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DRAFT REPORT

on further development of the Capital Markets Union (CMU): improving access to capital market finance, in particular by SMEs, and further enabling retail investor participation
(2020/2036(INI))

Committee on Economic and Monetary Affairs

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on further development of the Capital Markets Union (CMU): improving access to capital market finance, in particular by SMEs, and further enabling retail investor participation (2020/2036(INI))

The European Parliament,

- having regard to the report of the Next CMU High-Level Group of October 2019,
 - having regard to the report of the High-Level Forum on the Capital Markets Union of 10 June 2020,
 - having regard to the Commission communication of 10 March 2020 entitled ‘An SME Strategy for a sustainable and digital Europe’ (COM(2020)0103),
 - having regard to its resolution of 9 July 2015 on Building a Capital Markets Union¹,
 - having regard to its resolution of 19 January 2016 on stocktaking and challenges of the EU Financial Services Regulation: impact and the way forward towards a more efficient and effective EU framework for Financial Regulation and a Capital Markets Union²,
 - having regard to Rule 54 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A9-0000/2020),
- A. whereas all actions taken to create a Capital Markets Union (CMU) should have improving the range of financing options offered to companies and citizens, as well as a greater range of more attractive investment offers, as their objective;
- B. whereas the actions taken so far to achieve the CMU are moving in the right direction; whereas much work nevertheless remains to be done in terms of the precision, effectiveness and simplification of the measures adopted;
- C. whereas the social and economic crisis resulting from COVID-19 will have a particularly negative impact on SMEs and retail savers; whereas the EU’s response to COVID-19 through the European Recovery Plan should provide a large injection of capital in order to increase European enterprises’ access to finance;

Financing business

1. Calls for the removal of barriers, including the simplification of legislation, to diversify funding sources for SMEs, in order to promote SMEs’ ability to access equity markets, and to reduce the existing debt bias; points out that the current situation makes SMEs

¹ OJ C 265, 11.8.2017, p. 76.

² OJ C 11, 12.01.2018, p. 24.

more fragile and vulnerable;

2. Takes the view that the efficiency of financial markets should be improved and that the listing of companies should be facilitated; encourages the creation and prioritisation of a large private pan-European fund, an Initial Public Offering (IPO) Fund, to support SMEs;
3. Calls for the acceleration of the development of EU venture capital (VC) and private equity markets by increasing the availability of funding for VC investments, developing larger late-stage VC funds, tax incentive schemes for VC and business angel investments, and active IPO markets for VC-backed companies;
4. Requests the realignment of the treatment of cash and synthetic securitisations, of the treatment of regulatory capital and liquidity with that of covered bonds and loans, as well as with the disclosure and due diligence requirements for covered bonds and simple, transparent and standardised (STS) securitisation;
5. Calls for targeted measures within securities market legislation to expedite the recovery after the COVID-19 crisis; supports changes in the Prospectus Regulation, the Markets in Financial Instruments Directive (MIFID), the Securitisation Regulation and the Market Abuse Regulation to facilitate investments in the real economy, in particular in SMEs, and to allow newcomers and new products to enter the markets, preserving consumer protection and market integrity;

Promoting long-term and cross-border investments and financial products

6. Asks the Member States to amend their national tax frameworks, in order to reduce tax obstacles to cross-border investments, including withholding tax procedures, and to increase financing by investors to long-term investment opportunities thereby improving returns on long-term savings for EU citizens;
7. Highlights the importance of increasing legal certainty for cross-border investments by making national insolvency proceedings more efficient and effective;
8. Stresses the necessity of advancing further in the implementation of a genuinely Single Rule Book for financial services in the internal market;
9. Underlines the need to promote pension provision; welcomes the Pan-European Personal Pension (PEPP) product; reminds Member States that PEPPs need to be subject to the same tax treatment as national pension products to become an option for savers;
10. Encourages the Member States to promote multi-pillar pension systems, including occupational pension schemes, as a way to improve market dynamics and the incentives to invest; believes that private pensions should be revitalised and made more attractive; encourages the participation of investors in long-term products with tax reduction or exemption policies;
11. Recalls that the Solvency 2 Directive requires a review by the end of 2020 and that the European Insurance and Occupational Pensions Authority (EIOPA) will provide

technical advice to the Commission after consultations with different stakeholders; requests the Commission and EIOPA to consider adjusting the capital requirements for investments in equity and private debt, in particular of SMEs;

