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From:	General Secretariat of the Council
To:	Delegations
Subject:	Council Conclusions on the Deepening of the Capital Markets Union (5 December 2019)

Delegations will find enclosed the Council conclusions on the Deepening of the Capital Markets Union, as adopted by the Council at its 3736th meeting held on 5 December 2019 in Brussels.

COUNCIL CONCLUSIONS

on

the Deepening of the Capital Markets Union

THE COUNCIL OF THE EUROPEAN UNION:

1. RECALLS its conclusions of 19 June 2015[1] and 10 November 2015[2] concerning the Commission Action Plan on Building a Capital Markets Union[3] (CMU Action Plan) as well as its conclusions concerning the mid-term review of the CMU Action Plan from 11 July 2017.[4]

2. WELCOMES the important steps taken and in particular the wide range of legislative measures finalised in recent years and the progress achieved so far under the remit of the CMU Action Plan.

3. STRESSES that these measures are a significant first step towards deepening European capital markets and overcoming market fragmentation and structural barriers, and will therefore contribute positively to both the financing capacity available within the Union and to European financial stability stemming from deeper integration and more diversified funding sources across the Union.

[1] Doc. 10148/15
[2] Doc. 13922/15
[3] Doc. 12263/15
[4] Doc. 11170/17

4. Therefore, LOOKS FORWARD to the adoption of the remaining legislative acts in a timely manner and to a careful assessment of the cumulative effects of the measures put in place so far and, on that basis, to the identification of potential gaps requiring further measures and action, taking into account the importance of the stability of the legal framework.

5. RECOGNISES that, despite the measures taken so far, EU capital markets are not yet fully integrated. They are underdeveloped in some Member States and lag behind when compared to certain non-EU jurisdictions, leading to a heavy reliance on bank funding within the EU and a more limited choice for businesses, in particular SMEs, for institutional investors and for consumers, and to limited private risk sharing. Consequently, the rationale for developing the Capital Markets Union (CMU) further is still valid. This need is further amplified by geo-political, social and economic developments that have taken place since 2015.

6. CONSIDERS, against this backdrop, that the CMU should be deepened further, resulting in more developed and integrated capital markets in order to unlock investment for companies, particularly SMEs, and to support savers' and investors' long-term investment needs, including by expanding the supply of market-based investment products. The CMU should also provide funding for innovative projects, products, start-ups and scale-ups in the context of a sustainable economy that embraces digitalisation and which may be characterised by longer periods of low interest rates.

7. Furthermore, STRESSES that developed and integrated capital markets are a necessity to complement a solid EU banking sector in providing funding, as they help to diversify the funding mix of European enterprises, thereby supporting the European economy. Broad, deep and integrated capital markets would complement the Banking Union, contributing to a more efficient, robust and resilient financial system and to financial stability, as the shock-absorbing capacity of the EU would increase due to private risk sharing and diversification of financing channels and sources across borders.

8. Building on the progress made, and in the context of the deepening of the Economic and Monetary Union, NOTES the need to further intensify policy efforts in building the CMU and REAFFIRMS the importance of deepening the CMU to unlock the true potential of fully integrated, efficient European capital markets.

9. CONSIDERS, therefore, that a roadmap for the deepening of the CMU is necessary in order to identify and remove remaining barriers to the free movement of capital and to allow for integrated, efficient and sustainable capital markets with increased cross-border capital flows, which benefit businesses, irrespective of their size and location, by widening the funding mix as well as lowering costs, but also citizens by offering them wider access to more diverse, long-term and competitive investment opportunities.

10. SUPPORTS, accordingly, the following principles that should underpin the deepening of the CMU:

    a) Access to finance for European companies, most notably SMEs (including start-ups and scale-ups), should be further enhanced,

    b) Barriers to the efficient functioning of an EU-wide capital market, to increased cross-border capital flows and to the creation of deep liquidity pools, whether they result from national law or EU regulation, should be identified and removed while preserving a robust prudential and investor protection framework,

    c) Incentives should be sought and obstacles removed so as to enable well informed retail savers to invest in capital markets, in particular long-term investment products, while maintaining a high and proportionate level of investor and consumer protection and high and convergent supervisory standards,

d) The transition to sustainable economies should be an important element within the deepening of the CMU and should be actively supported by it,

e) Benefits and opportunities stemming from technological progress and digitalisation should be embraced as they can contribute to more effective, inclusive and competitive EU-wide capital markets; at the same time, the risks resulting from such progress should duly be taken into account and managed appropriately,

f) The global competitiveness of the EU capital markets should be strengthened, building on local markets and ecosystems as central parts of an integrated, open, deep and liquid European Capital Market. This should also help increase the international role of the Euro, and to enhance the linkages with global capital markets.

