

February 2021

CMU ACTION PLAN – EBF HIGH-LEVEL POSITION

GENERAL MESSAGES

The EBF welcomes the five-year Capital Market Union (CMU) action plan published by the European Commission (EC) in September 2020. The EBF agrees with the EC that the development of the European Union's (EU) financial markets is key to finance the green recovery and the digital transformation of the EU. While the EBF has always been an active supporter of EU capital markets, the health crisis and the economic recovery makes a CMU project even more necessary than before. With a limited access to the UK being limited since 1 January, 2021, the EU needs to become autonomous and to offer competitive alternatives to corporates and investors.

While supporting most of the actions proposed in the action plan, the EBF would like to highlight the need for prioritisation and sequencing of the 16 actions identified by the EC. Furthermore, our members believe that certain actions are a prerequisite to pursuing others. We understand this action plan requires a pan-EU agreement on the whole scope (with no cherry-picking). Therefore, the responsive and timely behaviour of all interested stakeholders will ensure overall success and prevent unnecessary delays in the implementation of the long-awaited key milestones, and be beneficial for EU's economy and citizens.

The EBF would like to highlight several key issues:

- The ESAP should facilitate the reporting and therefore avoid generating unnecessary duplication of reporting activities and/or related costs for market participants. The **ESAP** will need to be simple, relevant, reliable, decision useful and user friendly. Data quality via standardised format will be key for the success of this database. The diverse user base in particular of non-financial information has to be considered by ESAP. While investors are one of the primary users, the information need of banks as lenders need to be also considered as a matter of priority. The ESAP should facilitate bank's reporting obligation under the EU legislation (e.g. NFRD, Taxonomy Regulation, SFDR) but also facilitate the risk management and steering lending and investment portfolios towards net

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EU Transparency Register / ID number: 4722660838-23

zero economy and sustainable goals. The granularity should correspond to the information need of users and be consistent with EU regulatory requirements.

- EBF supports a simplification of the **listing rules in order to reduce the costs for SMEs** as well as the time-to-market involved, which are barriers for SMEs. We also support the proposal to create a legal / regulatory framework favorable to IPOs.
- EBF is aligned with the EU Commission proposal regarding the establishment of a **European public / private fund for IPOs** in order to improve the development of vehicles for long-term investments on primary/secondary markets contributing to increase the IPO in the EU and make capital markets more efficient and more liquid.
- We support the objective to ensure an **appropriate prudential treatment of long-term SME equity investments**. The goal should be to incentivise long-term SME equity investments in the transposition of the Basel III finalisation framework. Even though some changes to level 1 have been recently discussed in the recovery package context, the EBF supports an overhaul of **MIFID 2 and securitisation** legislation, as well as a review of the Directive (EU) 2017/828 (Shareholder Rights Directive 2, SRD 2), the Regulation (EU) No. 909/2014 (CSDR), the Directive 98/26/EC (Settlement Finality Directive, SFD) and the Directive 2002/47/EC (Financial Collateral Directive, FCD): these are major pieces of capital market regulation and an appropriate review should be taken forward. MiFID 2 requirements should strike the right balance between investors' protection and investors' access to financial markets, which is not the case today, as investors are overwhelmed by administrative constraints and disincentivised to invest. We also support a revamp of the securitisation rules (including STS regime), beyond the securitisation targeted quick fix recently approved, a necessary tool for banks to alleviate banks' balance sheet so as to serve corporates more effectively in the long run.
- Regarding the proposed action 5 on directing **SMEs to alternative providers of funding**, we believe careful work is needed here as banks cannot be held responsible, when declining a loan, for redirecting the applicant to another provider. We would also highlight the continuous work carried out by the EBF in this field since 2017¹ (see [High Level Principles on SME feedback](#)).
- The EBF supports further minimum harmonisation of **insolvency rules and withholding tax procedures**. These are long-standing issues where more harmonisation is necessary to help build investors' trust when investing across borders.

If the banking sector is not directly involved in supporting people in their **retirement**, we nonetheless believe pensions would constitute a substantial boost in developing capital markets. Financial education, too, is key to attract more retail investors to capital markets in a responsible manner. To ensure a fair level playing field between EU banks and intermediaries, we support a single rulebook and further work regarding single supervision being both prerequisite for more integrated EU capital markets.

The EBF would like to emphasise the need for a strong commitment from EU Member States, as bold actions and reforms for deeper capital markets can only be taken with their support.

¹ See [HLP implementation](#)

For more information:

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About the EBF

The European Banking Federation is the voice of the European banking sector, bringing together 32 national banking associations in Europe that together represent a significant majority of all banking assets in Europe, with 3,500 banks - large and small, wholesale and retail, local and international – while employing approximately two million people. EBF members represent banks that make available loans to the European economy in excess of €20 trillion and that reliably handle more than 400 million payment transactions per day. Launched in 1960, the EBF is committed to a single market for financial services in the European Union and to supporting policies that foster economic growth.

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