019) 99 final}

1. INTRODUCTION

Building a Capital Markets Union has been a key priority for the Juncker Commission. Almost five years later, the need for more integrated and deeper capital markets is undisputed. In December 2018, EU leaders called for ambitious progress on the Capital Markets Union by Spring 2019, as outlined in the Eurogroup report to leaders. The European Central Bank has also repeatedly underlined the need to advance on the Capital Markets Union.¹

At the Spring European Council of 21-22 March, EU leaders will discuss the further development of the Single Market, including the Capital Markets Union, industrial policy and European digital policy in preparation for the next Strategic Agenda of priority areas for longer-term EU action and focus.

The Capital Markets Union is necessary to complement the Banking Union and to strengthen the Economic and Monetary Union and the international role of the euro². Deeper integration of capital markets, together with more integrated banking systems, can help to maintain cross-border capital flows and sustain investment in Member States suffering large asymmetric macroeconomic shocks. These private risk-sharing mechanisms play a particularly important role in cushioning country-specific shocks in the Economic and Monetary Union and contribute to risk-reduction in the financial sector. For example, new rules will boost the ability of EU investment firms to help companies to tap capital markets, manage assets, and provide market liquidity, thereby facilitating risk sharing and investments across the EU.

The Capital Markets Union is also an important Single Market project. It will increase firms' and citizens' access to capital markets – especially in smaller countries – by making links between their local capital market ecosystems and deeper pools of capital across the EU. By diversifying sources of finance for EU's businesses, the Capital Markets Union can support investment in innovation and technological developments, thereby promoting the EU's global competitiveness.

For example, thanks to new rules on prospectuses and on SME Growth Markets, companies will be able to seek more funding from across the EU, including by listing on a stock exchange in another Member State. A new approach to preventive restructuring will help viable companies to restructure early on and avoid insolvency, and will give honest entrepreneurs a second chance to start a new business instead of being penalised for failing in their first business attempt. For citizens, the new pan-European personal pension product and the measures to improve the EU's investment fund market will provide new saving and investment opportunities. For local markets, new rules on covered bonds will give banks a stable and cost-effective source of funding.

A well-developed Capital Markets Union in the EU is also important from the perspective of global capital markets and increases further the EU's attractiveness as a destination for foreign investments. This complements the EU agenda for free and fair trade. The EU's equivalence regime offers access for third country operators to EU markets in certain areas, subject to

¹ See, for example, Introductory Statement by Mario Draghi, President of the ECB, at the ECON committee of the European Parliament, Brussels, 28 January 2019 (<https://www.ecb.europa.eu/press/key/date/2019/html/ecb.sp190128~8b43137b4f.en.html>).

² On 25 January 2019 the Commission launched a targeted consultation on the euro and foreign exchange markets, which is one of the key follow-up action to the Commission Communication of December 2018 'Towards a stronger international role of the euro'. This consultation, which closes on 31 March, aims to getting the views of stakeholders on the role of the euro in currency markets and assessing whether trading the euro is conducted efficiently and on the basis of adequate market liquidity.

equivalent regulatory and supervisory standards in the third country concerned. At the same time, after the United Kingdom leaves the EU, the Capital Markets Union will need to further develop its critical functions for providing and supervising capital market services by sustaining liquidity and avoiding regional fragmentation. For example, new rules for central counterparties will ensure a more consistent and robust supervision of central counterparties in EU and third countries. European consumers, investors and businesses will also benefit from stronger and more integrated financial markets, thanks to the reform of the EU's supervisory architecture. A state-of-the-art anti-money laundering framework will safeguard the integrity of EU financial markets. Going forward, further steps will be needed to ensure that market infrastructure keeps up with growing transaction volumes, information is accessible and comparable, investors' rights are protected and sufficiently harmonised and that there is not regulatory arbitrage or a race to the bottom in terms of supervisory standards.

Capital markets need to transform to ensure an orderly transition in line with the goals of the UN 2030 Agenda for Sustainable Development and the Paris Climate Agreement. Europe is at the forefront of international efforts to deliver on these commitments. The EU will be rapidly decarbonising the economy with a view to climate neutrality in 2050³ and resilience to more severe climate-related events will become increasingly more urgent⁴. The measures set out in the Action Plan on Sustainable Finance⁵ will help to reorient private and public capital flows towards more sustainable investments, including through new rules that will allow investors to make better-informed decisions about the sustainability of their investments. The Commission will report on the implementation of the Action Plan in 2019.