Market architecture

12. Stresses the need for European and national supervisory authorities to overcome their differences; calls for supervisory convergence to promote a common European model, guided by the European Securities and Market Authority (ESMA), to reduce the existing obstacles to cross-border financial operations;
13. Observes that financial services regulation is a very complex undertaking, with regulation at international, European and national level; encourages all relevant actors to address this complexity to ensure the proportionality of financial regulation and to remove unnecessary administrative burdens;

Retail investors

14. Is concerned that retail investors' engagement with financial markets remains low; calls for measures to promote retail investments in view of the demographic challenges faced by the EU by increasing the participation of retail investors in capital markets through more attractive and appropriate personal pension products;
15. Emphasises that access to financial markets should be possible for all enterprises under the 'same business, same rules' principle;
16. Recalls the existence of different shortcomings in the legislation on packaged retail investment and insurance products (PRIIPs) that should be addressed in the next review; expects that Level 2 PRIIPs legislation on the Key Investor Document to respect level 1, in particular in relation to the performance scenarios; regrets the delays in the adoption of Level 2 PRIIPs legislation that will overlap with the first review of PRIIPs, and which increases legal uncertainty and costs for stakeholders;
17. Urges the Commission to make clear the differentiation between professional and retail investors on all levels of MIFID, making it possible to tailor the treatment of clients according to their knowledge and experience on the markets; requests that the Commission consider the introduction of a category of semi-professional investors to better respond to the reality of participation on the financial markets;
18. Is of the opinion that the current reporting framework within MIFID II and the European Market Infrastructure Regulation (EMIR) is very costly and complex, hindering the effectiveness of the system; believes that a simplification thereof is necessary;
19. Calls for amendments to legislation to ensure access to independent advice by financial intermediaries while avoiding promotion of the institution's own financial products and ensuring a fair marketing of financial products;

Financial education

20. Underlines that financial education is needed to overcome low retail investor engagement with financial markets, based on lack of knowledge, mistrust and risk aversion;
21. Emphasises that financial education is a medium-term tool, which enriches the financial system and which is a good step for engaging retail investors with financial markets;
22. Urges the Member States to include financial literacy programs in school curricula aimed at developing autonomy in financial matters; suggests the inclusion of this topic in the Programme for International Student Assessment (PISA) study;

Digitalisation

23. Takes the view that the digitalisation of financial services can be a catalyst for the mobilisation of capital in the EU while reducing barriers and increasing supervisory efficiency; emphasises that an EU framework with high standards of cybersecurity would be conducive to the CMU;
24. Highlights that ‘sandboxes’ may be an adequate tool to enhance the innovation and competitiveness of the financial services sector; requests that the Commission create a pan-European ‘sandbox’ for financial services;

The EU’s role in global markets

25. Points out that Europe competes for capital in a global market, and that, as a result, deeper, more integrated and efficient European capital markets are critical to protecting Europe’s economic sovereignty, the use of the euro in third countries, and to attracting foreign investors;
26. Reiterates that EU legislation provides for the possibility of considering third-country rules as equivalent based on a proportional and risk-based analysis, and that such decisions should be taken through a delegated act; recalls that the EU can unilaterally withdraw any equivalence decision;
27. Calls for action towards strengthening the international role and the use of the euro, by completing Economic and Monetary Union, the CMU and the Banking Union, supporting the development of euro-benchmarks for commodity markets, and reinforcing the role of the euro as a reference currency;

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28. Instructs its President to forward this resolution to the Council and the Commission.