



## Jörg Kukies

State Secretary, Federal Ministry  
of Finance, Germany

# Using the momentum: our work on strengthening the CMU to support the recovery

The Capital Markets Recovery Package and the expected Action Plan on the Capital Markets Union by the Commission are key steps for continuing work on strengthening EU capital markets. This important work has gained new momentum following the report by the Next CMU High-Level Group, which was set up by France, the Netherlands and Germany, the subsequent Council conclusions under Finnish Presidency in December 2019, and the recent report by the High-Level Forum. This momentum has developed at the right time: First, the Covid crisis has further increased the importance of access to finance. Well-functioning capital markets will be essential to overcome the COVID 19 crisis. Second, strong EU Capital markets have become even more important in light of the United Kingdom's exit that is providing a strong cause for developing them further.

It will be key to create a vibrant and competitive business environment that supports recovery and growth by facilitating the access to funding for companies across the EU. This includes the lifting of barriers to financing for small and medium-sized enterprises. With regard to the expected CMU Action Plan, one starting point could be the establishment of an appropriately designed European Single Access Point (ESAP). Enhanced visibility of companies and better investment decisions would allow for a more efficient allocation of capital. The attractiveness of capital-markets based financing would benefit from an improved ecosystem. Especially for small and medium-sized enterprises, costly and burdensome requirements might discourage listing on public markets in the European Union. As another element, measures to strengthen long-term and equity-based investments are worth striving for while safeguarding financial stability.

Building a stronger and more efficient market infrastructure will be another priority. Apart from settlement services, this could include the establishment of a post-trade consolidated tape. Further elements could be a harmonization of rules on shareholder identification and the exercise of rights associated with the ownership of shares, i.e. voting rights and shareholders' participation in general meetings of corporates.

Beside enhancing the business environment and strengthening the infrastructure, we should also focus on retail investors. We need to think about how to tackle the lack of an investment culture and the low participation of retail investors in capital markets. Enhancing these investors' confidence represents an unused opportunity that we

should address by finding a sustainable balance with consumer protection concerns.

Beyond these areas, work on insolvency systems and withholding taxes will be important as well. The question of improving supervisory structures at the European level has gained even more importance against the background of recent events. It turns out that we need supervisors with forensic skills and all the necessary competences, not only in relation to monitoring and enforcement of financial information requirements for listed companies and auditor supervision, but also to money laundering. This will require further attention and an assessment of the need for action. The future work on CMU will need to focus these important elements in the four areas outlined above. Some elements could potentially be addressed more adequately by complementary work on digital finance and sustainable finance. More than ever, we need to work on ensuring future-proof financial markets in the Union. Further steps are required to promote capital market-based financing, to integrate and strengthen the European capital market further and to make it internationally competitive. Hence, it is also a key deliverable under our Presidency and we certainly want to use the momentum to achieve meaningful progress.

That means, in the short term, that we are committed to pass legislation putting in place Covid-19 response measures as quickly as possible. And it means, in a more medium term, that we will be working on Council Conclusions on the broader set-up of a true European Capital Markets Union until the end of the year. This should give clear political support for the subsequent legislative work and also underline our common commitment at EU level to bring forward a Capital Markets Union that serves both EU businesses and citizens the best way possible. ●