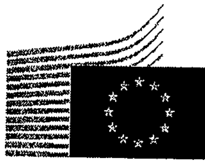
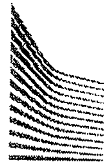

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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

Communication on Long-Term Financing of the European Economy

1. INTRODUCTION

1.1 Economic context

The economic and financial crisis has impaired the ability of the financial sector to channel funds to the real economy, in particular to long-term investment. Heavy dependence on bank intermediation, combined with the need for banks to deleverage their balance sheets have reduced funding to all sectors of the economy. Furthermore, a weak economic outlook and uncertainty about the future have reduced the confidence and risk appetite of both borrowers and providers of financing. Europe has acted with determination to reverse these trends and conditions for sustainable growth and investment in Europe have improved. Public finances have been consolidated and procedures for better coordination of budgetary and economic policies have been put in place. The ECB has acted firmly to restore confidence in the markets, and the establishment of the Banking Union is helping to reduce financial fragmentation and restore trust in the Euro area. Structural reforms are bearing fruit, resulting in a narrowing of sovereign spreads and allowing programme countries to return to financial markets. Nominal growth is expected to accelerate to around 1½% in the EU in 2014, before reaching close to 2% in 2015. Additional efforts are however needed to increase output potential and deal with the high unemployment rates caused by the crisis.

Harnessing these improvements and securing Europe's position on a sustainable growth path requires long term investment which can underpin growth.

1.2 The need for long term investment and financing

Long-term investment can be defined as investment in *productive activities* which support sustainable growth. Such activities drive economic growth and competitiveness by increasing private and public sector productivity, reducing costs, diversifying means of production and creating jobs:

- *Smart long-term investment* strengthens knowledge and innovation as drivers of our future growth;
- *Sustainable long-term investment* builds a resource efficient, sustainable and competitive economy, particularly for manufacturing, infrastructure and SMEs;
- *Inclusive long-term investment* creates new jobs in key sectors of the 21st century economy (e.g. the green economy, ICT, healthcare) which have the potential to underpin higher rates of employment and a cohesive society.

Infrastructure and SMEs are key contributors to sustainable growth and employment. High quality infrastructure ensures the efficient functioning of the economy, promotes the integration of the European market and facilitates the more effective use of other capital goods, thus supporting sustainable growth. Investment needs for transport, energy and telecom infrastructure networks of EU importance are estimated at EUR 1 trillion for the period up to 2020[1]. Significant investment will also be needed in R&D, new technologies and innovation, as the main priorities set out in the Europe 2020 strategy.

SMEs are the backbone of our economy, representing around two thirds of employment and nearly 60% of value added in the EU. They contribute significantly to GDP growth through their overall importance as well as their ability to innovate and grow.

[1] Connecting Europe Facility: c.EUR500bn in transport, EUR200bn in energy and EUR270bn in fast broadband.

Long-term financing refers to the sustainable financing of long-term investment in productive capital goods. Long-term financing should embody some key features:[2]

- *Patient capital* is concerned with long-term investment performance and therefore the expectation to hold an asset for a long or indefinite period of time. This type of financing acts in a counter-cyclical manner and can promote financial stability by helping to correct short-term speculation and providing a buffer during a financial crisis;

- *Engaged capital* implies sustained and direct engagement from asset owners, coupled with consideration of environmental, social, governance and other longer-term issues in their investment strategies. This kind of engagement can ensure better alignment of incentives with longer term interests throughout the investment chain.

The climate of uncertainty and risk aversion created by the financial and economic crisis has affected both the demand and the supply of long-term financing. On the demand side, this has been evidenced by reduced demand from SMEs, Private Public Partnerships and other investment projects requiring long-term financing. Thin pipelines have discouraged investors from expanding into this market and created a vicious cycle resulting in lower structural levels of long-term investment. On the supply side, the crisis has increased preference for liquidity and has impaired banks' ability to lend at long maturities, while also negatively impacting the confidence and risk appetite of institutional investors and individual savers.

Addressing these issues is a priority for Europe. The capacity of the economy to make long-term financing available depends on its ability to channel savings to the right users through an open, safe and competitive financial sector. To this end, legal certainty and investor confidence are essential.

1.3 Green Paper and public consultation on long-term financing

The European Commission adopted on 25 March 2013 a Green Paper on the long-term financing of the European economy, which initiated a broad debate on the different factors that drive the ability of the European economy to attract the funds it needs to sustain and accelerate its recovery. The paper aimed to explore how the savings of governments, corporates and households can be better channelled to long term investment needs and how the financing of long-term investment in Europe can be developed and diversified.

The Green Paper consultation elicited 292 responses from all segments of the economy. Overall, the Green Paper was very positively received by stakeholders, who welcomed in particular the Commission's initiative in launching and framing this timely debate. A large majority of stakeholders agreed with the need to broaden the sources of long-term financing in Europe, while recognising the important role that banks will continue to play, particularly for SMEs. While a well-defined and stable regulatory environment was underlined as very important, many stakeholders also called for better calibration of regulatory reform to take account of long-term financing objectives. A detailed summary of responses as well as the non-confidential responses can be found at http://ec.europa.eu/internal_market/consultations/2013/long-term-financing/docs/summary-of-responses_en.pdf.

1.4 Other European and international policy initiatives

The debate on long-term financing has been echoed at European and international level.

The European Parliament [adopted] on [24 February 2014] its own initiative report[3] on the long-term financing of the European economy. The report emphasises the importance of

[2] Terms introduced by the OECD in "Promoting Longer-Term Investment by Institutional Investors: Selected Issues and Policies", 2011, http://www.oecd.org/daf/fin/private-pensions/48616812.pdf

long-term investment as a key lever to stimulate growth. It shares many of the themes of this Communication, in particular the need to find alternatives to complement the traditional intermediation process by banks.

A High Level Expert Group bringing together financial market and public bank experts was set up by the Economic and Financial Committee in May 2013 to analyse further the issues raised by the Green Paper. The group published its recommendations in December 2013 on SMEs and infrastructure financing[4].

Long term financing is also the focus of attention at international level. The G20 endorsed in September 2013 a work plan on financing for investment[5], which focused on country-specific factors, capital markets, private and official sources of financing and the impact of the global financial regulatory reform. A G20 working group is now developing specific policy recommendations, with a particular focus on infrastructure and SMEs.

The OECD has also established a taskforce which has developed high-level principles for institutional investors when engaging in long-term financing[6], with a view to stimulate the contribution of institutional investors to financing growth and infrastructure development. The principles were endorsed by G20 leaders in September 2013, and the taskforce is now developing the main principles into concrete policy recommendations.