In today's digital world, to prepare our economies for the future we must reap the benefits of financial technology while safeguarding consumer protection, as set out in the FinTech Action Plan⁶. The financial sector is already changing due to new technologies, such as artificial intelligence, big data or blockchain networks. Fintech can build interconnections between pan-European markets and local ecosystems more efficiently and cost-effectively. It can also stimulate innovation within the EU and the international competitiveness of EU capital markets.

Overall, Europe's capital markets have continued to develop over the past 5 years. The total market capitalisation of listed companies in the EU is now above pre-crisis levels and the proportion of EU initial public offerings in the global market continues to be at roughly 30 %. Listed equity issued by non-financial companies went from around 36 % of EU gross domestic product in 2014 to 41 % in 2018. Debt securities grew from 8 % to 10 %. Cross-border distribution of EU-labelled investment funds has also grown steadily. These trends are positive signs for the further development of Europe's capital markets.

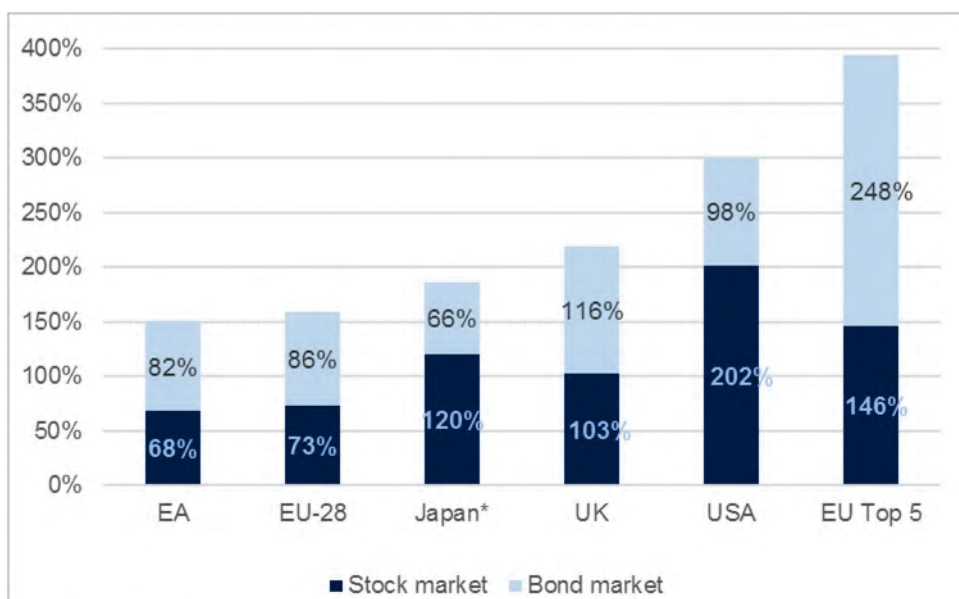
³ COM(2018)773 A clean planet for all: a European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy

⁴ Global warming of 1.5 °C An IPCC Special Report on the impacts of global warming of 1.5 °C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty.

⁵ Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions 'Action Plan: Financing Sustainable Growth', COM/2018/097 final, 8.3.2018.

⁶ FinTech Action Plan: for a more competitive and innovative European financial sector, COM(2018) 109 final.

Figure - Size of capital markets in selected regions (amounts outstanding as of Q3 2018 as a percentage of GDP)



* As of end of 2017.

Source: European Capital Markets Institute, European Central Bank, Federal Reserve and own calculations

Notes: While the EU and US markets are not entirely comparable, the figure shows that capital markets in the EU-28 represent around 160% of the GDP of the Union whereas they represent 300% of the GDP in the United States; Stock market capitalisation and bonds issued by financial and non-financial corporations; the average of the top 5 markets in the European Union was obtained as a GDP-weighted average for Netherlands, Sweden, Ireland, Denmark and Luxembourg with weights of 41%, 25%, 17%, 15% and 2%, respectively.

