



Sebastián Albella Amigo

Chairman,
Spanish Securities and Exchange
Commission (CNMV)

Rethinking CMU: the importance of local markets

Although many of the specific objectives initially envisaged in the context of the CMU project have been reached, we are still far from achieving a truly integrated and efficient capital market in Europe. Additionally, there is a need to rethink and relaunch the whole project considering challenges arising from Brexit.

Therefore, it is time to propose additional actions. From my point of view, the key priorities for the next phase of the CMU should be three: increase the equity market share in funding, tax harmonisation and supervisory convergence.

Firstly, the need to foster market-based finance for companies is especially acute on the equity side. Being listed broadens the possibilities of financing, boosts the level of professionalism and rigour in management, is an incentive to grow, gives prestige, strengthens the brand, helps to attract and retain talent, etc. and, since it is compatible with maintaining control, is a very natural solution for successful family businesses of a certain size. More listed companies also mean more transparent companies and even a somewhat more democratic society: it means that there are more companies within reach, either directly or through funds, for any investor. For these reasons, any restrictions on the capacity of firms to access capital markets should be removed and no extra restrictions or conditions should be imposed on companies associated with the fact of being listed.

Secondly, there is also a need to make progress on tax harmonisation. Current different tax regulations distort financial decisions, reduce efficiency in capital markets and influence too much cross-border capital flows. There is room to reduce the vast differences across Europe in the tax treatment of financial markets' transactions and SME investments. Heterogeneity in this area creates too diverging distribution models for financial instruments (insurance, banking and securities products).

Finally, the CMU project needs to emphasise the convergence of supervisory practices. In order to homogeneously apply the European rulebook it is of paramount importance that ESMA intensifies its efforts in supervisory convergence by using in all appropriate cases the tools and powers granted by law. Regarding the home/host supervisory model in the EU, it would be an improvement if the host NCAs were provided with the appropriate information on the activities carried out in their jurisdictions. The establishment of formulas for cooperation between home and host authorities is essential in order to avoid a "race to the bottom".

This is especially relevant in a context in which there is certainly a need to create an integrated, competitive, deep and liquid capital market, but this should not imply the

creation of a single or dominant financial centre or the weakening of the main European local markets, i.e. any additional actions to relaunch CMU must coexist with strong local financial markets. They benefit medium-sized companies that are large enough to tap local capital markets, without preventing them from looking for capital across borders. Geographical proximity lowers transaction costs, helps to overcome cultural barriers of entrepreneurs and helps investors to understand the businesses that they are financially supporting. ■