11. STRESSES, therefore that, as a matter of priority, the Commission and the Member States should seek ways to increase access to finance for European enterprises and, in particular, for SMEs, through a targeted approach, to stimulate equity markets to reduce the existing debt bias in the EU.

12. UNDERLINES the importance of facilitating cross-border financial flows, in order to increase the shock-absorption capacity of the EU, and therefore, INVITES the Commission and the Member States to identify remaining structural or legal barriers to cross border equity and debt funding and ways to reduce or remove such barriers to cross-border investments.

13. RECOGNISES, in this respect, the importance of local markets and ecosystems that are central parts of an integrated, deep and liquid European capital market and ENCOURAGES further progress to be continued in the efforts to strengthen market infrastructures and to ensure the provision of consolidated trading data in order to support a broad base of local, European and international investors and to increase market liquidity and depth.

14. STRESSES further that, as a matter of priority, the Commission and the Member States should identify ways to enable and incentivise more consumers to participate directly or indirectly in capital markets in order to increase long-term savings, while at the same time ensuring adequate investor and consumer protection and capital-markets supervision and to enhance public confidence in capital markets, inter alia by improving consumers' financial literacy across the EU and CONSIDERS, in this respect, that access to a wider range of investment opportunities, clear information and the high quality of service provided should be a constant focus of the CMU agenda.

15. STRESSES the importance of fostering innovation, technology and digitalisation within the financial sector as a priority and the need for a technology neutral regulatory framework, and LOOKS FORWARD to the Commission, the Council and the European Supervisory Agencies pursuing an EU-wide and, where possible, globally coordinated approach to crypto-assets, including so-called "global stablecoins", distributed ledger technologies and tokenisation, open data and application program interfaces access, artificial intelligence, innovation facilitators, cyber and operational resilience, and the appropriate framing of use of new technology and data in financial regulation as well as supervision.

16. STRESSES further that the Commission and the Member States should seek ways to further promote sustainable financing by providing for reliable, comparable and relevant information on sustainability risks, opportunities and impact within the EU.

17. STRESSES, finally, that increased efforts are required in order to safeguard the EU's financial independence and global competitiveness of its capital markets, while maintaining their openness.

18. INVITES the Commission to come forward with a set of clearly defined, objective, targeted, effective and adequate key performance indicators by the end of 2020, inform the Member States of those indicators, and report on the progress of the CMU regularly and comprehensively on the basis of those key performance indicators.

19. Furthermore, INVITES the Commission to assess and explore, the measures outlined in the annex, and to identify potential gaps for further measures as well as take into account measures already adopted, in its future work on the CMU, particularly with respect to the High-Level Forum that was set up to that end, to consult closely with Member States and relevant stakeholders before taking any measures, to report every year, based on key performance indicators, on the progress made in deepening of the CMU and facilitate discussion on CMU topics, notably where the Member States are called upon to take action.

Annex: Measures

Principle/Objective	Measures to be assessed and explored	Responsible

Increased access to equity and debt finance for EU enterprises, notably SMEs	Assess in a comprehensive and cross-sectoral manner existing capital markets regulation
	- with a view to identifying areas in which:
	  - more harmonised rules would be justified at EU level,
	  - compliance cost and administrative burden could be further reduced without jeopardising investor protection and financial stability,
	  - the proportionality, consistency and coherency of the framework and more targeted regulation could be ensured with a particular focus on, but not limited to, SMEs (for example, by reviewing the MiFID II regime for inducements in relation to SMEs research),
	- to determine whether a European Electronic Access Point for financial information of companies could be installed to create more transparency for participating European enterprises and, in particular, SMEs,
	- to look for:
	  - ways to reduce SME listing costs and possibilities to provide for SME listing support,
	  - ways to incentivise availability, standardisation and comparability of information on SMEs, notably on the production and availability of research and credit risk assessment for SMEs,
	  - ways to create large pan-European private - cross-over (pre- and post-IPO) equity funds targeting SMEs (including start-ups and scale-ups), and, where necessary, ways to channel EU funds, including through InvestEU, to priority areas through co-investment,
	- to assess the appropriateness and consistency
		Commission/ESAs