As of today, the Commission has delivered on its commitments. It has proposed the basic building blocks of the Capital Markets Union around three mutually reinforcing dimensions: the EU Single Market, clear and proportionate rules, and efficient supervision. However, the active involvement of Member States as well as of national and EU-level stakeholders remains crucial to a successful Capital Markets Union. National reforms and measures are essential to strengthen capital markets and companies, financial market participants and investors should make full use of these new opportunities. For example, national tax regimes and the efficiency and duration of insolvency procedures have a clear impact on cross-border investments and capital flows. In the European Semester such issues are reviewed in the country reports and several Member States have received advice or formal country specific recommendations from the Council addressing issues such as debt-equity tax bias and insolvency procedures.

2. PROGRESS ACHIEVED UNDER THIS MANDATE

The Commission has tabled all legislative proposals set out in the Capital Markets Union Action Plan and Mid-term review to put in place the key building blocks of the Capital Markets Union⁷. In addition to the proposals presented below, the Commission has adopted other complementary proposals relevant to the Capital Markets Union. These include the proposals on a Common corporate

⁷ Communication 'Action Plan on Building a Capital Markets Union', COM(2015) 468, 30.9.2015; Communication 'On the Mid-Term Review of the Capital Markets Union Action Plan', COM(2017) 292, 8.6.2017.

tax base (CCTB)⁸ and Common consolidated corporate tax base (CCCTB), which will be implemented through a two-step procedure, and the proposal on a framework for the recovery and resolution of central counterparties. In addition, in February 2019, the co-legislators agreed on a targeted reform of the European Market Infrastructure Regulation (EMIR) to provide simpler and more proportionate rules for over-the-counter derivatives.

In November 2018, the Commission called on the co-legislators to complete the key building blocks of the Capital Markets Union before the European Parliament elections in May 2019. **The Commission welcomes the political engagement of the European Parliament and the Council, which has resulted in a political agreement on 10 proposals.**

However, regulatory reform is only one part of the required change. This is why, in addition to the legislative programme, **the Capital Markets Union Action Plan and Mid-term review included a number of non-legislative measures, which the Commission has delivered**⁹. These measures are important in their own right to boost investor confidence, strengthen key market infrastructure and open new funding channels.

It was always clear that a fully-fledged Capital Markets Union would not be created over night. While the measures taken so far have started to have an impact, it will take time for the full benefits of the legislative proposals presented by the Commission to fully materialise and for their effects to be felt on the ground. It is now for national authorities and market operators to seize the opportunities created by Capital Markets Union reforms, to the benefit of the Economic and Monetary Union and the wider EU economy.

2.1. Making the most of the Single Market through new European products, labels and passports

The Commission has proposed six legislative measures to introduce new EU-wide rules for products, labels and passports. The European Parliament and the Council have adopted or reached a political agreement on five proposals. Urgent progress is needed on the remaining one.

- The Regulations **on European venture capital and social entrepreneurship funds**, adopted by the co-legislators in October 2017 aim to boost investment into venture capital and social projects. They will make it easier for investors to invest in innovative small and medium-sized companies by opening up the regulation to fund managers of all sizes and by expanding the range of companies that can be invested in.
- The Regulation harmonising the securitisation legal framework and creating **Simple, Transparent and Standardised (STS) securitisations**, adopted in December 2017, helps build confidence in the securitisation market, prevent mistakes from the past from reoccurring and free up the balance sheets of banks. A set of regulatory and implementing technical standards are being developed to specify the details of the revamped securitisation framework and ensure its clarity and consistent application in order to achieve the policy goals. In addition to the Securitisation Regulation, the prudential framework for banks and insurers has been amended in order to

⁸ The CCTB will address the current debt-bias in corporate taxation by introducing an 'Allowance for Growth and Investment' (AGI), which will give companies equivalent tax benefits for equity as they get for debt. The AGI contributes to a strong Capital Markets Union by creating a more neutral and investment-friendly tax environment.

⁹ See annex 1, Commission Staff Working Document SWD(2019)99.

establish a closer link between the riskiness of a securitisation position and the regulatory capital required.

