



Ugo Bassi

Director, Financial Markets
and Acting Director, Horizontal
Policies,
DG for Financial Stability,
Financial Services and Capital
Markets Union, European
Commission

Improving EU securities market transparency and infrastructure in CMU context

The Capital Markets Union (CMU) is a key structural reform programme to remove barriers to investing across borders. Notwithstanding the fact that the Commission has successfully delivered on the CMU Action Plan, capital market integration remains insufficient, and certain fundamental aspects of a functioning single market are still outstanding.

The strength of economic recovery will decisively depend on supportive financial flows and the functioning of capital markets, reinforcing the need for a CMU that supports transparent markets. In addition, as a consequence of Brexit, key market infrastructures outside the EU will increase the risk of dependency of the EU financial stability on non-EU interests and capital markets. This could lead to greater market fragmentation in the EU and loss of liquidity.

Underdeveloped and fragmented capital markets in the EU can be both a cause and consequence of limited benefits that market participants draw from trading, clearing and settling in financial securities. If there is less trading in financial instruments, market infrastructures will not deliver desirable efficiency gains or economies of scale. If settlement processes are subject to inappropriate regulation inefficiencies will persist.

The lack of easily accessible, reliable, understandable and comparable public information is one of the reasons why some companies may struggle to attract investors. An EU Single Access Point (ESAP) for financial information would help improve transparency and thereby help facilitate development of EU capital markets. The setup of the ESAP is still to be decided, but to overcome the obstacle of suboptimal accessibility of information it will need to include a broad scope of information. It will also need to provide easy access for users (both investors and issuers) and ensure that the information is user-friendly, comparable across Member States and both machine and human readable.

An EU consolidated tape (ECT) as a tool for reliable access to consolidated data for all traded assets could also provide benefits to EU capital markets. Together with the single-entry point for company information, this would give investors access to considerably improved information at a pan-European level. The ECT would also foster transparency by rewarding those execution venues that contribute to price forming transaction data. An ECT would require comprehensive coverage, improved quality of data and data standardisation in order to consolidate data in a meaningful

manner. The Commission will assess how the ECT should be calibrated as part of the implementation of the CMU Action Plan and of the MIFID II review to be finalised in 2021.

Beyond the ECT, the review of MIFID II will provide an opportunity to revisit other market infrastructure topics with the aim of increasing the attractiveness of European capital markets. The Commission will approach these technical aspects in a holistic manner, with a view to ensuring that trading in the Union is transparent and subject to more derogations from transparency where this is justified, while ensuring that EU market participants can trade on markets outside the EU. ●