



Bruno Le Maire

Minister of Economy and Finance, France

The future of the Capital Markets Union – Towards an Investment and Savings Union

Ladies and gentlemen, Dear friends,

I am glad to be with you this morning, to discuss the future of the Capital Markets Union – a topic which has been one of my main concerns for the past two years, as Finance and Economy minister.

It has been one of my main concerns for very simple reasons. Because we need European capital markets that allow us to allocate resources where they are most needed. Because European capital markets are essential to give Europe the financial depth that befits its economic size and political ambition. Because a European capital market will benefit our citizens and our businesses.

Building a true Capital Markets Union has been on the European agenda since 2015. We are going in the right direction, but we are going too slowly

Why? Partly because the CMU was initiated at a time when we were struggling with the aftermath of the financial crisis.

Because we overlooked the risk of market fragmentation, which was increased by the financial crisis, but also by non-cooperative national strategies. The protection of local interest hindered the integration of our capital markets. The differences in capital taxation increased tax competition among Member States. And so, opportunities have been missed.

We didn't do all we could to help our companies grow.

Why is there no European Google or Apple? It's not a matter of creativity or talent, it is a matter of access to finance. And today we're lagging behind our main technological rivals.

Let me remind you some interesting figures on venture capital financing in the world in 2018: 100 billion dollars raised in the United States, 80 billion in China, 20 billion in Europe. That's a shame. We need to invest more to stay in the innovation race – on artificial intelligence, on space, on energy storage.

We didn't do enough to offer our citizens profitable, high-quality savings products.

European households are large savers. The household saving rate reached 10% of EU GDP in 2018 and even 12% in the Eurozone. But European savings are mainly allocated in short-term, fixed-income assets rather than equity or infrastructure. According to the OECD, financial assets held in safe, low-return currency or deposits account for 40 % of households' portfolios in the EU 27. It's four times higher than in the United States.

It is the consequence of a lack of knowledge about financial concepts and instruments. But it also comes from a lack of simple and easy-to-use savings products, which fit the needs of our fellow citizens: long-term savings products to prepare for retirement; sustainable savings products to encourage the energy transition and green investments.

We need to build these instruments and propose these instruments to our citizens right now.

And finally we didn't do everything necessary to ensure Europe's financial independence.

The current fragmentation of our capital markets means that key technological companies cannot find tickets in Europe. They often end up being financed by third country actors. We may end up losing control of future technological champions, we finance our startups but then they are bought by third countries. In France, we spend money on our startups that are then bought by American companies, that is unacceptable. The CMU should help us preserve our economic and financial sovereignty.

We talked a lot about the CMU in the past few years. Now it is time to get things done

So, what should be our top priorities for the new five year mandate? I am confident that our discussions and exchanges with the Eurogroup ministers, the new Commission and my friend Valdis Dombrovskis will help us deliver on this agenda.

First – making sure companies of all sizes can better finance themselves.

EU companies need more equity to grow and innovate. Yet in the current interest rate environment, they are less willing to go listed than before. Capital markets should also provide funding channels for SMEs that are too large to be covered by Venture Capital funds, and too small to go public on a stock exchange.

We should therefore drastically simplify securities and market regulations to help SMEs get access to equity markets. We need a fitness check on our EU regulatory framework which is now too complex and which impedes the development of regulated stockmarkets. I'm asking for a full simplification of EU rules.

We should also encourage insurers and institutional investors to invest more in equity than it is the case today. It is a major challenge of the Solvency 2 review next year. The reform has to guarantee the investment in equity.

Second – we need better savings products answering the needs of EU citizens.

A genuine EU capital market should improve returns on long-term savings for EU citizens through a wider range of investment products. Those products should also better respond to the needs of work mobility.

In France, through the PACTE law, we encouraged the development of Employee Savings Plans and employee shareholdings. Because it helps giving purchasing power back to employees and better aligning their interest with the company's interest. Because it provides our economy with long-term financing sources which can help our companies grow.

Today, it is difficult to retain the same savings plan when moving from one EU company to another. Any Slovenian, Italian, Polish or French employee should be able to carry its savings plan and benefit from similar financial guarantees.

→ My first proposal: we could therefore imagine a European employee savings scheme which any worker could carry with him throughout his professional life, no matter the country or the company where he works.

Third – the CMU must contribute to our environmental targets.

The CMU should help us tackle the very concrete challenges we all face in terms of climate change and environmental protection. The development of a high quality sustainable finance, a green finance, is a growing concern of EU citizens. It is time to act. Green finance must be located within the EU.

The EU has already taken significant steps through the project of taxonomy of green assets or the disclosure framework on sustainability for financial entities.

