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Europe must be a continent of finance makers, not finance takers

Europe must be a continent of finance makers, not finance takers. This should translate into policies that encourage European solutions, recognising the immense challenges facing the Union. The current crisis raises the prospect of greater nationalistic tendencies, particularly as its socio-economic impact is increasingly felt. July's agreement of a European Recovery Package by EU leaders was therefore a major step in providing support to the recovery and resilience of Member States' economies.

A reformed CMU will be a critical factor. Covid-19 has underlined how important public capital markets, equity investment, and accordingly an effective CMU, will be for the recovery of the EU's economies. But this will need to be a fundamentally different CMU.

As anticipated for months, it will have to factor in the consequences of Brexit. But it will also have to adapt to the lasting impacts on markets of the recent massive central bank interventions and fiscal stimulus measures, as well as to the very real risks of fragmentation of European capital markets. In order to mitigate these risks CMU should be built on a European competitiveness ambition.

If Europe wants to provide citizens, businesses and society at large with the tools to turn current challenges into opportunities, it needs a vibrant single market for financial services. In this respect, Europe must be a continent of strong and competitive finance makers, not an open territory of finance takers. For many global players in the finance industry, the European Union is often part of a "Europe, Middle-East and Africa" division. For Euronext, as for many European financial institutions and market infrastructures, the European Union is home. And the European Union cannot build a strong united capital market without strong European financial institutions and market infrastructures. This is not to suggest the promotion of a protectionist approach, as innovation and competition are key to building any strong industry. But we must stop the unilateral disarmament of the European financial system. This is how we should understand European financial sovereignty. There are three core building blocks for this ambition.

First, every measure contemplated in designing the new CMU should be assessed by a systematic "competitiveness test", which would be more specific than the usual Commission overall impact assessments. This test should be used to analyse, before new rules are introduced, whether they will

make the EU's capital markets, financial institutions and infrastructures, stronger or weaker on a global level. If we want to unite European capital markets, we need capital markets in Europe to be united. What the EU must avoid is causing unwanted damaging consequences for Europe which would be experienced a few years down the road, when it is often too late to recover lost competitive positions.

Second, countries representing 85% of the EU GDP use the Euro currency. The new CMU will have to create the conditions to establish the Euro as a strong reference asset currency, in particular through a revitalized securitization market of Euro denominated assets, and measures to establish sovereign green bonds as a flagship product for the EU's capital markets. The EU's competitiveness and financial sovereignty requires accelerated progress in the use of Euro. This is simply because there is no lasting strong financial centre without a strong international currency.

Third, years ago, the EU decided to shape the telecom industry with the GSM standard, and the aerospace industry with Airbus. The EU is today a legitimate player to build an ambitious Digital Finance Action Plan.

In the global competition where non-European digital players build dominant positions, the new CMU must foster the emergence of global players in the fields of cyber security, pan-European digital payments, innovative digital markets, cloud data management and artificial intelligence.

The financial sovereignty of the EU is key to overcoming the challenges ahead. If the EU were to live up to its ambition to bolster Europe's competitiveness through a stronger CMU, it could pave the way for a real single market for financial services, enabling the emergence of European global players and strengthening both the role of the Euro and the resilience and sovereignty of Europe in the future. ●