- The Regulation on a **Pan-European Personal Pension Product**, on which a political agreement was reached in December 2018, introduces an EU-wide voluntary pension product that could complement national statutory and occupational pensions for citizens that so wish. It will give citizens more choice when saving for retirement and help address the demographic challenges of ageing populations by complementing state-based and occupational pensions.
- The co-legislators reached in February 2019 a political agreement on **common rules on covered bonds**. The harmonised rules, based on national high standards and best practice, will contribute to developing covered bonds as a stable and cost-effective source of funding for EU banks. By doing so, they will expand the capacity of banks to provide financing to the real economy. They will also give investors a wider range of safer investment opportunities.
- The co-legislators agreed in February 2019 on the package on **facilitating cross-border distribution of collective investment funds**. The new rules will make the cross-border distribution of funds simpler, quicker and cheaper. They will do so by improving the transparency of national requirements, cutting red tape and harmonising diverging national rules. This will provide investors with more choice, and reduce their costs, while safeguarding investor protection.
- The proposals for a regulation on **Crowdfunding**, still under negotiation by the co-legislators, would allow platforms to apply for an EU licence based on a single set of rules and would therefore make it possible for crowdfunding platforms to provide their services across the EU. The framework would improve access to an innovative form of finance for businesses in need of funding – startups in particular – while ensuring that investors benefit from strong protection measures.

To create new funding channels for businesses, the Commission has also assessed the case for European secured notes for small and medium-sized loans and infrastructure loans. By promoting the use of loans to small and medium-sized companies and infrastructure loans as collateral, European secured notes go beyond the traditional types of collateral used for covered bonds. European secured notes could therefore potentially improve banks' ability to lend, in particular to small and medium-sized companies, and thereby potentially stimulate companies' growth and job creation. Based on advice from the European Banking Authority, a consultation with private stakeholders and a feasibility study, the Commission will continue to assess whether further action is necessary at EU level.

To boost the confidence of retail investors, the Commission has assessed the distribution of investment products. This assessment has identified several challenges that consumers face when looking to invest. Some of these challenges were already addressed by recent changes to EU legislation that improve transparency and strengthen retail investor protection. The Commission will continue to monitor and assess the effectiveness and appropriateness of the regulatory framework for retail investors, including when reviewing the Markets in Financial Instruments Directive and the Packaged Retail and Insurance-based Investment Products Regulation.

The Commission has also been assessing several instruments that could help retail investors participate in capital markets. **Employee share-ownership schemes give retail investors some experience in investing in shares. Investment savings accounts can help more generally to reduce administrative burden and give investors an incentive to participate in capital markets, helped**

by transparent conditions. The Commission will continue to work with private stakeholders to develop these instruments.

Also in the area of retail investment, **the Commission is examining current technology-driven digital interfaces** that could help individuals find suitable and cost-effective retail investment products in a reliable, transparent and trustworthy way. A study expected later this year will assess possible scenarios for developing an online digital tool that can support retail investors in their investment decisions.

Finally, the Commission has undertaken a study on potential tax obstacles to cross-border investment by pension funds and life insurers. The Commission intends to discuss the results of the study with the Member States with a view to removing any identified obstacles on a voluntary basis before possibly taking legal action.

2.2. Supporting businesses and investors through clearer and simpler rules

The Commission has proposed five legislative measures to provide simpler, clearer and more proportionate rules for entrepreneurs, businesses and financial institutions. The European Parliament and the Council have adopted or reached a political agreement on four proposals. Further progress is needed on the remaining one.

- The **Prospectus Regulation**, adopted by the co-legislators in June 2017, cuts red tape for companies seeking financing opportunities, by making a prospectus simple to produce and clear for investors to understand.
- **More proportionate and risk-sensitive rules for investment firms** were agreed on by the co-legislators in February 2019. The new rules will ensure a level playing field between the large and systemic financial institutions, which will be subject to the same rules and supervision as banks, and introduce simpler and less burdensome prudential rules for non-systemic investment firms. This balanced approach will boost competition and increase investment, while safeguarding financial stability.
- A political agreement on the Directive on **preventive restructuring frameworks, second chance and measures to increase the efficiency of restructuring, insolvency and discharge procedures** was reached in December 2018. It will help viable companies in financial difficulties to be restructured efficiently and allow honest entrepreneurs to benefit from a second chance after overcoming bankruptcy. This is crucial for ensuring a dynamic business environment that also promotes innovation, avoids unnecessary liquidations, the loss of know-how and jobs and prevents the accumulation of non-performing loans.
- New rules **that will facilitate financing through capital markets for small businesses** were agreed by co-legislators in March 2019. The proposed rules will cut red tape for small and medium-sized companies trying to access ‘SME Growth Markets’, a new category of trading venue dedicated to small issuers, by introducing a more proportionate approach to support the listing of small and medium-sized companies. The proposal also aims to safeguard investor protection and market integrity.
- More work is needed to reach an agreement on the proposed **regulation on the law applicable to the third-party effects of assignments of claims**. The regulation will significantly increase legal certainty – and thus promote cross-border investment – by determining which national law applies to the effects on third parties where a claim is assigned cross-border.

