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The priority areas for deepening the CMU

It is clear that the Covid-19 pandemic and its economic impact result in an urgent need to support the recovery of the European economy. Indeed, helping companies to raise the necessary funds in order to support their recovery is an urgent priority.

While the banking sector will undoubtedly play an important role in supporting this recovery, further development of the CMU will be necessary to ensure additional funding from capital markets. This may reduce the risk of further increasing the reliance on bank lending and give a more important role to (equity) capital.

The proposals made by the HLF on the CMU provide some good initiatives that would contribute to a further development of EU capital markets. The four pillars of the report, namely business environment, market infrastructure, retail participation and cross-border activities are all essential for a deep and efficient CMU. Especially an increasing retail participation is essential to develop the CMU.

Firstly, a successful CMU requires a large retail investor base that would enable financing the economic recovery, digital and green transformation of the European economy. Multiple initiatives could improve retail participation as there is no single measure that would achieve this goal.

While significant efforts need to be devoted to financial education and improving financial literacy, other measures, such as tax incentives, insolvency proceedings or pensions rules, are also very important albeit outside the scope of financial market regulators.

Inspiring trust and confidence in the efficiency and integrity of the capital markets is a pre-requisite for the CMU. Information that retail investors receive must be fair, objective and timely but also clear and understandable. Further review and alignment of disclosure requirements for investment products across sectors will be required in order to facilitate their cross-border distribution. Further analysis is also needed on the role of the incentives of financial advisors.

Secondly, easy access to comparable and reliable information on all listed companies in the EU is indispensable for the development of an integrated EU capital market. Indeed, the creation of a single access point to financial and non-financial regulated information based on one harmonised format would facilitate investment on both a national and cross-border basis.

In this context, also the development of the EU consolidated tape with comprehensive coverage and standardised high-quality data would contribute to price discovery and market efficiency.

Furthermore, integrated capital markets require an efficient integrated supervision system that ensures harmonised application of the rules in a manner proportionate to the risks. This requires further progress in harmonising supervisory practices as well as safeguarding sufficient supervisory resources at both national and European levels.

Even though the ESAs' review introduced useful changes to the available supervisory convergence tools, they are less ambitious than originally proposed. In addition, certain parts of the available toolkit prove to be burdensome for the national authorities and ESMA.

The coordination and centralisation of supervision at European level needs to go hand in hand with the development of the CMU. Since the establishment of the ESAs, there has been steady and significant progress in this respect, and based on recent legislation, an increasing number of entities will fall under ESMA's remit in the years to come.

The current environment and developments only reinforce the need to strengthen the role of European coordination and supervision to support a successful CMU. ●