

## ROADMAP

Roadmaps aim to inform citizens and stakeholders about the Commission's work in order to allow them to provide feedback and to participate effectively in future consultation activities. Citizens and stakeholders are in particular invited to provide views on the Commission's understanding of the problem and possible solutions and to make available any relevant information that they may have.

<b>TITLE OF THE INITIATIVE</b>	A CMU that supports people and businesses
<b>LEAD DG – RESPONSIBLE UNIT</b>	DG FISMA – B1 (Capital Markets Union)
<b>LIKELY TYPE OF INITIATIVE</b>	Communication on the Capital Markets Union Action Plan
<b>INDICATIVE PLANNING</b>	Q3-Q4 2020
<b>ADDITIONAL INFORMATION</b>	<a href="https://ec.europa.eu/info/business-economy-euro/growth-and-investment/capital-markets-union_en">https://ec.europa.eu/info/business-economy-euro/growth-and-investment/capital-markets-union_en</a>

This Roadmap is provided for information purposes only and its content might change. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content. All elements of the initiative described by the Roadmap, including its timing, are subject to change.

### A. Context, Problem definition and Subsidiarity Check

#### **Context** [max 10 lines]

The Capital Markets Union (CMU) seeks to remove regulatory and non-regulatory obstacles to the free movement of capital across borders, thus creating new opportunities across the Single Market for businesses, savers and investors and increasing the financial and economic resilience of the EU. It is thus a cornerstone of Europe's integration and a source of more sustainable economic growth. It is also an important pre-condition for the strengthened role of the Euro.

Significant progress has been made since the Capital Markets Union [action plan of 2015](#) and the [mid-term review of 2017](#). Yet the work has to be completed. New challenges related to the green and digital transformation of our economy and a changing global landscape continue to shape the CMU agenda. Furthermore, the crisis due to the COVID-19 pandemic makes the deepening of the CMU even more urgent. Capital markets can play an important role in the post-pandemic economic recovery. Diversifying sources of funding for European companies of all sizes will be as important as ever, as they will soon seek for sources of alternative funding with banks reaching their full lending capacity. Savers and investors will also be vital for the economic recovery, but must have the confidence to invest through capital markets to make the most of the opportunities it will bring. In the aftermath of COVID-19, the CMU should act as a catalyst for mobilising private investments into companies to complement the unprecedented public support agreed on by EU authorities and Member States.

EU Member States are supportive of the initiative as reflected by the [Council Conclusions of December 2019](#). The European Parliament has previously expressed firm support to the project. An own initiative (INI) report "*Further development of the Capital Markets Union (CMU): improving access to capital market finance, in particular by SMEs, and further enabling retail investor participation*" is planned in 2020.

#### **Problem the initiative aims to tackle** [max 25 lines]

Why the CMU is important:

- The CMU is needed, together with the Banking Union, to improve the resilience of the EU financial system. Integrated and well-diversified financial markets are necessary to withstand financial and economic shocks and support the economy.
- The CMU is needed to diversify funding choices of European companies of all sizes and at all stages of their development. They need to have alternatives, options that both fit well with their state of development and allow for a wider choice of funding opportunities.
- The CMU is needed to improve the reach of retail investors - who still lack access to simple, transparent and inexpensive financial products - to retail investment products that suit best their risk and investment profile.
- The CMU is needed to foster cross-border investments and in general the provision of cross-border financial services, also through an improved investors' protection framework.
- The CMU will also contribute to level the playing field among providers of financial services and hence to

more effective competition in the provision of financial services.

- The CMU is also needed for the EU to build a unique competitive advantage globally as an efficient and well-functioning sustainable capital market.
- Finally, the CMU is also necessary to mobilise the private capital needed to serve the two initial priorities of the new Commission: a green Europe – notably supported by the European Green Deal - and a digital Europe.

With the major crisis due to the COVID-19 pandemic, mobilising all the financial resources will be essential to an economic rebound, as public funding and bank lending will not be sufficient to cater for the immense funding needs. Recent geopolitical developments such as Brexit and threats to multilateralism exacerbated by the COVID-19 pandemic make the CMU project more urgent than ever and should give it a renewed political momentum.

#### **Basis for EU intervention (legal basis and subsidiarity check) [max 10 lines]**

Building a Single Market for Capital is an objective of further integration of national markets that, by definition, has to be pursued and coordinated at EU level, in close cooperation with Member States.

Even though the free movement of capital is one of the four fundamental freedoms of the EU single market and is enshrined in the Treaty of Maastricht since 1992, Europe's capital markets remain fragmented and still relatively underdeveloped.

#### **B. What does the initiative aim to achieve and how [max 25 lines]**

By deepening existing capital pools and creating an integrated European single market for capital, the Capital Markets Union will benefit the 27 Member States as well as European citizens and businesses. The specific targeted objectives will be to:

- improve the ecosystem for capital raising for EU businesses, using new technologies where appropriate, with special focus on SMEs;
- support the creation of a more efficient pan-European capital markets architecture;
- promote greater retail investor participation and a better savings allocation; and
- promote cross-border investment and ensure better integration.

Consequently, these actions will also:

- strengthen resilience and stability by increasing the risk absorption capacity and widening funding sources in case of a shock similar to the COVID-19 pandemic, the 2007-2008 financial crisis or an environment-related shock;
- boost the economic growth potential by improving allocation and diversification of savings, promoting innovation by offering more suitable funding tools for innovative and fast-growing companies;
- contribute to financing the needed transition towards a green and digital economy, complementing the EU strategies on sustainable finance and digital finance, thus mitigating environmental – and in particular climate change - risks;
- improve investors' confidence to invest cross-border;
- strengthen the international role of the euro in global trade and financial flows;
- further deepen the Economic and Monetary Union (EMU), perfectly complementing Banking Union reforms, with positive spillover effects on the stability of the whole European Union's financial system and the resilience of its economy.

#### **C. Better regulation**

##### **Consultation of citizens and stakeholders [max 10 lines]**

The Commission created a [High Level Forum](#) on Capital Markets to get the input from a broad range of stakeholders on how to build the CMU. It brought together high-calibre industry representatives and capital markets 'wise women and men' including well known researchers in a setting that generates ideas on the future of CMU starting from the progress achieved so far. The work of the Forum culminated in a set of 17 policy recommendations published in June 2020. A call for feedback is open for three weeks to gather the opinions from multiple stakeholders on the recommendations of the Forum. The Commission will take into consideration both the recommendations of the Forum and the views gathered from other stakeholders through the feedback process when designing the CMU Action Plan.

##### **Evidence base and data collection [max 10 lines]**

Individual legislative actions set out in the Action Plan will be accompanied, where appropriate, by an impact assessment with targeted data collection and public consultation.