As long-term investors, insurers have a significant role in financing the real economy by investing more in equity. The **Commission has adopted an amendment to the Solvency II framework for the prudential treatment of qualifying private equity and privately placed debt. Additionally, the Commission has adopted a more tailored prudential treatment of long-term equity investments by insurance companies.** The amendments are now undergoing scrutiny from the co-legislators. Thanks to these changes, qualifying private equity investments by insurers will now benefit from a lower capital requirement, in particular where such investments qualify as long-term equity. Moreover, for privately placed debt, in the new rules the Commission allows for alternatives to the use of external ratings for the calculation of capital requirements. This will remove the current disadvantages of privately placed debt vis-à-vis investment grade corporate bonds.

The Commission has reviewed the functioning of corporate bond markets in the EU. For larger companies, corporate bonds are an important way of raising debt finance on a larger scale. While the issuance of corporate bonds by non-financial companies has increased in the EU over the past decade, this instrument still has untapped potential as a funding tool for companies. The Commission has set up an expert group to assess EU corporate markets. Its mandate was to provide a cross-market analysis of corporate bond markets and to give recommendations on how to improve their functioning. The Commission has already taken action based on the expert group's recommendations, such as adopting a legislative proposal on promoting SME listing to reduce the administrative burden for issuers of corporate bonds. The assessment of the corporate bonds markets will also – as appropriate – feed into future reviews of EU legislation.

The Commission has also committed to identifying and promoting best practices for private placements. Markets for private placement of debt can broaden the availability of finance for unlisted medium-sized companies. A study¹⁰ showed that private placement of debt instruments with institutional investors could play a greater role in financing medium-sized companies in the future. It also highlighted a considerable growth potential for private placements in the EU due to new domestic markets and an increase in cross-border activities. Building on the study's findings, the Commission is encouraging Member States to support the development of private placements as an alternative source of financing.

In addition to the action already taken by the Commission, there are several ongoing actions, which will feed into the Commission's future work. These include a **study on supply chain finance** and a **study to assess the situation of SME research coverage and the impact of the new Markets in Financial Instruments Directive rules on the unbundling of research payment.**

To harness the potential of innovation, the Commission also asked an **expert group¹¹ to assess the rules for innovative business models and technologies.** The results of the studies and analyses still need to be reviewed and it will be up to the next Commission to decide on any potential follow-up action.

The **European Innovation Council**, now in its final piloting phase, will bring together EU schemes into a one-stop-shop for high potential innovators, adapted to the needs of breakthrough and disruptive innovations. Set to become fully operational with the next EU research and innovation programme, Horizon Europe, the EIC will provide grants and blended finance (combined grant-equity) to overcome market gaps in financing high risk innovation and crowd in private investment.

¹⁰ See [Commission webpage on EU markets for private placements](#).

¹¹ Regulatory Obstacles to Financial Innovation Expert Group

A stable investment environment is crucial for encouraging more investment in the EU. On 19 July 2018, the Commission adopted a Communication that clarifies how EU law protects investments and how investors can enforce their rights under EU law before national administrations and courts¹².

The protection of investment has become even more important in light of the Achmea judgment of 6 March 2018. This confirmed the Commission's view that EU investors cannot rely on intra-EU bilateral investment treaties and, in particular, that investor-State arbitration in these treaties is incompatible with EU law. Following a dialogue between the Commission and Member States, in January 2019 all Member States committed to terminating intra-EU bilateral investment treaties and the majority of Member States committed to undertake action to ensure that the Energy Charter Treaty cannot be used as a basis for arbitration between investors and EU Member States.

