Plenary sitting

23.4.2015 B8-0000/2015

DRAFT MOTION FOR A RESOLUTION

further to Question for Oral Answer B8-xxxx/2015

pursuant to Rule 128(5) of the Rules of Procedure

on Building a Capital Markets Union
(2015/2634(RSP))

Roberto Gualtieri and Burkhard Balz
on behalf of the Committee on Economic and Monetary Affairs

B8-0000/2015

European Parliament resolution on Building a Capital Markets Union (2015/2634(RSP))

The European Parliament,

– having regard to the Commission Green Paper of 18 February 2015 entitled 'Building a Capital Markets Union (COM(2015) 63),

– having regard to the Commission Communication 'A reformed financial sector for Europe' (COM(2014) 279 final),

– having regard to the European Parliament resolution of 11 March 2014 on the European System of Financial Supervision Review (P7_TA(2014)0202),

– having regard to the Commission review reports on the European System of Financial Supervision (ESAs: COM(2014) 509 final and ESRB: COM(2014) 508 final),

– having regard to the Commission Communication 'Long-Term Financing of the European Economy' (COM(2014) 168 final),

– having regard to the European Parliament resolution of 26 February 2014 on long-term financing of the European Economy (P7_TA(2014)0161),

– having regard to the Commission Communication *"An Investment Plan for Europe" (COM(2014) 903 final),*

– having regard to the question to the Commission on the Green Paper Building a Capital Markets Union (O-xxxxxx/2015 – B8-xxxx/2015),

– having regard to Rules 128(5) and 123(2) of its Rules of Procedure,

A. whereas the European Parliament in its February 2014 Resolution on long-term financing of the European Economy stressed *'the need to improve access to capital markets through new sources of funding'* and at the same time noted that *'commercial banks are likely to remain a main source of finance and that it is key for the Member States to establish new sources to complement established mechanisms and fill the funding gap, while providing for an appropriate regulatory and supervisory framework geared to the needs of the real economy*';

B. whereas the Commission in its March 2014 Communication on Long-Term Financing of the European Economy explored possibilities to address concrete actions in order to diversify funding, develop European capital markets and improve access to financing, especially for SMEs, e.g. in the areas of equity and corporate bond markets, securitisation, covered bonds and private placement;

C. whereas, as declared by Commission President Jean Claude Juncker, Commission's first strategic priority is *"to strengthen Europe's competitiveness and to stimulate investment* *for the purpose of job creation";*

D. whereas currently various EU institutions and the private sector are developing solutions or recommendations in order to further develop the capital markets, e.g. in the area of securitisation, private placement, equity financing, European covered bonds and IPOs;

Economic Background

1. Notes that investment in the real economy has relatively declined over several decades, despite a huge increase in the size of the global financial sector over the same period;

2. Points out that before the crisis Europe was not short of cross border flows, but that they were concentrated in interbank lending and in debt often held by highly leveraged investors, which resulted in a transfer of risks within the internal market;

3. Stresses that demand and supply can be encouraged by creating confidence in the real economy through clear commitments at Member State and Union level to foster a positive investment environment and legal certainty for investors, to formulate long-term objectives to a stabilising, competitive and growth-friendly legislative framework and to incentivise investment in infrastructure, thus enabling firms to plan for the long term;

4. Points out that the improvement of financing conditions for European business has to be built upon reinforced economic and financial stability which includes the implementation of reforms in all Member States.

A Genuine European Approach

5. Believes that while for example the US has recovered faster from the financial crisis than the EU, which is partly due to a more diversified financial system, the European Union needs to build its own genuine version of a capital markets union, which may draw on the experiences from other parts of the world but not necessarily simply replicate them;

6. Underlines that, while Europe saves more than US as a percentage of GDP (20% and 17% respectively), savings held in EU mutual funds are only 50% of the US level and savings held in pension funds are only 35%; further indicates that EU equity markets corporate bond markets and securitization represent 60%, 35% and 20% of their US counterparts respectively;