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Against this background and building on the Green Paper consultation, this Communication presents a set of concrete actions. Developing and diversifying how long-term investment is financed is a complex and multidimensional task. There is no single action or "magic bullet" which will revolutionise the financing landscape in one go; rather, a range of different responses is required in parallel. The actions proposed in this Communication focus on (i) mobilising private sources of long-term financing, (ii) making better use of public finance, (iii) developing capital markets, (iv) improving SMEs' access to financing, (v) attracting private finance to infrastructure, and (vi) enhancing the overall environment for sustainable finance.

2. MOBILISING PRIVATE SOURCES OF LONG TERM FINANCING

The current context of fiscal consolidation calls for greater reliance on private sources of financing. Policy actions should support greater responsible bank lending and foster non-bank sources of financing, such as institutional investors. While banks will continue to play a significant role, the diversification of funding is important not only to tap into complementary sources of financing, but also because it will arguably help the European economy to sustain future crises better. Part of the solution is to ensure that the detailed calibration of the regulatory framework most effectively enables the financial sector to support the real economy, without jeopardising financial stability.

Banks

Banking reforms in Europe have been vital to restoring financial stability and confidence in the banking sector.

Under the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV)[7] being phased in from January 2014, banks are required to hold higher levels of

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[3] [Insert reference when report is final]
[4] See http://europa.eu/efc/working_groups/hleg_report_2013.pdf
[5] See http://en.g20russia.ru/news/20130906/782782178.html
[6] See http://www.oecd.org/finance/private-pensions/G20-OECD-Principles-LTI-Financing.pdf
[7] Regulation 575/2013 and Directive 36/2013 of 26 June 2013

capital, increasing their ability to absorb potential losses. An assessment of the appropriateness of the CRR requirements for long-term financing will be made by the Commission in two stages, in 2014 and 2015.

Banks will also be subject to new liquidity management requirements to enable them to absorb sudden liquidity shocks. While this should engender more confidence in the financial system, it is argued that tightened liquidity rules may impact banks' ability to lend at long maturities. The implementation of the Liquidity Coverage Ratio (LCR, a liquidity ratio with a one-month horizon) in Europe and the current international discussions on the definition of the Net Stable Funding Ratio (NSFR, a liquidity ratio with a one-year horizon) must find the right balance between improving the resilience of the banking sector to liquidity shocks and avoiding excessive restrictions on maturity transformation that discourage long-term financing. Furthermore the CRR provides for the phased-in implementation of the LCR and introduces a long observation period before any legislative proposal on the NSFR.

In addition, completing the Banking Union is a crucial element in increasing EU banking integration and restoring confidence to the financial sector. This would create a more sustainable and efficient funding framework for lending, especially for SMEs, which are particularly affected by fragmentation. Once the Banking Union is completed, borrowers and investors should benefit from a larger and deeper market with a broader choice of financial resources at lower costs.

The recent European banking structural reform proposal aims at safeguarding core financial activities, such as lending to the economy, by separating and thereby shielding them from risky trading activities. Proprietary trading activities by banks would be banned and supervisory authorities would review the other trading activities to assess whether they should be separated in a distinct legal entity. Supervisors would look at the underlying objectives of these trading activities and would notably differentiate activities contributing to the funding of non-financial entities. The placing of risky trading activities in a separate subsidiary would also curb the current cross-subsidisation of trading activities by deposits, thus increasing the incentives for banks to lend to the real economy.

Actions

- The Commission will prepare reports on the appropriateness of the CRR requirements relating to long-term financing by 2014[8] and 2015[9].
- The Commission Delegated Act on LCR (expected in the first half of 2014) and the final calibration of the NSFR should not unduly restrict long term financing by banks. In addition, full advantage should be taken of the monitoring period in the CRR to adjust and address potential unintended consequences of the new liquidity rules for long-term investment.

Insurance companies

Institutional investors such as insurance companies are suitable providers of long-term investment capital and funding in the financial system. While investment by institutional investors in less liquid assets such as infrastructure assets has been limited, the search for higher yields in a low interest rate environment is increasing their appetite for risk.

[8] Article 505: The Commission shall report by 31 December 2014 to the European Parliament and the Council about "the appropriateness of the requirements of this Regulation in light of the need to ensure adequate levels of funding for all forms of long-term financing for the economy, including critical infrastructure projects in the Union in the field of transport, energy and communications".

[9] Article 516: The Commission shall report by 31 December 2015 on the impact of this Regulation on the encouragement of long-term investments in growth promoting infrastructure.

Solvency II, which will apply from 1 January 2016, will radically change the regulatory environment for insurance companies in the EU. On the one hand, Solvency II will repeal certain investment obstacles, particularly for less liquid asset classes, which currently exist in Member States. Under Solvency II insurers will be free to invest in any type of asset subject to the prudent person principle, whereby they should be able to "properly identify, measure, monitor, manage, control and report" the risks associated with such assets.

On the other hand, it is argued that strengthening capital requirements to capture all quantifiable risks, including market risk (which was not considered in Solvency I) may influence the investment behaviour and long-term outlook of insurers as institutional investors[10]. For this reason, the Commission asked EIOPA in September 2012 to examine whether the calibration and design of capital requirements necessitates any adjustment, without jeopardising the prudential effectiveness of the regime and particularly for investments in infrastructure, SMEs and social businesses (including securitisation of debt serving these purposes). EIOPA's analysis was provided in December 2013[11]. It recommends criteria to define high-quality securitisation and designs a more favourable treatment for such instruments, by lowering the corresponding stress factors[12]. This is a major step in the wider agenda of fostering sustainable securitisation markets. The Commission will take the latest EIOPA report into account when formulating the relevant Delegated Acts for Solvency II, including possible adjustments to the treatment of assets classes other than securitisation (infrastructure, SMEs and social businesses), as set out in the original mandate to EIOPA.

Furthermore, Omnibus II will introduce measures into Solvency II which are specifically designed to reinforce existing incentives to match long-term liabilities with long-term assets and to hold these to maturity. The list of assets eligible for the use of the matching adjustment has been broadened to include key long-term investments such as infrastructure project bonds.

Actions

- After consulting Member States' experts in the first half of 2014, the Commission will adopt the Delegated Acts for Solvency II as soon as possible under the next Parliament, in the second half of 2014.

Pension funds

Pension funds are institutional investors with long-term liabilities. As such they have the capacity to be "patient" investors that invest in assets which pay off over the long term. While pension funds are increasingly turning to alternative investments such as private equity

[10] Capital requirements are only one driver of investment decision, alongside tax regimes, accounting rules or lack of insurers' expertise in less liquid assets.