2.3. A more efficient supervision of EU capital markets

The Commission has proposed two legislative measures to ensure a more integrated and efficient supervision of capital markets, which is central to the Capital Markets Union and necessary for more financial integration and more private risk sharing. Political agreement has been reached on one proposal. Urgent progress is needed on the remaining one:

- Revamped rules for **more robust supervision of central counterparties**, agreed in March 2019, to strengthen the EU's financial stability. This reform will ensure that the EU supervisory framework is sufficiently robust to anticipate and mitigate risk from EU central counterparties and from systemic non-EU central counterparties that provide services to EU clients.
- Good progress has been made in negotiations on the reform of the **European supervisory authorities to make European financial supervision stronger and more integrated**, and the proposal to **strengthen the supervisory framework for anti-money laundering and terrorist financing**, which amended the original proposal in September 2018¹³. **The Commission calls on the European Parliament and the Member States to reach a political agreement with urgency, and stands ready to continue proving its full support to that end.**

Effective supervision is important for boosting retail investment, as savers need to be confident that a potential investment provides adequate return for the level of risk taken. **In January 2019, following a request by the Commission, the three European supervisory authorities published the results of their first comprehensive analysis of costs and performance** of the main categories of investment products for savers, e.g. mutual funds, insurance, pension and structured products. The first results provide a baseline for future assessments and for further developing the reporting requirements, including – where appropriate – a possible extension of the scope and improvements in the methodology.

¹² Communication from the Commission to the European Parliament and the Council 'Protection of intra-EU investment', COM/2018/547 final.

¹³ The Commission put forward a proposal amending the original ESA proposal with the objective of concentrating anti-money laundering powers in relation to the financial sector within the European Banking Authority and to strengthen its mandate to ensure that risks of money-laundering are effectively and consistently supervised by all relevant authorities and that the relevant authorities cooperate and share information.

2.4. Sustainable finance

The Commission has adopted three legislative proposals to enable the EU financial sector to lead the way towards a climate neutral, more resource-efficient and resilient circular economy. **The European Parliament and the Council have reached a political agreement on two. Progress is still needed on one of the three legislative proposal:**

- The co-legislators are still deliberating on the unified **EU classification system** (taxonomy) to determine which economic activities are environmentally sustainable. This will give clarity to investors and other economic operators on what activities can be considered to be ‘green’. It will also be a basis for standards and labels for sustainable financial products. The Commission proposed to evaluate by the end of 2021 the appropriateness of extending the taxonomy to cover other sustainability objectives, in particular social objectives.
- In March 2019, a political agreement was reached on the Regulation on **disclosures relating to sustainable investment and sustainability risks**. The new rules will introduce consistency and clarity on how institutional investors should integrate environmental, social and governance (ESG) factors in their investment decision-making process. They will also increase transparency on ESG investment strategies for end-investors.
- Finally, in February 2019 the co-legislators reached a political agreement on the regulation on **EU climate transition benchmarks and Paris-aligned benchmarks**. These new market standards will reflect companies’ carbon footprint and give investors clearer information on how their investments contribute to fighting climate change.

A number of non-legislative measures in sustainable finance are also well under way. These include the development of a taxonomy by the Technical Expert Group on sustainable finance to define environmentally sustainable economic activities, which will feed into the legislative process related to the Commission proposal for a unified EU classification system; a report by the Expert Group on climate-related disclosures; and technical work on an EU Green Bond Standard. Building on the Technical Expert Group report, the Commission is also updating the non-binding guidelines on non-financial information by companies and will publish them by mid- 2019. Work is also under way to prepare the ground for a future EU Ecolabel for financial products and assessing, together with the European Securities and Markets Authority, whether to integrate sustainability in ratings. Lastly, the European Banking Authority, European Insurance and Occupational Pensions Authority, and the European Systemic Risk Board are analysing the feasibility of integrating sustainability in prudential requirements.

