

Action Plan Outline for Capital Markets Union

Proposal	The Commission's action(s)	Key dates
1. The path to growth – financing for innovation, start-ups and non-listed companies		
Financing the start-up phase	<p>Report on crowdfunding</p> <ul style="list-style-type: none"> The Commission's report on the development of crowdfunding in Europe will be based on the studies published on crowdfunding in 2014 and 2015. The Commission will continue to support cross-border networking and capacity building for 'business angels' (with a particular focus on Central and Eastern Europe) in order to develop cross-border platforms, connecting business angels with innovative SMEs and facilitating match-funding. 	Q1 2016
Early expansion phase	<ul style="list-style-type: none"> The Commission will take forward a comprehensive package of measures to support venture capital and risk capital financing in the EU. This will include: <p>Revision of EuVECA and EuSEF legislation</p> <ol style="list-style-type: none"> Amending the Regulation on European Venture Capital Funds (EuVECA) and the Regulation on European Social Entrepreneurship Funds (EuSEF) to enhance the effectiveness of the passports (e.g. by allowing larger fund managers to establish and market EuVECA and EuSEF funds, reducing the investment threshold to attract more investors and expediting cross-border marketing and investment). <p>Proposal for pan-European venture capital fund-of-funds and multi-country funds</p> <ol style="list-style-type: none"> Proposals for a range of pan-European venture capital funds-of-funds and multi-country funds, supported by the EU budget, to mobilise private capital: <ul style="list-style-type: none"> Venture capital has a key part to play in supporting growth and offering entrepreneurs an option to raise funding in Europe as well as from overseas, but EU venture capital funds remain relatively small. Public sector risk sharing can help to increase the scale of venture capital funds in Europe and the industry's footprint across all 28 Member States, and help to facilitate greater private sector investment, helping to promote scale, diversification and geographical reach. The promotion of funds-of-funds could help broaden private investment in venture capital by attracting institutional investors. <p>Study on tax incentives for venture capital and business angels</p> <ol style="list-style-type: none"> Promotion of best practices on tax incentives: tax incentives can be used to support equity financing, in particular for innovative companies and start-ups. The Commission will study how national tax incentives for venture capital and business angels can foster investment in SMEs and start-ups, and promote best 	<p>Q3 2016</p> <p>Q2 2016</p> <p>2017</p>

	practice across Member States.	
Supporting SMEs seeking finance	<ul style="list-style-type: none"> The Commission will take steps to overcome information barriers and will: <ul style="list-style-type: none"> Strengthen feedback given by banks declining SME credit applications <ol style="list-style-type: none"> Resolve the information gap between SMEs and investors by working with European banking federations and business organisations to structure feedback given by banks to SMEs whose credit applications are declined and information on alternative funding options, to signpost the availability of market-based funding options. Map out existing local or national support and advisory capacities across the EU to promote best practices <ol style="list-style-type: none"> Work with Enterprise Europe Network to map existing local or national support and advisory capacities across the EU to promote best practices on assisting SMEs, which could benefit from alternative funding options. Investigate how to develop or support pan-European information systems <ol style="list-style-type: none"> Investigate how to develop or support pan-European information systems that link up national information systems to bring together SMEs seeking finance and finance providers (and take further action as necessary). Such a system would preserve local level knowledge (important in the SME sector) and allow SMEs to make available to prospective investors at a European level a set of core financial and credit data, with the intention of providing investors with accurate information. 	<p>Q2 2016</p> <p>2017</p> <p>2017</p>
Loan-originating funds and secondary markets for loans	<ul style="list-style-type: none"> Develop a coordinated approach to loan origination by funds and assess the case for a future EU framework <ul style="list-style-type: none"> The Commission will work with Member States and ESMA to assess the need for a coordinated approach to loan origination by funds, and the case for a future EU framework. Large institutional investors or investment funds may invest in, or directly originate, loans to mid-sized firms, thus providing a way to further diversify credit intermediation and increase financing opportunities (potentially an important future source of non-bank credit). Clarification of the treatment of loan-originating funds in the regulatory framework could facilitate cross-border development, and ensure that they are regulated appropriately from an ‘investor protection’ and ‘financial stability’ perspective. 	Q4 2016
Private placements	<ul style="list-style-type: none"> Given the increasing interest amongst European companies for alternative financing, and the limited European private placement market (limited standardised processes and documentation are barriers to further development), there is potential for this channel to develop further in Europe. The Commission is fully supportive of the work by ICMA and the German Schuldscheine regime on these 	