[11] See https://eiopa.europa.eu/fileadmin/tx_dam/files/consultations/consultationpapers/EIOPA-13-163/2013-12-19_LTI_Report.pdf

[12] It is worth noting that unlike in the banking sector, capital requirements depend on each insurer's risk-profile and are much lower than the stress factors because the calculation is not purely factor-based. Capital requirements correspond to insurers' potential loss in stressed market conditions, after taking into account a number of mitigating factors specific to each insurer (reduction of future bonuses to policyholders, deferred tax credits, hedging, diversification with other sources of risk, etc). Based on the most recent Europe-wide quantitative impact studies, the Commission estimates that capital requirements for market risk in a typical life insurer with long-term liabilities are between two and three times lower than the stress factors for each type of investment.

and infrastructure to diversify portfolios and provide higher returns, the proportion of their assets allocated to such investments remains limited, particularly for infrastructure assets[13].

a) Occupational pension funds

The greater use of private complementary savings should be encouraged to help Member States make pension systems better, sustainable and safe. A larger IORP industry should have greater potential to support investment in long-term assets. While the IORP Directive already provides for modern investment rules based on the prudent person principle, it also allows Member States to set investment restrictions subject to certain conditions and thresholds[14].

Actions

- The Commission is presenting today a proposal to revise the IORP Directive to support the further development of IORPs across the EU, and ensure that IORPs cannot be prevented from investing in long-term assets by revising the conditions for investment restrictions.

b) Personal pension products

Personal pension products have the same potential as IORPs to foster long-term investment. In November 2012, the Commission invited EIOPA to prepare technical advice on the development of an EU-wide framework for the activities and supervision of personal pension products. This represents an opportunity to mobilise more savings for financing long-term investment, thereby fostering both retirement income adequacy and economic growth. EIOPA was asked to consider at least two approaches: (i) develop common rules to enable cross-border activity of personal pension schemes; or (ii) develop a 29th regime whereby EU rules do not replace national rules, but are an alternative to them. EIOPA will deliver a preliminary report on personal pension products in the first quarter of 2014.

Actions

- Following EIOPA's public hearing on its preliminary report in the first half of 2014, the Commission will issue a comprehensive Call for Advice to EIOPA in the second half of 2014 with the objective of considering a legislative proposal to mobilise more personal pension savings for long-term financing.

Private savings accounts

The Green Paper received some stakeholder support for developing an EU savings account, building on national examples of dedicated savings products, in order to offer a standardised framework to encourage savers to direct more resources to long-term projects. A savings account such as this, which offers a single rate across the EU would take advantage of the current interest rate differentials between countries. It would remunerate depositors better in low-interest rate countries and offer better financing conditions for projects in high-interest rate countries, contributing in this way to reducing market fragmentation. Besides the remuneration rate, the design of such an account should take into account, *inter alia*, deposit protection, complementarity with existing national schemes, the designation of the manager of the collected funds and the ex-ante criteria for lending.

[13] For example, a recent OECD survey of 86 large pension funds and public pension reserve funds (http://www.oecd.org/daf/fin/private-pensions/survey-large-pension-funds.htm) found that only 1% of their assets were invested in unlisted infrastructure investments and 12-15% were invested in other alternative investments (the rest of the assets were invested in fixed income, cash and listed equity).

[14] A recent OECD survey (http://www.oecd.org/daf/fin/private-pensions/InvRegPensionFunds2013.pdf) nevertheless shows that the use of such restrictions is limited in Member States. For example, the main IORP markets (UK, IE, NL) have no limits.

Actions

- The Commission will finalise by the end of 2014 an impact assessment on the feasibility and operational options for introducing an EU savings account, taking into account the existing national models.

3. MAKING BETTER USE OF PUBLIC FINANCE

The public sector is a key contributor to capital formation, primarily in the form of large infrastructure projects. In recent years, however, national public expenditure on capital formation has fallen as governments have cut back on investment spending as part of their consolidation strategies. In 2013 public capital spending averaged just 2.3% of GDP across the EU-27, below the 2.5% average over the previous decade. Forecasts show that a further fall is likely. At the EU level, the budget under the new Multi Annual Financial Framework 2010-2014, which represents around 1% of public expenditure in Europe, will be focused on actions promoting growth and cohesion. In the same vein, the EIB's lending targets will remain at around EUR 67 billion for 2014 and 2015 following the recent capital increase.

Efforts are needed to ensure more transparent and efficient use of public funds, to maximise the return on public investment and maximise the leverage that investment spending can give to growth. A wide focus, which addresses not only the use of national and EU budgets but also the activity of national promotional banks and export credit agencies, is needed.

Government budgets and EU funds

A differentiated and growth-friendly fiscal consolidation is key to improve long-term growth prospects and market confidence. High public debt and long-term challenges to public finances, such as the projected increase in age-related, health and long-term care expenditure, require further improvement of fiscal balances in many Member States in order to reach sound public positions, as reflected in the Medium-Term Budgetary Objectives. At the same time, the composition of consolidation and the structure of budgets are of primary importance for the impact of public finances on growth, both in the short- and in the long term.

It is crucial that the scarce public resources are used efficiently and contribute to growth. On the expenditure side of national budgets, expenditure reviews or performance budgeting can contribute to sound financial management of public funds. On the revenue side, shifting the tax burden away from labour and towards sources less harmful for growth, such as environment taxation or recurrent property taxation, can make tax systems more growth-friendly. In addition, improving tax governance ensures more efficient use of public funds.

Actions

- The Commission will continue to monitor on an ongoing basis the fiscal policies of the EU-28 through the EU Semester and compliance with the Excessive Deficit Procedure. It will recommend Country-specific recommendations to the Council for ensuring differentiated growth-friendly fiscal policy. For the euro area, the Commission will also present its opinions on the draft budgetary plans for next year.

National Promotional Banks (NPBs)

Promotional banks such as the EIB and EBRD at the multilateral level and national institutions in Member States play an important role in catalysing long-term finance and enhancing the efficiency and effectiveness of financial markets. In recent years they have stepped up their activities, aiming to counterbalance the shrinking balance sheets of commercial lenders. During the consultation calls were made for more joint EU-national or multinational initiatives and for simplified procedures with regard to access of NPBs to EU funds. In addition, the issue of coordination between multilateral banks and NPBs was considered important in order to avoid funding duplication.