	of existing SME definitions, - to ensure risk adequate regulatory treatment of long-term investments (e.g. in Solvency II, Basel III transposition), - to assess measures to develop local financial ecosystems, such as, but not limited to, market index issues, - to analyse the benefits and consequences of long-term investment in illiquid asset classes, especially venture capital and private equity, - to assess whether to establish EU labels associated with SMEs with a view to improving their funding conditions, including "SME investment funds", "SME European Secured Notes", "SME securitisation" and loan originating funds.	
Removal of structural and legal barriers for increased cross border capital flows	Assess in a cross-sectoral manner existing structural and legal barriers and identify efficient and feasible solutions, for instance the gathering and sharing of best practices, benchmarking exercises, developing principles for further targeted harmonisation, or other measures supporting the convergence and effectiveness of national regimes, in particular in the areas of - insolvency laws, - corporate laws, - securities laws and - withholding tax procedures. In addition, seek ways to facilitate cross border capital flows by - supporting the establishment of EU-wide investment fund vehicles for financing start-ups and scale-ups, - strengthening EU corporate bond markets, - reviewing and amending the securitization regime, - promoting cross-border transferability of and access to financial products, - considering a single point of entry for investor information, - ensuring the provision for consolidated trading data,	Commission/MS/ESAs

	- fostering supervisory convergence and increased supervisory cooperation through existing tools, including with regard to online and cross-border provision of financial services, - ensuring adequate investor protection.	

Increasing retail participation	- Promote financial literacy (for both retail investors and SMEs) and facilitate the exchange of best practices and views on national measures in this regard,
	- ensure transparency and high information standards with respect to both investment products and issuers, so that consumers can make well-informed decisions,
	- assess current disclosure rules with a view to eliminating incoherent or incomprehensible information,
	- ensure that information is clear, concise, understandable, proportionate and not excessive or overlapping in quantity or content,
	- consider ways to further reduce costs for retail clients to participate in capital markets by promoting affordable and high quality investment advice,
	- promote increased suitability, comparability and accessibility of different investment products, including long-term investment products,
	- ensure high supervisory standards and enforcement of supervisory measures and sanctions, in particular with respect to the consistent application of investor and consumer protection rules,
	- examine whether investor protection could be considered or disproportionate with respect to the risks involved and if so consider, in particular:
	    - introducing new categories of semi-professional or professional investors,
	    - optimising requirements for simple financial instruments where this is proportionate and justified,
	- assess the need and possible ways for
		Commission/MS/ESAs

	promoting employee benefit scheme.	
Transition to sustainable economies	- Consider an approach for developing and promoting green bonds both at national and EU level, - consider the development of an European non-financial reporting standard taking into account international initiatives, with specific attention for climate-related disclosures (in order to promote Paris alignment of investment flows), - assess the introduction of a framework for sustainability ratings, - facilitate long-term investments in the transition to a sustainable economy, especially focussing on required infrastructures.	
Technological progress and digitalization	- Promote digitalisation and innovation in the financial sector in line with the "same activity, same risk, same rules" principle, including proper risk assessment and management practices with respect to emerging technologies, while ensuring adequate levels of proportionality, - ensure that existing and new regulation is technology neutral and does not unnecessarily hinder the development of innovative technological solutions, - seek ways to exploit the technological progress and benefits stemming from digitalisation in order to reduce the disclosure and reporting burdens and increase supervisory efficiency, - support digitalisation of financial services to open up new cross-border access channels for businesses and investors, by reducing barriers and transaction costs, - strive for global coordination with respect to crypto-assets, including so-called "global stablecoins", given the risks and social costs that they pose.	