7. Calls on the Commission to establish a European approach in the strengthening of capital markets that builds upon traditional European strengths in the financing of businesses, and not necessarily on peer reviews with other jurisdictions; draws the attention of the Commission to the fact that cultural differences should not be disregarded and adequate answers need to be provided in order to overcome them;

8. Underlines that the launch of a capital markets union and the underlying legislation should be targeted at the functioning of capital markets in the entire European Union; underlines that differences between financial sectors exist, which make different

solutions necessary;

9. Highlights that initiatives towards a capital markets union should not reinvent the wheel, but acknowledge that financing for businesses in Europe is based on well-developed, historically established structures that, despite their limits, have proven to be successful and crisis resilient;

10. Highlights the necessity to identify existing financial structures which have proven to be effective and should therefore be retained, and those structures which need a substantial improvement;

11. Recalls the success of EU-wide initiative like UCITS that has enabled the growth of EU investment funds, operating with a passport across Member States, with nearly 8 trillion euro of assets; considers that the AIFM directive is also a good example;

12. Welcomes the adoption of the European Long-Term Investment Funds Regulation; considers that ELTIFs could replicate the progress made with UCITS, by encouraging greater allocation of capital, in particular at cross-border level;

13. Recalls previous work on integrating financial markets such as the Financial Services Action Plan, the Giovannini report and the de Larosière report and calls on the Commission to build on these reports in its Capital Markets Action Plan;

14. Calls upon the Commission to analyse the current situation in the capital markets in depth, to assess in a comprehensive economic analysis where and to which extent EU-wide impediments for investment via capital markets exist and to indicate by which means these impediments may be removed or minimised;

15. Calls upon the Commission to consider also the supply side, in particular analyse and address the root-causes of why retail and institutional investors are not able to mobilise and transform sufficient capital to strengthen individual financial services and long-term investment in the real economy;

16. Welcomes the Commission announcement to review the Prospectus Directive in order to address the shortcomings of the current prospectus framework; stresses the importance of simplifying its procedures by lifting administrative burden for issuers and company listings, in particular with a view to SMEs and mid-cap companies;

Building Blocks of a Capital Markets Union

17. Takes the view that the CMU shall follow a step by step approach and that the priorities of the CMU should be threefold. First, to incentivise the most efficient allocation of savings by deepening and diversifying the sources of finance available to business and to offer more investment choices, greater transparency and portfolio diversification to savers and investors. Second, to enable greater risk mitigation by creating deeper cross border markets and enhancing the financial system's resilience against the adverse effects of severe financial crises and smoothing out the impact of idiosyncratic shocks. Third, ensuring that there is an effective complementary channel to finance the real economy;

18. Underlines that, in order to contribute to the priorities mentioned above, the CMU initiatives should aim at limiting the complexity of the chain of intermediation between savers and investments, enhancing end-user awareness on the intermediation chain and its cost structure, enhancing investor protection, ensuring the stability of the intermediation chain by appropriate prudential rules and ensuring that intermediates can fail and be substituted with minimal disruption to the financial system and the real economy;

19. Stresses that bank financing is an important pillar in business financing; highlights that the CMU should be based on complementing the role of banks, not about displacing them, as bank financing should continue to play a key role in the financing of the European economy; stresses the important role of relationship banking in financing micro-, small and medium enterprises;

20. Underlines the necessity to foster an environment where more household and corporate savings flow to vehicles that will invest in capital markets and where investors are encouraged to allocate capital across the border of EU members; stresses the importance of expanding the accessibility to financial education;

21. Highlights that CMU initiatives should enable borrowers to access funds from market-based sources, supporting more diversity in the forms of borrowings such as equity and corporate bonds, as well as indirect forms of finance in which banks and markets work together;

22. Stresses the importance of facilitating a comprehensible comparison of the available investment options to financial actors in order to establish an efficient CMU; calls in this respect for strengthening the common framework for ensuring comparability and transparency among the different financial instruments, in particular with a proper implementation of the measures foreseen for this purpose in MIFID, IMD, PRIIPS;

23. Believes that CMU should create a favourable regulatory environment that maximises cross-border access to information on the companies looking for credit, quasi-equity and equity structures, in order to promote growth of non-bank financing models, among which crowdfunding and peer-to-peer lending;