Actions

- The Commission will issue in 2014 a Communication regarding promotional banks to provide guidance on:
    i. Principles, including the need to identify market failures that such institutions should address and to provide value added;
    ii. Governance, in particular the need for transparency and credibility as key drivers to ensure investor confidence and favourable credit ratings and funding conditions;
    iii. Supervision aspects, including state aid rules to prevent crowding out private sector activity and to avoid distorting competition;
    iv. The role for EU budget funds.
- The Commission will monitor the cooperation of NPBs with the EIB/EIF as requested by the June 2013 European Council and report to the December 2014 Council.

Export Credit Agencies

Export credit agencies are both investors and guarantors/underwriters of risk for long term financing. As such, they could play an important role in supporting cross-border investment within the EU, as well as supporting exports of capital goods outside the EU. This is an area where tensions regarding the sovereign have an immediate impact on long term financing, notably in the case of long-term guarantees.

Actions

- The Commission will assess the need to harmonise/optimise existing national schemes and promote government-backed export credit insurers, and will study the possible establishment of a joint European trade finance mechanism that could complement and leverage the existing national schemes. A report will be issued in 2015.

4. DEVELOPING EUROPEAN CAPITAL MARKETS

Policy effort is needed in Europe to diversify financing channels, including capital market financing. European capital markets are relatively underdeveloped and are currently insufficient to fill the funding gap created by bank deleveraging. Appropriate financial instruments are also required to allow financial markets to play an active and effective role in channelling funds into long term investment.

Equity and corporate bond markets

Capital market financing has suffered significantly since the crisis but this downward trend dates back to the 1990s. IPO numbers in Europe and the US are down roughly five times from their pre-1999 numbers[15]. Studies in the US also show that the time to IPO has doubled, from 4.8 years in the early 1980s to over 9 years since 2007[16]. These trends are worrying because equity markets are an important source of long-term financing and finance significant job creation: the same US studies show that 92% of growth in a company occurs

[15] IPOs for UK, Germany, France, Italy and Spain declined from c. 350 per year between 1996-2000 to c. 70 per year during 2008-2012 (see OECD Working Paper "Making Stock Markets Work to Support Economic Growth" http://www.oecd-ilibrary.org/governance/making-stock-markets-work-to-support-economic-growth_5k43m4p6ccs3-en). A similar decline was registered in the US, from c. 500 IPOs per year pre-1999 to c. 100 post-1999 (see http://www.sec.gov/info/smallbus/acsec/ipotaskforceslides.pdf).

[16] See http://www.sec.gov/info/smallbus/acsec/ipotaskforceslides.pdf

post-IPO. The recent setting up of an IPO Task Force by [to fill in when TF is announced publicly] is a welcomed initiative.

The corporate bond market also poses barriers to the channelling of funds into long term investment. Corporate bond issuance is traditionally used by large, rated companies, with the bonds issued in large denominations and purchased by financial institutions. This market has been growing in recent years. These instruments are however not typically available for SMEs/midcaps although in the past years several markets have also been created for retail bonds in Germany (BondM market launched in 2010), the UK (ORB launched in 2010), France (IBO launched in 2012) and Italy (ExtraMOT PRO launched in 2013).

Despite such national initiatives, European capital markets for both bonds and equities remain relatively fragmented for SMEs and mid-caps, with low levels of cross-border investment in securities other than blue chips. Important obstacles such as different securities laws, bankruptcy laws and tax incentives remain.

Actions

- The Commission implementing acts for MiFID 2 will ensure that the definition of SME growth markets minimises the administrative burden for issuers on these markets, while maintaining high levels of investor protection. The definition will include the minimum proportion of SME issuers on these markets, appropriate criteria for admission to trading, information to investors and financial reporting.
- The Commission will undertake in 2014 a feasibility study on whether, following the improvements introduced by MiFID II for non-equity securities, further measures are necessary to enable the creation of a liquid and transparent secondary market for the trading of corporate bonds in the EU.
- The Commission will assess the implications and effects of the rules of the Prospectus Directive by the end of 2015. This assessment will particularly address the proportionate disclosure regimes, but also the need to define the terms 'primary market' and 'secondary market' and, in this respect, to clarify the link between the Prospectus and the Market Abuse and Transparency regimes.
- The Commission will explore during the future reform of UCITS whether the eligibility criteria for investments by UCITS should be extended to listed SMEs, in particular in view of the implementation of the MiFID 2 framework on SME growth markets. The issue of whether the European Long-Term Investment Funds (ELTIFs) should also be allowed to invest in listed SMEs is currently part of the debate in the legislative procedure triggered by the Commission's ELTIF proposal.

Securitisation

Securitisation transactions enable banks to refinance loans, e.g. loans to SMEs, by pooling assets and converting them into securities that are attractive to institutional investors. From a bank's perspective, such transactions unlock capital resources, increasing the ability of banks to expand their lending and finance economic growth. For institutional investors such securities, if of sufficient size, offer liquid investment opportunities in asset classes in which they do not invest directly, e.g. SMEs or mortgages.

Some securitisation and similar "originate-to-distribute" models were inadequately regulated in the past, as was demonstrated by the 2007-2008 subprime crisis in the US. The weaknesses of these models have been identified early on and addressed in the subsequent EU financial reform. Risk retention ("skin-in-the-game") requirements that align incentives of the different parties involved in securitisation transactions have been in place in the EU banking sector since 2011 and have been widened to all financial sectors. In addition, disclosure obligations

applicable to originators and sponsors have been reinforced to allow investors to develop a thorough understanding of the instruments in which they invest.

Transparency is a key factor to enhance investors' confidence in these instruments. Many concrete actions are being taken by the authorities to make securitisation transactions more standardised and transparent, thereby enhancing investors' confidence[17]. EU institutions and agencies need to increase their cooperation and develop synergies, for instance in terms of the standardisation of reporting templates. In addition initiatives led by industry such as the implementation of labelling provide an essential contribution to enhancing transparency and standardisation over time.

Despite these measures, no substantial recovery of publicly placed transactions has been observed so far. This is in large part due to the stigma still attached to these transactions and to their prudential treatment. Many stakeholders have called for a differentiation of securitisation products for prudential purposes in order to foster the development of sustainable securitisation markets. EIOPA's technical report for Solvency II and the Commission proposal on banking structural reform introduce a differentiation for "high" quality securitisation products. The amended Basel Committee LCR standard and the technical reports submitted by EBA on LCR in December 2013 are also open to the inclusion of high quality securitisation subject to certain conditions.

The Commission will work actively with international standard setters to develop and implement international standards for securitisation. Rules on retention, high quality standardisation and transparency should be consistent in order to avoid regulatory arbitrage across countries and sectors.