	issues, and will look to draw on best practices and promote them across the EU.	
2. Making it easier for companies to enter and raise capital on public markets		
Prospectus requirements	<p>Proposal to modernise the Prospectus Directive</p> <ul style="list-style-type: none"> The Commission will modernise the Prospectus Directive to: <ul style="list-style-type: none"> a) Update when a prospectus is needed. b) Streamline the information required within a Prospectus and the approval process. c) Create a genuinely proportionate regime for SMEs to draw up a prospectus and access capital markets The Commission will explore how to support SMEs with the listing process through European advisory structures (e.g., the European Investment Advisory Hub). 	Q4 2015
SME Growth Markets	<p>Review regulatory barriers to SME admission on public markets and SME Growth Markets</p> <ul style="list-style-type: none"> To benefit fully from the SME Growth Markets, the Commission will ensure, through the implementation of MiFID II, that the relevant requirements provide sufficient investor protection, whilst avoiding unnecessary administrative burden. The Commission will review the regulatory barriers to small firms for their admission to trading on public markets, and will work closely with the new SME Growth Markets under MiFID II to ensure that the regulatory environment for these incubator markets is 'fit for purpose'. The Commission will explore with the IASB the possibility of developing a voluntary tailor-made accounting solution, which could be used for companies admitted to trading on SME Growth Markets. 	2017
EU corporate bond markets	<p>Review EU corporate bond markets, focusing on how market liquidity can be improved</p> <ul style="list-style-type: none"> The Commission will review the functioning of the EU corporate bond markets, focusing on how market liquidity can be improved, the potential impact of regulatory reforms, market developments and voluntary standardisation of offering documentation. 	2017
Consolidated tape and tax 'debt-equity bias'	<p>Address the debt-equity bias, as part of the legislative proposal on Common Consolidated Corporate Tax Base</p> <ul style="list-style-type: none"> The Commission will examine ways to address the tax-related debt-equity bias because: <ul style="list-style-type: none"> a) It may impede efficient capital market financing. b) It would encourage more equity investments and create a stronger equity base in companies. c) It would help to establish financial stability (a strong capital base would reduce vulnerability to shocks). 	Q4 2016
3. Investing for the long-term, infrastructure and sustainable investment		
Improving the investment	<p>Review of the CRR for banks, making changes in relation to infrastructure calibrations, if appropriate</p> <p>Adjust Solvency II calibrations for insurers' investment in infrastructure and ELTIFs</p>	Ongoing Q3 2015

environment through the regulatory framework	<ul style="list-style-type: none"> • National tax treatments will be important for the take-up of ELTIFs, and the Commission urges Member States to grant them the same tax treatment as similar national schemes. • The Commission will propose a definition of ‘infrastructure investments’, to resolve the issue of the absence of a distinct and suitably calibrated calculation of the regulatory capital that institutional investors should hold against infrastructure investment, that: <ul style="list-style-type: none"> a) Offers predictable long-term cash flows and whose risks can be properly identified, managed and monitored by insurers. b) Allows infrastructure to be treated as a dedicated asset class and enable adjustments to the regulatory framework, where justified. • The Commission will facilitate funding of infrastructure and long-term investment in Europe through presenting revised calibrations in Solvency II to ensure that insurance companies are subject to a regulatory treatment which better reflects the risk of infrastructure and ELTIF investments. 	
Supporting long-term and infrastructure financing	<ul style="list-style-type: none"> • For the European Fund for Strategic Investments (EFSI), the Commission and the European Investment Bank (EIB) will provide guidance about the requirements for co-investment structures in order to be eligible for support by the EFSI, and technical assistance will be available under the EIAH to investors that wish to explore the use of such structures. • The Commission will work with private investors to support the pooling of private and EU resources to increase financing for infrastructure investments and sustainable growth. 	
Harnessing finance to deliver environmental sustainability	<ul style="list-style-type: none"> • The Commission will continue to monitor and contribute to the following developments to strengthen Europe’s leadership role in the market: <ul style="list-style-type: none"> a) The recent emergence of Environmental, Social and Governance bonds, which can help to direct capital towards sustainable investments. b) Market-driven standardisation, which takes into account project selection criteria developed by the World Bank, the EIB and the EBRD. c) The development of voluntary guidelines by market participants to promote transparency and integrity in the development of the green bond market, and clarify the qualification of an issuance as a green bond. 	
Call for evidence on existing regulatory	<p>Call for evidence on the cumulative impact of post-financial crisis financial reforms</p> <ul style="list-style-type: none"> • The Commission is launching a comprehensive review of the cumulative impact and coherence of the post-financial crisis financial legislation. • Regulatory consistency, coherence and certainty are key factors for investor decision making, and there is a 	Q3 2015

