



Carlos San Basilio

Secretary General of the Treasury and International Financing, Ministry of Economy and Business, Spain

The CMU is key to Europe's recovery

It has been 5 years since the European Commission adopted the CMU initiative and since then, EU institutions and Member States have managed to hammer out over 30 measures in order to establish the building blocks of an EU wide, integrated capital market. If one looks back to the impressive array of legislative actions adopted, it is fair to say that the EU has delivered on its promise. And yet, it would be naïve to believe that we already live in a truly integrated European single financial market.

Despite the efforts undertaken by EU regulators and market participants, EU capital markets are still fragmented and relatively fragile. The EU's unparalleled economic and commercial strength is not commensurate with the comparatively small scale and fragility of EU capital markets; it remains an economic giant, but a financial dwarf.

However, we should also avoid overly simplistic comparisons with other international financial strongholds, or with the progress achieved in the Banking Union. Capital Markets are by nature very complex, ever more sophisticated and diverse. Whereas the Banking Union essentially affects banks, the CMU project comprises a myriad of very different financial 'creatures' and their encompassing regulatory frameworks. This complexity makes it hard to tell the progress made, and to assess the true impact of CMU. Take for instance the dynamics of crowdfunding. At first sight, crowdfunding might seem to be a negligible part of the financial system, but if one takes a closer look at this phenomenon, it soon realizes the potentially disruptive change in the way new ventures are funded, that crowdfunding entails.

Despite all the work done so far and the modest figures in non-banking financing across the EU, we should not fall in self-indulgence, conformism or despair. CMU should remain a high political priority for the next years and, to this end, the HLF report represents a very good starting point. This second batch of legislative measures should be issued and negotiated in the same vein as the ones adopted under CMU I: we need to adopt concrete and pragmatic measures and, at the same time, have a clear sense of direction. If we do so, it is entirely possible for this project to succeed—we just need to proceed one step at a time.

In this regard, the CMU II project will have to overcome important challenges. That is the case of the still very divergent and fragmented national taxation and insolvency regimes. Another challenge where a consensus on how to face it is still lacking (as pointed out in the HLF report) is the issue of the European supervisory architecture. It is commonly

accepted that ESMA has established itself as a highly competent, agile and reliable supervisor. However, the question of whether or not it should be the building block of a single supervisory mechanism, in the way of the Banking SSM, remains open. Thus, instead of spending valuable resources in trying to advance stuck negotiations, we could for instance further focus on fostering convergence between national competent authorities, with the leadership of ESMA.

But obviously, the greatest challenge for the CMU in the short and mid-term is the impact of the Covid 19 pandemic. In this new context, one has to ask himself: what can the CMU do in order to mitigate the impact of this crisis? How can it contribute to absorb the impact of the Covid crisis and at the same time deliver a more diverse and balanced financial system that meets the demands of households, SMEs and companies, and strengthens the international role of the Euro?

SMEs, which are the backbone of the European economy, haven been very hard hit by the pandemic. Therefore, I am very glad that the report includes such a detailed and comprehensive set of recommendations towards SMEs. Certainly, it is essential to facilitate financial resources to SMEs, with a proper balance between banking and non-banking financial resources. Hence, proportionality will be one of the key tools to promote SME's access to capital markets, by adjusting compliance obligations to the size and nature of these companies.

In the post Covid-19 recovery scenario it will be of the utmost importance to count on smooth functioning and reliable capital markets, that are able to efficiently channel vast amounts of financial resources to the real economy. To this end, we shall double our efforts and work together for overcoming this crisis and drive forward the Capital Markets Union. ●