→ My second proposal is to go further and enhance non-financial reporting through a genuine European reporting standard on social and environmental performance for corporates. A substantial improvement in the quality and the comparability of non-financial data will make it easier for investors to build sustainable, green portfolios.

France will make very concrete proposals in the coming weeks to enhance EU non-financial disclosure requirements, based on the best international practices.

We could also strive to build genuine green savings product. In France, we created three main labels for retail savings products: on ESG investment, on green investment and on socially inclusive investment. These labels allow any citizen to invest in dedicated responsible saving products. It is key to enhance the involvement of the general public and to push companies to be more committed.

→ We could therefore aim at an EU label for green retail savings product, based on the new EU taxonomy. We need to have our own European taxonomy, based on our own values. That is my third proposal.

Four – we must build an ambitious innovation framework.

Data science and information technology are

disrupting financial services. Europe should be at the forefront of innovation in customer services, payment systems, market infrastructure and collateral management models.

Two technologies are gaining traction: blockchain and the emergence of virtual assets; the advent of artificial intelligence and machine learning. These innovations will soon irrigate the entire field of financial services. An SME raising funds in 2030 will use crowdfunding or token emission rather than traditional initial public offering.

France was one of the first countries to adopt an ambitious regulation on blockchain and digital assets.

At a time when global crypto currencies are developing at a fast pace, it is necessary to develop a similar framework at the European level.

→ My fourth proposal would be to aim at a comprehensive EU action plan on cryptocurrencies. It is time to act and know what we want for cryptocurrencies.

Because cryptocurrencies raise many challenges: financial security and investor protection; transparency to prevent money laundering and terrorism financing; data and privacy protection; and financial sovereignty.

I expressed my concerns about the Libra project, because nothing demonstrates in Facebook's blueprint that those risks will be properly managed. Along with the other members of the G7, France made it clear that no private entity can claim any monetary power, which is inherent to the sovereignty of Nations. Under these conditions, we should refuse the development of Libra in Europe.

→ Under these conditions, we should refuse the development of Libra in Europe. We should work on a clear and common EU position on Libra and in parallel work on improving the efficiency of our common payment systems. That's a fifth proposal.

I see two avenues to make progress on this topic.

On the private side, European banks could work together to reduce transaction costs and delays in Europe.

On the public side, we could work on a public digital currency issued by central banks. I already talked to Mario Draghi and Christine Lagarde to explain this proposal. And I will propose at the IMF and World Bank annual meetings in October to start thinking about creating such a public digital currency. That's the right way to address this issue, the wrong way is Libra.

Finally – we should strengthen European financial independence

Europe should of course be an open market, where international investors seek opportunities and develop their businesses. But it should also be able to exert its autonomy of decision, especially in times of crises and turmoil. We therefore need large financial groups that are able to compete internationally and weather future macro-economic turmoil.

That's why we need to be careful, when transposing the latest Basel 3 package, not to weaken our banking sectors in comparison with non EU players. We need to assess the effects of Basel 3 on their businesses and on the good financing of the EU economy. I don't want Basel 3 to weaken our banks to the single profit of American banks. It's not a matter of technicality, it's a matter of politics.

Second, we need appropriate mechanisms to deal with non EU financial players. Recent political

developments have demonstrated that relationship with third countries is becoming a crucial topic in that respect.

→ ***Third-country equivalence regimes are effective tools. But we should review them to make sure that all existing equivalence regimes provide for the same level of investor and consumer protection. This would be proposal number 6.***

When designing these regimes, we need to strike the right balance between open markets and the protection of our legal sovereignty. We have been too swift in opening our markets and too shy in protecting our legal sovereignty. This is true for finance, this is true for many other European issues.

Identifying our priorities for the years to come is of paramount importance. And France is determined to take an active part in this collective work.

That is why, together with my Dutch and German colleagues, we took the initiative to kickstart an expert group on financial services – in charge of putting forward very concrete implementation measures. I thank Fabrice Demarigny for all the work already done.

We urgently need to make the Capital Markets Union a reality for EU citizens and companies.

→ ***My last proposal would be to change its name: nobody in the EU understands what Capital Markets Union means. We should explain to citizens that the Capital Markets Union is not only in the interest of private companies, but also in their interest, for their savings. We should make it a much more concrete, tangible political object. That is why I propose to rename the Capital Market Union to a “Savings and Investment Union”.***

I'm looking forward to work in the coming weeks and months with the new EU Commission, Finnish Presidency and all stakeholders to bring to life this new Savings and Investment Union to the benefit of our citizens, our businesses and our sovereignty.

Thank you. ■