framework	risk that the collective impact of different pieces of legislation adopted over a significant period of time may have some unintended consequences.	
4. Fostering retail and institutional investment		
Retail investors	<p>Green Paper on retail financial services and insurance</p> <ul style="list-style-type: none"> • The Commission will publish a Green Paper on retail financial services and insurance that will seek views on how to increase choice, competition and the cross-border supply of retail financial products, as well as the impact of digitalisation on retail financial services. • Removing the barriers to retail investors saving via the capital markets requires competitive financial markets that can provide choice. This will allow customers to compare products and find the most suitable savings vehicles at competitive prices. • To further promote transparency in retail products, the Commission will direct the ESAs to improve the transparency of long-term retail and pension products and analyse the actual net performance and fees. <p>EU retail investment product markets assessment</p> <ul style="list-style-type: none"> • The Commission will undertake a comprehensive assessment of European markets for retail investment products, including distribution channels and investment advice, drawing on expert input. • This assessment will identify ways to improve the policy framework and intermediation channels so that retail investors can access suitable products on cost-effective and fair terms, and examine how the policy framework should evolve to benefit from the new possibilities offered by online-based services and fintech. <p>Assessment of the case for a policy framework to establish European personal pensions</p> <ul style="list-style-type: none"> • The Commission will assess the case for a policy framework to establish a successful European market for simple and competitive personal pensions, and the case for EU legislation to underpin this market. • Market fragmentation prevents personal pension providers from maximising economies of scale, risk diversification and innovation, thereby reducing choice and increasing costs for policy holders. 	<p>Q4 2015</p> <p>2018</p> <p>Q4 2016</p>
Institutional investors	<p>Assessment of the prudential treatment of private equity and privately placed debt in Solvency II</p> <ul style="list-style-type: none"> • The Commission will assess whether changes are warranted and, if so, prepare amendments which could be brought forward through the 2017 Solvency II review. <p>Consultation on the main barriers to the cross-border distribution of investment funds</p> <ul style="list-style-type: none"> • The Commission will gather evidence on the main barriers to cross-border distribution of investment funds in order to eliminate key barriers (through legislative means if necessary). This will include, in particular, disproportionate marketing requirements, fees and other administrative arrangements imposed by host 	<p>2018</p> <p>Q2 2016</p>

	<p>countries and the tax environment.</p> <ul style="list-style-type: none"> Market fragmentation is still a prevalent issue in the European asset management sector, with a number of factors restricting cross-border activity of these funds (e.g., discriminatory tax treatment, varying national requirements on the marketing of funds and fees for cross-border notifications). 	
5. Leveraging banking capacity to support the wider economy		
Regulation of banks	<ul style="list-style-type: none"> The Commission is reviewing the regulation of banks in order to ensure the optimal balance between managing risk and enabling growth. 	
Authorisation of credit unions	<p>Explore the possibility for all Member States to authorise credit unions outside the EU's capital requirements rules for banks</p> <ul style="list-style-type: none"> To ensure all Member States can benefit from local credit unions, the Commission will explore the possibility for all Member States to authorise credit unions operating outside the EU's capital requirements framework for banks. Credit unions are important for supporting growth in small companies through the provision of finance on a not-for-profit basis and their role in facilitating know-how exchange among Member States, but sophisticated and complex banking regulation is a disproportionate obstacle to credit unions (especially when they are small and focused principally on collecting funds and re-distributing them among members). 	Ongoing
EU framework for securitisation	<p>Proposal on simple, transparent and standardised (STS) securitisations and revision of the capital calibrations for banks</p> <ul style="list-style-type: none"> The Commission is publishing a proposal for an EU framework for STS securitisations, together with new prudential calibrations for banks in CRR. Equivalent calibrations for insurers through an amendment to the Solvency II Delegated Act to incorporate the STS criteria will follow once the STS framework has been adopted. The proposal, together with an Investment Plan consisting of providing financial support to securitisation operations, should free up capacity on banks' balance sheets, increase banks' ability to lend to the wider economy and contribute to building a more long-term investor base. Following the concerns surrounding the securitisation process (risks, subsequent regulatory response), securitisation needs to be revived to ensure that it can increase the availability of credit, reduce the cost of funding, contribute to a diversified funding base and act as an important risk transfer tool. The framework will involve greater due diligence and disclosure in respect of securitised debt. 	Q3 2015
Development of a covered	<p>Consultation on an EU-wide framework for covered bonds and similar structures for SME loans</p> <ul style="list-style-type: none"> The Commission is publishing a consultation on the development of a pan-European framework for covered 	Q3 2015