Actions

- The Commission will work with international standard setters to ensure differentiation of "high" quality securitisation products and to explore a possible preferential regulatory treatment for such products compatible with prudential principles.
- The Commission Delegated Act on LCR will take into account, in defining the list of high quality liquid assets (HQLA), the EBA reports from December 2013 regarding securitisation products, as well as international standards and EU specificities. It will also take into account possible future increases in the liquidity of a number of securitisation products following further differentiation and standardisation of these products.

Covered bonds

Covered bonds embody a standard means of tapping the capital markets for funding backed by good quality assets, especially mortgages loans and public debt. While for investors these instruments provide safety and liquidity over senior unsecured securities, for issuers they provide benefits such as cost effective funding and funding diversification. Although various EU Directives refer to Covered Bonds, there is currently no single, harmonised framework that governs Covered Bond programmes in different Member States. Some Member States do not yet have specific legislation in place. Some convergence has nevertheless happened

[17] The main initiatives are the legal provisions in Credit Agencies Regulation requesting ESMA to establish a public website (CRA3, art. 8b) and the centralised European DataWarehouse (EDW) sponsored by the ECB.

following the development of the eligibility criteria for preferential capital requirements in the banking sector into a widely accepted market standard[18].

Actions

- The Commission will review the covered bonds treatment in the CRR by the end of 2014[19] with a view to building the basis for an integrated European covered bond market. The review will consider credit quality, eligible collateral and transparency. It could also explore strengthening supervision, enforceability of preferential rights and bankruptcy segregation aspects.
- Taking into account the findings of the review described above, the Commission will undertake by mid-2015 an impact assessment on the merits of introducing an EU framework for covered bonds.

Private placement

Private placements can offer an alternative to bank lending and public corporate bond issuance, potentially broadening the availability of finance for medium to large unlisted companies. The current regulatory framework allows private placements and some Member States have already developed these markets (e.g. the "Schuldschein" market in Germany and "Euro PP" in France). There is a growing supply and demand for these products, as evidenced by the growth of the existing European markets and by the number of European issuers accessing the US private placement market[20].

However, this activity has not picked up on a broader European scale. A number of reasons have been cited by stakeholders, including lack of standardised documentation and information on the credit worthiness of issuers and lack of liquidity in the secondary market. Since information on recovery is particularly important for investors in these products, the differences in European insolvency laws have also been cited as barriers to the development of a wider cross-border private placement market.

Actions

- The Commission will conduct by the end of 2014 a study to map out the private placement markets in Europe against other locations/practices, analyse their key success drivers and develop policy recommendations on how this success can be replicated more widely in the EU. Potential risks will also be assessed, since private placement markets are by definition less transparent than public capital markets.

Long-term investment funds and their distribution

On 26 June 2013, the European Commission proposed a new European Long Term Investment Fund (ELTIF) framework designed for investors who want to place their funds into companies and projects for the long term. This complements the new European Social Entrepreneurship Funds (EUSEF) and European Venture Capital Funds (EuVECA) framework introduced in April 2013. Distribution channels to consumers could be reinforced as funds are typically marketed to retail investors via national distribution channels. The cost

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[18] The provisions included in CRD from 2006 and now CRR has already led to an important harmonisation as regards the range of eligible assets for CBs. Also, as regards transparency, the CRR has also already set a minimum standard.

[19] See CRR article 503.

[20] In 2012, 36 European companies (of which 11 smaller companies, with revenues below $500m) used the US private placement market, for an amount of almost $20bn. See http://www.thecityuk.com/research/our-work/reports-list/alternative-finance-for-smes-and-mid-market-companies/

of distribution is often high and consumers can seldom benefit from the breadth of choice and economies of scale that EU-wide funds can offer.

Actions

- The Commission calls on the Council and the European Parliament to adopt the ELTIF Regulation as soon as possible.
- The Commission will assess by mid-2015 the feasibility of creating an electronic platform for UCITS, ELTIF, EuVECA and EUSEF from all Member States, allowing investors from across the EU to invest in such funds.

5. IMPROVING SMEs ACCESS TO FINANCING

SMEs' particular dependence on bank funding has meant they suffered the most during the crisis. They are still finding it challenging to obtain loans, particularly in the periphery economies due in part to the fragmentation of the banking sector.[21]

A key issue is facilitating the transition from start-up to SME to mid-cap i.e. a transition across the so-called "funding escalator". As they progress through the business life cycle, SMEs use a combination of financing sources including bank debt and external equity from business angels, venture capital, private equity funds and ultimately the capital markets. SMEs often find it challenging to transition from one mix of financing sources to another. Between different stages of growth, companies face "financing gaps" (in accessing different investors) and "education gaps" (in terms of the skills, organisational capability and professional advice needed at each stage).

In 2011 the Commission adopted an Action Plan on SME financing. Many of those actions have already been implemented, including regulatory measures, financial programs and facilitation initiatives. An overview of the implementation of the Action Plan is provided in the Staff Working Document accompanying this Communication. Nevertheless, more can be done. Many of the actions in the previous sections on capital markets are very relevant for SMEs, most notably securitisation and private placement. A number of additional initiatives are presented below.

Crowdfunding

Crowdfunding has emerged in recent years as an attractive innovative alternative funding model. The Commission organised a workshop in June 2013 and conducted a public consultation between October and December 2013 with the objective to gather data on the needs of market participants and identify the potential added value of EU action to encourage the growth of this new industry within a framework which adequately protects contributors.

Action

- The Commission is presenting today a Communication on crowdfunding which includes policy actions to unleash the full potential of crowdfunding in the EU. The Communication notably considers the possibilities for public support for crowdfunding at national or EU level subject to compliance with competition rules.

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[21] See the ECB Survey on the Access to Finance of SMEs in the Euro Area, April 2013 to September 2013 http://www.ecb.europa.eu/pub/pdf/other/accesstofinancesmallmediumsizedenterprises201311en.pdf?acff8de81a1d9e6fd0d9d3b38809a7a0. Only 33% of SMEs that apply for credit in Greece receive the full amount and only 50% do so in Spain and Italy (compared to a 65% average in the euro area and 87% in Germany). However, some data is timidly improving: 60% of SMEs in Ireland report full success in obtaining a loan compared to 30% in the preceding six months, while in Spain this has also improved from 40% to 50%.

Credit information on SMEs

Lack of adequate, comparable, reliable and readily available information on SMEs is a structural problem, which is often cited as a hurdle that has traditionally made SMEs more dependent on local bank finance. The Commission organised a workshop in November 2013 with a wide range of stakeholders to discuss private and public national practices and new initiatives, with the aim of finding ways to improve SME information.