2.5. Local capital markets

Boosting local capital markets is a major goal of the Capital Markets Union. Strong local markets particularly benefit medium-sized companies that are large enough to tap local capital markets, but too small to look for capital across borders. Geographical proximity lowers transaction costs, helps overcome cultural barriers of entrepreneurs and helps investors understand the businesses that they are financially supporting. It also increases the possibilities for using local savings productively.

Developing local capital markets requires complementary action at the level of Member States, cross-border and regional initiatives, as well as action at EU level. Many actions are taken at national level, including national strategic plans for capital market development, improvement of the business environment, public support for access to finance. The Commission’s Structural Reform Support

Service has provided technical support for these national initiatives. Regional cooperation is encouraged in order to open up markets and promote cross-border links, facilitate foreign listing and investment, linking market infrastructures and regional harmonisation of rules. At EU level, the financial instruments offered by the European Investment Bank contribute to developing local capital markets by enlarging the availability of financial products and addressing the funding gap of small and medium-sized companies.

3. CONCLUSIONS



The Commission has now delivered the measures it committed to at the beginning of the mandate and in the mid-term review to put in place the building blocks of the Capital Markets Union. These legislative and non-legislative measures are an important step towards more efficient and liquid capital markets in the EU, where firms and investors can access market funding on equal terms, irrespective of where they are physically located in the Single Market. By making it possible for investors and companies to access investment and funding opportunities across borders, the Capital Markets Union improves private risk sharing, reduces risk in the financial system and helps mitigate economic shocks in the euro area and beyond. Well-integrated capital markets reinforce the Single Market, support the agenda for free and fair trade and make the EU an even more attractive destination for investment in a changing and increasingly complex geo-political environment.

Throughout this mandate, the Commission has worked closely with the European Parliament and the Council and has made considerable progress on many proposals. It is important that the co-legislators remain committed to ensuring that all pending legislation is adopted as soon as possible. The Commission will continue to support those efforts. However, legislation alone will not deliver the Capital Markets Union. Member States, national authorities and private stakeholders all play a vital role in building the Capital Markets Union.

While the Commission's action has already started to have an effect, it will take some time for the full impact to be felt on the ground. However, more work is clearly needed for a vibrant Capital Markets Union to be in place in the EU. In any event, future action will need to reflect the impact on capital markets of the United Kingdom's departure from the EU and other short or medium-term economic and societal challenges. These include fundamental – and most likely rapid – changes arising from the decarbonisation of the economy and the changing climate, and technological developments.

The **European Council** is invited to renew its commitment to the Capital Markets Union and endorse these efforts for its next Strategic Agenda. This is essential for the Single Market, for the Economic and Monetary Union and a strong euro, and ultimately for the EU's global competitiveness.

4. OVERVIEW OF THE PROGRESS ON THE LEGISLATIVE FILES OF THE CAPITAL MARKETS UNION

POLICY DESCRIPTION	 European Parliament	 Council of the European Union
CAPITAL MARKETS UNION		
Securitisation	Adopted	Adopted
Prospectus	Adopted	Adopted
European venture capital funds (EuVECA)	Adopted	Adopted
Pan-European personal pension product (PEPP)	Political agreement	Political agreement
Covered bonds	Political agreement	Political agreement
Crowdfunding	Negotiating mandate	No agreement
Cross-border distribution of collective investment funds	Political agreement	Political agreement
Investment firms review	Political agreement	Political agreement
Preventive restructuring, second chance and efficiency of procedures	Political agreement	Political agreement
Promotion of SME growth markets	Political agreement	Political agreement
Applicable law to third-party effects of assignment of claims	Negotiating mandate	No agreement
European Supervisory Authorities review, including reinforced anti-money laundering rules	Negotiating mandate	Negotiating mandate
European market infrastructure regulation (supervision)	Political agreement	Political agreement
SUSTAINABLE FINANCE		
Sustainable finance: Taxonomy	No agreement	No agreement
Sustainable finance: Disclosure	Political agreement	Political agreement
Sustainable finance: Low-carbon and positive carbon	Political agreement	Political agreement

impact

OTHER PROPOSALS OF RELEVANCE TO THE CAPITAL MARKETS UNION

Common consolidated corporate tax base	Report adopted	No agreement
European market infrastructure regulation (REFIT)	Political agreement	Political agreement
Recovery and resolution of central counterparties	Negotiating mandate	No agreement