bands framework	<p>bonds, building on national regimes that work well without disrupting them and based on high quality standards and best market practices. The consultation will also seek views on the use of similar structures to fund SME loans.</p> <ul style="list-style-type: none"> • This framework aims to resolve the obstacles to market depth, liquidity and investor access (particularly on a cross-border basis) that have been created by the current fragmented covered bond market, and help to reduce the cost of funding for banks issuing covered bonds. 	
6. Facilitating cross-border investing		
Market infrastructure for cross-border investing	<p>Review progress in removing remaining Giovannini barriers</p> <ul style="list-style-type: none"> • To support more efficient and resilient post-trading systems and collateral markets, the Commission will undertake a broader review on progress in removing ‘Giovannini barriers’ to cross-border clearing and settlement. This will include: <ul style="list-style-type: none"> a) Undertaking a thorough evaluation of the Settlement Finality and Financial Collateral Directives. b) Assessing the efficiency of cross-border clearing and settlement following the wave of recent legislative actions (e.g., EMIR, CSDR, and MiFID II, and related infrastructural developments). c) Determining the most effective means to resolve the uncertainty surrounding securities ownership. • The main force behind this review is the importance of efficient and safe post-trade infrastructures as key elements of well-functioning capital markets, and the recent significant changes to the post-trade landscape. • Barriers still remain to efficient cross-border clearing and settlement, many of which have their origins in divergent national laws. This can give rise to uncertainty as to who owns a security in the event of a default and whose rights take precedence in the event of insolvency, which poses important legal risks and can threaten the resilience of cross-border settlement and collateral flows. <p>Targeted action on securities ownership rules and third-party effects of assignment of claims</p> <ul style="list-style-type: none"> • The Commission will, on the basis of further consultation and impact assessment, propose uniform rules to determine which national law shall apply to third-party effects of the assignment of claims. • Differences in the treatment of third party effects of assignment of debt claims have complicated their use as cross-border collateral, and it makes it difficult for investors to price the risk of debt investments. This uncertainty frustrates economically significant financial operations. 	<p>2017</p> <p>2017</p>
Removing national barriers to	<p>Report on national barriers to the free movement of capital</p> <ul style="list-style-type: none"> • The Commission, working with Member States, will work to resolve unjustified national barriers to the free movement of capital, stemming from, among other things, insufficient implementation or lack of convergence 	<p>Q4 2016</p>

cross-border investment	<p>in interpretation of the single rulebook and from national law. It will also publish a report by the end of 2016.</p> <p>Legislative initiative on business insolvency, addressing the most important barriers to the free flow of capital</p> <ul style="list-style-type: none"> The Commission will propose a principles-based legislation on business insolvency and early restructuring, drawing on the experience with the Commission’s Recommendation on a new approach to business failure and insolvency, and consultation and thorough impact assessment, to build on national regimes that work well and ensure insolvency regimes across all 28 Member States are best in class. <p>Note: the Recommendation encourages Member States to implement early restructuring procedures and give a ‘second chance’ to entrepreneurs.</p> <p>Best practice and code of conduct for relief-at-source from withholding taxes procedures</p> <ul style="list-style-type: none"> To encourage Member States to adopt systems of relief-at-source from withholding taxes and to establish quick and standardised refund procedures, the Commission will promote best practice and develop a Code of Conduct with Member States on withholding tax relief principles. <p>Study on discriminatory tax obstacles to cross-border investment by pension funds and life insurers</p> <ul style="list-style-type: none"> The Commission will undertake a study on discriminatory tax obstacles to cross-border investment by life insurance companies and pension funds, and will initiate infringement procedures (where necessary). 	<p>Q4 2016</p> <p>2017</p> <p>2017</p>
Promoting financial stability and supervisory convergence	<p>Review of the EU macroprudential framework</p> <ul style="list-style-type: none"> The Commission will work with the FSB and ESAs, alongside the European Systemic Risk Board (ESRB), to assess the possible risks to financial stability arising from market-based finance. Further analytical work will be conducted, for example to better understand the issues of market liquidity and interconnectedness in the financial system, and assess if additional macro-prudential instruments should be developed. The Commission will make any changes necessary to the macro-prudential framework in the context of the forthcoming ESRB review. <p>Strategy on supervisory convergence to improve the functioning of the single market for capital</p> <ul style="list-style-type: none"> The Commission will work with ESMA to develop and implement a strategy to strengthen supervisory convergence and to identify areas where a more integrated approach can improve the functioning of the single market for capital. The Commission will work with ESMA to enhance the effectiveness of its thematic and country peer review decision-making. <p>White Paper on ESAs’ funding and governance</p>	<p>2017</p> <p>Ongoing</p> <p>Q2 2016</p>

	<ul style="list-style-type: none"> • The Commission will publish a White Paper on the governance and the financing of the ESAs. • Develop a strategy for providing technical assistance to Member States to support capital markets' capacity • To help the capital markets deliver their full potential, the Commission will develop a strategy for providing technical assistance to Member States where it is needed to reinforce specific capacities of national capital markets, through the Structural Reform Support Service. 	Q3 2016
Facilitating international investment	<ul style="list-style-type: none"> • The Commission will continue to work closely with EU Member States in the FSB and IOSCO (for example) to develop convergent policy responses in order to support the development of global capital markets. 	