Overall there are vast differences between Member States on the degree of public information and its disclosure, mainly due to the design of the national legal frameworks. Such differences matter significantly for the degree of cooperation, coexistence and competition of public and private credit registers and scoring companies. There are clear barriers to accessing reliable, available and comparable SME information across the EU by "non-house banks" and institutional investors.

Actions

- The Commission will publish by the end of 2014 a report mapping the EU and national legislation and practices affecting the availability of SME credit information. Further to this exercise, the Commission will (i) consider different EU approaches to the credit scoring industry, ranging from guidance to a distinct regulatory framework (addressing, *inter alia*, the accessibility and accuracy of data); and (ii) will study the issues faced by Member States who do not have credit registers, credit mediators or independent credit review bodies and the feasibility of harmonising/increasing comparability of SME data across the EU, as well as of creating a single EU credit register.

Addressing the education and information gap for SMEs

A substantial number of European SMEs do not obtain the loans they apply for and the asymmetry of information in the application process may exacerbate this problem. In many cases banks do not provide companies with detailed and user-friendly feedback or companies do not have the financial literacy to understand the feedback provided. According to CRD[22], SMEs have the right to ask for feedback in writing. However, a recent Commission study suggests that very little has been done in practice to implement this and that SMEs and banks are rarely aware of this provision. This asymmetry of information should be addressed from both sides though coaching for SMEs to improve their financial literacy as well as more transparency and an enhanced dialogue between banks and SMEs.

SMEs face similar information issues regarding potential financing alternatives. The Commission has already taken action to disseminate information on funding alternatives following the SME Action Plan and through the Europe Enterprise Network. Dissemination of information could also be complemented by more targeted action to educate the firms. Various coaching programmes exist at national level to help SMEs find the right financing channel and in particular access capital markets.

Actions

- The Commission will launch in 2014 a number of initiatives, such as a new call for tender to step up coaching activities under the Europe Enterprise Network framework and workshops to enhance the dialogue between banks and SMEs (including on developing an agreed standard of feedback to SMEs) and to bring together best practices on helping SMEs to access capital markets.

[22] Article 145(4) of CRD, transposed into national legislation by most Member States and recently converted into CRR 4, article 431(4)

Accounting standards for SMEs

Most listed SMEs in the EU are subject to the full set of IFRS standards applicable to all listed companies. This is sometimes seen as too burdensome even if it is recognised that robust standards are needed to maintain investors' confidence. The International Accounting Standards Board (IASB) has developed a set of simplified standards, however aimed at non-listed companies, the so-called IFRS for SMEs. One way of simplifying the rules for listed SMEs in the EU would be to endorse this set of standards. This idea has been subject to discussion in recent years within the EU, but the IASB remains reluctant to extend the scope of these standards to listed SMEs.

Non-listed SMEs in the EU are subject to national accounting rules based on the EU Accounting Directive, which sets common basic principles that Member States have to apply when designing their national accounting frameworks for SMEs. A complete self-standing accounting framework for SMEs could be useful for cross-border groups and for those Member States which do not have the capacity to develop such standards at national level.

Actions

- The Commission will launch a consultation in 2014 to examine (i) the case for a simplified accounting standard for the consolidated financial statements of listed SMEs, and (ii) the usefulness of a complete self-standing accounting standard for non-listed SMEs supplementing the Accounting Directive.

Facilitate the cross border activities of SME's

SMEs find it costly and difficult to be active across borders and only a small number of SMEs invest abroad. This is due to many factors, including the diversity of national company laws and the lack of trust in foreign companies among customers and business partners. Establishing a subsidiary abroad involves costs of meeting legal and administrative requirements that are frequently different to what companies and their financing partners are used to "at home". Financing in a cross-border context is rendered more difficult due to these differences in national laws.

Actions

- The Commission is presenting today a proposal for a Directive on single-member private limited liability companies with the objective to facilitate SMEs' ability to create subsidiaries abroad by aligning national company laws.

SME legislation

As discussed above, further regulatory reform could be considered to facilitate SMEs' access to finance. While all EU legislation must pass the "SME test", some stakeholders have called for a specific EU law on SMEs, which would ensure a uniform SME definition and would make it easier for regulators and stakeholders to identify the applicable regime for SMEs in different areas. However, a customised approach could create an artificial hurdle for SMEs to grow beyond a certain size and could also be perceived as a more lax regime, potentially closing down some financing options.

Actions

- The Commission will complete by mid-2015 an impact assessment on the options and merits of introducing horizontal legislation on SMEs. This will include a review of the different definitions of SMEs, small-caps, mid-caps across the EU with the purpose of determining a possible common definition. It will also consider different alternatives, including strengthening the use of the SME test as a tool to better adapt new and existing legislation to SME needs.

6. ATTRACTING PRIVATE FINANCE TO INFRASTRUCTURE DELIVERING EUROPE 2020

Infrastructure financing was originally mostly geared towards large capital projects such as road and rail networks, energy pipelines and transmission grids and national telecom backbones. The EU policy has since evolved, putting emphasis on sustainability, innovation, interoperability and linkages in a multimodal European infrastructure. This means a shift from road to rail and intelligent traffic management in the transport sector and to interconnections in the energy and ICT sectors. Over the past few years, the bulk of the activity (in terms of numbers of projects) has been on smaller projects often at regional and municipal level. This includes public buildings and equipment (schools, hospitals) and the environment (water/waste treatment, waste management).

Public Private Partnerships (PPPs)

PPPs are forms of cooperation between public authorities and the private sector in general with the aim of carrying out infrastructure projects (the design, construction, renovation, management or maintenance of an infrastructure asset) or providing services to the public. A key objective of PPPs is to ensure private financing and effective risk sharing, but equally harnessing private sector expertise in the various stages of building and maintaining projects. Despite the huge infrastructure needs and the limited budgetary resources, the recourse of Member States to PPPs diminished by nearly 50% in number of projects and two thirds in value during the crisis.

The Commission will encourage adjudicating authorities throughout the EU to use, when economically feasible, private sector involvement when carrying out infrastructure projects. Moreover, it will encourage authorities to employ value-for–money analysis and promote bids relying on a wider range of financing options, i.e. bank lending and bond financing. This is fully in line with the recent changes to the public procurement directives. Finally, improving the availability of information and data on new PPP projects will attract institutional investors to European projects and secure their interest for the long term.