24. Believes that standardization of some financial instruments and their accessibility across the Internal Market, can be an appropriate tool to help enhancing liquidity, strengthening the functioning of the Single Market, and enabling a comprehensive overview and supervision of the European capital markets; underlines the necessity to keep the possibility of issuing tailor-made financial instruments that fit the needs of individual issuers and individual investors;

25. Emphasises that the legal and supervisory frameworks will play a fundamental role to avoid excessive risk taking and excessive activism in financial markets; underlines that a strong CMU project needs to be accompanied by a strong EU-wide and national supervision including adequate macroprudential instruments; believes that among possible options, a stronger role could be attributed to ESMA in improving supervisory convergence;

26. Calls on the Commission to carefully assess the risks of capital market-based credit financing and relevant experiences in the emergence of the 2007/2008 financial crisis and tackle any problems emerging therefrom;

27. Suggests that possible changes or additions to the existing regulatory framework for financial intermediaries should aim at removing barriers to entry for small- and medium-sized intermediaries and at improving access to finance particularly for innovative start-ups and small and medium-sized companies, and ensure risk-proportionate prudential standards;

28. Welcomes the Commission proposal for a Directive amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement and Directive 2013/34/EU as regards certain elements of the corporate governance statement; in particular, believes that this proposal could be a vehicle to support an attractive environment for shareholders by improving the efficiency of the equity investment chain; stresses that a sound and practicable framework for corporate governance can strengthen the CMU;

29. Highlights that the sophistication of capital markets should not end-up excluding SMEs, which are the ones that need more to accede to complementary financing, particularly in Member States that face(d) economic difficulties; underlines that a positive environment for successful SME financing includes the need for SME-friendly economic and regulatory conditions, both at EU and national level; in particular, stresses that attention should be drawn to a possible simplification of procedures for the access to IPOs by SMEs and mid-cap companies, while ensuring that firm criteria to assess the resilience and eligibility of businesses for an IPO remain;

30. Believes that, given the importance of SMEs and mid-cap companies for the creation of new jobs, existing non-bank financing opportunities such as the development of ad-hoc secondary markets (e.g. SME growth markets) and simple, transparent and standardised securitisation have to be better exploited; welcomes the initiative to establish a sustainable, transparent securitisation market by developing a specific regulatory framework with a uniform definition of high-quality securitisation;

31. Points out that private equity and venture capital offer interesting alternatives;

32. Further underlines the importance of equity financing that can help mitigating risks and reducing excessive levels of debt and leverage in the financial system; calls therefore on the Commission and Member States to review and address too burdensome regulation for equity financing of private companies;

33. Is aware that the heterogeneity of insolvency rules complicates the creation of cross-border asset pools and therefore of the securitisation process; notes in this regard the Commission suggestion to address cross-border insolvency to the extent necessary for achieving a well-functioning CMU; calls for the establishment of a framework for crisis management of non-financial institutions, in particular CCPs;

34. Remembers the role of payments systems and securities settlements for the securitisation market and calls for establishing an European market infrastructure for

this purpose as well as for a coordinated and more harmonised monitoring of critical market infrastructure, in particular the possibility of creating a data repository for securitization;

35. Encourages the Commission to increase comparability and quality of financial information looking into the current framework on accounting standards, also with a global perspective and with regard to conservative valuation models and the proportionality of the requirements; understands that the recently revised European accounting law has to be assessed in practice first;

36. Stresses the necessity to perform a cost-benefit analysis of any additional legislation; notes that new legislation might not always be the appropriate policy response to these challenges; calls upon the Commission to implement proportionality in the relevant legislation in order to enhance positive effects for SMEs and mid-cap companies;

37. Believes that the building blocks for a fully functional capital markets union should be in place no later than 2018; reiterates the demand for a comprehensive analysis of the current situation in EU capital markets and the existing EU-wide impediments; calls on the Commission to speed up its work on the action plan and put forward legislative proposals as soon as possible to achieve the objective of a fully integrated single EU capital market by the end of 2018;

38. Instructs its President to forward this resolution to the Commission and the Council.