Actions

- The Commission will evaluate in 2014 the feasibility of (i) consolidating and publishing detailed mid-term infrastructure investment plans of all Member States; and (ii) consolidating and publishing information on all major projects earmarked to be procured as PPPs by national, regional and municipal authorities.
- The Commission together with the EIB will assess in 2014 ways to share best practice among procuring authorities, in particular to promote the systematic use of value-for-money analysis comparing a PPP solution to a standard procurement. This solution could become mandatory for all projects that receive EU funding in sectors where PPP structures can be put in place and could be extended later to all national, regional and municipal tendering procedures.

Transparency on infrastructure project credit history

Institutional investors attracted to investment opportunities in the infrastructure space need better historical performance data of loans to infrastructure projects. Currently, there is very little consistent pan-European data available with respect to transaction performance. By nature, infrastructure assets are large and sample sizes are therefore smaller than for typical corporate loans. The data is often the proprietary information of banks and equity sponsors and subject to strict confidentiality clauses. Making this data available to the wider market would not only help in widening the institutional investor base but also help regulators explore the merits of a customised prudential regime for infrastructure investments.

Sovereign debt ratings also have a major impact on the attractiveness of infrastructure projects. As a follow up to the Regulation on Credit Rating Agencies, the Commission will publish a report by the end of 2014 on the appropriateness of the development of a European creditworthiness assessment for sovereign debt.

Actions

- The Commission will evaluate in 2014 the feasibility and practical arrangements to collect, consolidate and publish a database of credit statistics on infrastructure loans. This exercise could involve the EIB, EBRD, NPBs and institutional investors.
- In order to deepen the primary market for project bonds, the Commission will examine in 2014 the possibility to set up a single-point collection and dissemination of project bond issue data.

Project Bond Initiative

The EU Project Bond Initiative (PBI) has been highlighted by many stakeholders as a positive example of good practice in terms of credit enhancement.[23] It has certainly launched a wide debate on the various models of promoting a project bond market in Europe.

The PBI is currently in its pilot phase. The Commission reported on its implementation at the end of 2013[24]. The Commission is assessing a number of improvements to the Project Bond framework in the context of the Connecting Europe Facility (CEF), including (i) merging the portfolios of the existing financial instruments within CEF in order to increase the efficiency and leverage effect of the EU budget spending; and (ii) better articulation of the financing package involving shorter term loan financing (for the construction period) and longer term bond financing to facilitate the investment in greenfield projects. Moreover, the Commission will also analyse the feasibility of other financial instruments under CEF and in the framework of the European Structural Investment Funds (ESIF) to support the development of the project bond market in a variety of infrastructure sectors in Europe.

Project Bonds should benefit from the advances that stem from the finalisation of MiFID/R II because of the extension of the transparency regime to new instruments such as bonds and structured finance products.

Actions

- The Commission will assess in 2014 (i) the possibility of expanding the PBI to other policy areas beyond those covered by CEF; (ii) the financing of smaller local infrastructure projects pooled at European, national or regional level. In particular, the analysis will focus on the potential use of European Structural and Investment Funds; and (iii) the feasibility of other financial instruments under CEF or ESIF to further develop the project bond market.

7. ENHANCING THE WIDER FRAMEWORK FOR SUSTAINABLE FINANCE

Attracting foreign direct investment in the Single Market

Foreign Direct Investment (FDI) can be an important source of long-term financing for the European economy, as it implies the existence of a long-term relation between the investor and the local economy. FDI is also more resilient to adverse economic shocks compared to other categories of capital flows. Efforts are needed to improve the business climate in the

[23] The PBI is a risk-sharing instrument created by the Commission and the EIB with the aim to enable project companies to issue project bonds that are attractive to debt capital market investors in the sectors of trans-European networks in transport (TEN-T), energy (TEN-E), and telecommunication and broadband networks.
[24] COM(2013) 929 final

Single Market, and thus foster cross-border investment flows and attract investment from third countries. The lack of harmonisation of national laws on investment protection and the legal uncertainty concerning roughly 180 bilateral investment treaties between Member States are important obstacles. Stable, transparent and predictable investment protection is an important element of the general business climate which contributes to building confidence and enhancing the attractiveness of the EU as an investment destination.

Actions

- The Commission will launch a feasibility study on enhancing the attractiveness of the Single Market as destination for long-term investment and financing. The study will also explore how to increase legal certainty, ensure transparency and strike a fair balance between investors' rights and the public interest. This study will be delivered by the end of 2014.

Shareholder Rights Directive review

The way in which assets are managed can play an important role in long-term financing in terms of aligning the incentives of institutional investors, asset managers and companies on their long-term strategies, and mitigating concerns around short-termism, speculation and agency relationships.

Actions

- The Commission is presenting today a proposal for the revision of the Shareholder Rights Directive to ensure better disclosure of institutional investors' engagement and voting policies, how their investment strategies reflect their long-term liabilities and how the arrangements with their asset managers align their long-term interests with those of the asset managers.

Incentivising institutional investors to take sustainability and governance information into account when investing

The Commission has worked on several initiatives to increase corporate transparency. For instance, the proposal on non-financial reporting[25] requires large companies with over 500 employees to disclose annual relevant environmental and social information. According to the modified Accounting Directive companies active in the extractive industry should publish a country-by-country report on payments to governments. Such increased corporate transparency may benefit investors and encourage companies to reflect further on their governance and activities. Furthermore it is likely to contribute to a longer-term investment approach and sustainability of companies. However, investors, which often steer the behaviour of these companies in an important way, may not always be equally transparent.

Actions

- The Commission is presenting today a Recommendation aimed at improving the quality of corporate governance reporting.
- The Commission will present by the end of 2014 a report on possible additional transparency initiatives to incentivise institutional investors and asset managers to take better account of environmental, social and governance information (ESG) in their investment decisions.

[25] COM(2013) 207

Financial participation of employees

Many stakeholders as well as a large number of empirical studies and reports have highlighted the potential benefits of employee financial participation (EFP) and employee share ownership (ESO) in terms of enhanced productivity and competitiveness, on the one hand, and employee motivation and retention on the other. EFP and ESO are therefore tools with a direct positive impact on economic growth, competitiveness and employment. In addition, ESO[26] plans put in place long-term oriented and engaged shareholders.

Actions

- Under the European Parliament Pilot Project on "Promotion of Employee Ownership and Participation", the Commission will in 2014 (i) assess ESO across the EU including reasons for divergences in approaches between Member States and problems with cross-border implementation of EFP/ESO schemes, and (ii) formulate possible EU actions to promote EFP and in particular ESO, such as enhancing transparency with regard to best practices, the regulatory environment in Member States and the effective tax burden.

Accounting standards

The Green Paper explored the question of balancing the accuracy of the information given to investors with sufficient incentives to hold and manage long-term investments. In this context fair value accounting was criticised by a range of stakeholders for introducing market volatility in financial reports and therefore favouring short-term behaviour. Stakeholders also referred to the tension between the requirements of existing accounting standards and their ability to reflect the long-term character of certain investors' business models.

Many respondents commented on the significance of the IASB Conceptual Framework for ensuring that future accounting standards are developed in a way that is not damaging to long-term investment. They also pointed to the ongoing work of the IASB to review the accounting of financial instruments (IFRS 9), due to be finalised in the course of 2014 and to the endorsement of IFRS standards at European level. The 2002 International Accounting Standards (IAS) Regulation is being evaluated, including with respect to whether the endorsement criteria established in 2002 are still appropriate and adequately robust for Europe today and for the future.

Philippe Maystadt's report "*Should IFRS Standards be More European?*"[27] notes that the adoption criteria in the Regulation could be clarified and supplemented, notably that two other criteria (that accounting standards adopted should not endanger financial stability and they must not hinder economic development of the Union) could be added as components to the criterion of "public good".

Actions

- In the framework of its endorsement of the revised IFRS 9, the Commission will consider whether the use of fair value in that standard is appropriate, in particular regarding long term investing business models.
- The Commission will recommend to the IASB that it gives due consideration to the effect of all of its decisions on the investment horizons of investors both in specific relevant projects and in its development of the Conceptual Framework. In that

[26] ESO was included in the 2012 Action Plan on Corporate Governance (see COM(2012) 0740)

[27] See http://ec.europa.eu/internal_market/accounting/docs/governance/reform/131112_report_en.pdf

context, particular attention should be paid to the reintroduction of the concept of prudence.

- The Commission's evaluation of the IAS Regulation will explore with stakeholders in the course of 2014 the appropriateness of the endorsement criteria, including taking account of Europe's long-term financing needs. The evaluation is currently planned to be completed by the end of 2014 and the Regulation will be reviewed in 2015, if need be.

Taxation of debt versus equity

A large majority of corporate tax systems in Europe (and internationally) favour financing by debt against equity by allowing deduction of interest costs, while there is no similar treatment for equity returns. This tax bias towards debt financing may incentivise companies to take on more debt, may erode the tax base through international profit shifting and hybrid instruments and may penalise innovative companies and start-ups financed through equity raising. This issue raised considerable interest in the public consultation.

The Commission is already working on these issues and has identified the reduction of the debt bias as one of the ways to improve the growth-friendliness of the overall structure of taxation in the EU, as per the 2012 Annual Growth Survey (AGS)[28]. Some Member States have already started to address this issue[29].

A related initiative is the 2011 Commission proposal for a Council Directive on a Common Consolidated Corporate Tax Base (CCCBT)[30], which was identified by the first (2010) Annual Growth Survey as another grow-enhancing initiative to stimulate growth and job creation.

Actions

- The Commission will continue to monitor the implementation of measures by Member States to reduce the tax bias for debt vs. equity in the Annual Growth Surveys and the European Semester process.

Insolvency best practices

Discrepancies between the insolvency laws of Member States, in particular in respect of business rescue, resolution and enforcement of credits and second chance, create high costs for investors[31], low returns to creditors and difficulties for businesses with cross-border activities or ownership across the EU[32]. Furthermore, many European rescue frameworks are still inflexible, costly and value destructive and often channel viable businesses towards liquidation. In recent years an average of 200,000 firms went bankrupt each year in the EU, resulting in direct job losses totalling 5.1 million over three years. These inefficiencies affect the availability of funding and therefore the ability of firms to get established and grow, with a particular impact on SME lending.

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[28] The 2012 AGS had an annex dedicated to "Growth-friendly tax policies in Member States and better tax coordination in the EU", see http://ec.europa.eu/europe2020/pdf/ags2012_annex4_en.pdf. This issue of tax debt bias is also reflected in the 2013 AGS, see http://ec.europa.eu/europe2020/pdf/ags2013_en.pdf and in the 2014 AGS, see http://ec.europa.eu/europe2020/pdf/2014/ags2014_en.pdf

[29] Nevertheless, specific recommendations on reducing the corporate tax bias towards debt financing have been issued to five Member States (Spain, France, Malta, Luxembourg and Sweden) who diverge significantly on this issue

[30] COM(2011) 121/4

[31] OECD, 2014 Economic Review for the European Union (Forthcoming), p. 50. The review recommends EU guidelines for efficient insolvency practices in order to reduce uncertainties for investors.

[32] See study by INSOL Europe, "Harmonisation of Insolvency Law at EU Level" commissioned by EP

A 2011 report[33] from a Commission expert group confirmed the benefits of providing for out-of-court settlements and improving court-based procedures. In December 2012 the Commission presented a proposal to review the legislation on insolvency proceedings[34] that aims at strengthening the rescue culture in Europe but only deals with cross-border insolvencies. The Commission Communication issued at the same time[35] highlighted the areas where disparities between national insolvency laws may hamper the establishment of an efficient internal market. In January 2013 the Commission adopted the Entrepreneurship 2020 Action Plan[36] where Member States are invited to reduce the discharge time and debt settlement periods for an honest entrepreneur after bankruptcy and to support businesses to restructure early and re-launch.

Actions

- The Commission will in a first stage issue a Recommendation in 2014 aimed at ensuring that all Member States have in place best practice procedures to enable the early restructuring of viable firms and allow bankrupt entrepreneurs to have a second chance.
- The Commission has commissioned a study, due in September 2014, on second chances for entrepreneurs, with a focus on the role of private credit companies.
- The Commission, in cooperation with the European Judicial Network, will undertake in [2014] the mapping of the existing national insolvency frameworks, with a view to increasing transparency and the exchange of best practices.

8. CONCLUSION

In view of the broad range of initiatives proposed above and their inter-connectedness, the Commission intends to set up a High-Level [Forum/Group] to monitor and facilitate the concrete implementation of the actions set out in this Communication. The [Forum/Group] will also promote an on-going exchange of views on long-term financing of the European Economy between public authorities, the financial industry and corporates.

This High Level [Forum/Group] will be established in the first half of 2014.

[33] "A second chance for entrepreneurs: prevention of bankruptcy, simplification of bankruptcy procedures and support for a fresh start", January 2011

[34] COM(2012) 744

[35] COM(2012) 742

[36] COM(2012) 795