

## Statement of the Eurogroup in inclusive format on Capital Markets Union

**Open, well-functioning and integrated European capital markets are a crucial element to promote the single market and the prosperity of the European Union. It will help to attract the necessary investments, to boost the EU's global competitiveness, innovation, sustainable growth and job creation, and it will allow EU citizens to invest their savings productively in Europe.** Deep and liquid capital markets that can allocate capital efficiently and allow for cross-border private risk-sharing is a key element for the resilience of our monetary union.

Today, the robust banking sector of the European Union carries the bulk of the financing needs for businesses. Banks and insurance companies are the main distribution channel offering savings and investment possibilities for citizens. But to match the substantial financial needs of the future, market-based funding opportunities will have to become more widely and readily available in Europe.

**While we have made [significant] progress in recent years to improve the functioning of European capital markets through the Capital Markets Union action plans, they remain insufficient and behind their full potential.**

The lack of a deep and well-functioning market for risk capital in Europe – notably in the start-up and scale-up phase of companies, but also for those in more mature stages of development – continues to force many of the EU's most dynamic and innovative businesses to seek funding abroad. **Red tape and high transaction costs** for market participants reduce the EU's attractiveness as a financial hub. Businesses leaving the EU restricts Europe's future economic growth potential and reduces profitable investment opportunities in Europe.

An open, liquid capital market is important to support the flow of private investment into innovation, including in the green and digital sectors. With the limited fiscal space and multiple spending priorities, funds need to come primarily from the private sector.

**If the development of European capital markets is not addressed urgently, Europe is at risk of falling behind globally in terms of competitiveness, growth, and prosperity of its citizens.** EU savings and foreign capital should be allowed to flow freely into the engines of long-term growth in order for the EU to be a global leader for innovation and new industries. This will also be to the direct benefit of European citizens who currently continue to predominantly rely on bank deposits as their main saving option and thus, do not yet benefit sufficiently from higher yielding investment opportunities that could help boost their available income and complement their future pension income.

### **Priority areas for action**

Preparing for the next European legislative term of 2024-2029, we have under the mandate of the EU Leaders, as Ministers of Finance of the 27 Member States, and together with the European Commission and the European Central Bank, identified **three priority areas for action where measures are necessary to improve the functioning of European capital markets:**

- A. Architecture:** develop a competitive, streamlined and smart regulatory system, allowing funds to be better channelled to innovative EU businesses, with greater risk taking and risk sharing together with higher resilience and financial stability.
- B. Business:** ensure better access to funding for EU businesses to build and develop, offer more cross-border opportunities, and attract more private funding for innovation.
- C. Citizens:** create better opportunities for EU citizens to access investment, higher returns, and financial security [to complement income at different stages of their lives] to increase retail participation.

Progress must be made on all three areas because the Capital Markets Union is shaped by multiple interdependent factors.

## Measures

The Eurogroup in inclusive format considers the following **measures** under the three areas to be imperative and urgent **to be taken forward during the next European legislative term**, and intends to monitor and evaluate **progress achieved at national and EU-level**:

**A. Architecture: Create an effective capital markets framework within the EU by reducing barriers and developing a competitive, consistent, streamlined, and smart regulatory system that works for businesses, investors and savers, and strengthens risk sharing and financial stability.**

**1. Develop the EU market for securitisation to allow for the appropriate transfer of risks to parties best equipped to sustain those risks.**

We invite the European Commission, in full respect of its powers under the Treaties, to comprehensively assess all the supply and demand factors holding back the development of the securitisation market in the EU, including the prudential treatment of securitisation for banks and insurance companies and the reporting and due diligence requirements, and to come forward with corresponding proposals. [As part of this assessment, the European Commission could consider whether specific market segments that further EU policy objectives, such as green securitisation, could benefit from additional support measures.]

**2. Further improve an integrated supervision of capital markets across the EU.**

We invite the European Commission to consider putting forward proposals for a further harmonisation of supervisory practices across the EU with the objective of strengthening financial integration and stability and simplifying processes for supervised entities across the EU, thus building trust in the single market for EU capital.

We invite the European Commission to strengthen supervision in the EU through improving the implementation of a common rulebook and through the centralisation of certain supervisory powers in relevant areas such as regulatory reporting, sectors and/or for relevant entities. We underline the importance of the European Supervisory Authorities [especially ESMA [and EIOPA]] having a European and independent governance, sufficient resources and comprehensive oversight powers to ensure supervisory convergence.

Option 1 [opt-in]: In this context, we also invite the European Commission to consider the possibility of proposing an opt-in mechanism for a single supervision by ESMA of entities with significant cross-border activity in the EU who would benefit from a [substantial] reduction of compliance burden through a single supervisor.

Option 2 [supervisory colleges]: In this context, we also invite the European Commission to consider the possibility of supervision of entities with significant cross-border activity in the EU by colleges coordinated by ESMA, on a case-by-case basis, with the aim of reducing compliance costs for such entities.

Option 3 [third-country entity supervision by ESMA]: In this context, we also invite the European Commission to consider the possibility of proposing single supervision by ESMA [or EIOPA] for third-country entities and authorisation of documents produced by third-country entities to prevent regulatory arbitrage and enhance EU capital markets' global attractiveness.

**3. Further harmonise national corporate insolvency frameworks in a targeted manner.**

We invite the European Commission to assess the outstanding issues that deter cross-border capital markets/investments, notably the ranking of claims and insolvency triggers, and to consider making concrete proposals accordingly.

**4. Further harmonise accounting frameworks in a targeted manner to enhance cross-border comparability of available information on companies, so that in particular small and medium**

sized businesses (SMEs) and other non-listed firms can benefit from the new European Single Access Point (ESAP) and thus facilitate investment in those companies.

We invite the European Commission to consider making appropriate proposals to that end. We encourage the industry to make use of the ESAP and invite the European Commission to report on its progress regularly.

- 5. Increase the attractiveness of capital market funding for companies through better integrated market infrastructure in the EU and through further convergence of listing requirements across European exchanges** to ensure lower costs and easy access to make equity financing in the EU more attractive, in particular for SMEs.

We invite the European Commission to assess [and, if relevant, address] obstacles that prevent the consolidation of stock exchanges and of better integrated market infrastructure, to strengthen European centres of expertise (e.g., green bonds issuance). We also invite the European Commission to review any outstanding issues following the adoption and implementation of the Listing Act and of the consolidated tape, including the identification of areas where further developing the consolidated tape could be beneficial to market integration.

- 6. Foster equity financing in national corporate taxation to ensure EU companies have access to diversified sources of funding.**

Member States are invited to investigate ways to reduce the debt equity bias in their national tax systems and share best practices and plans to reduce this bias. We invite the European Commission to support this initiative by providing analysis and advice.

- B. *Business*: Increase investments in the EU, especially in the sustainable and digital sectors, and ensure that businesses, especially SMEs, have access to the appropriate funding to grow within the EU, can be competitive and are not hindered by excessive administrative burden.**

- 7. Improve conditions for institutional, retail, and cross-border investment in equity, in particular in growth/scale up venture capital** through regulatory means, tax incentives or other measures at EU and national levels.

We invite the European Commission to come forward with proposals to improve the financing conditions for EU businesses throughout their lifecycle, providing the ecosystem necessary for EU businesses to grow and prosper with investment from EU-based investors.

Member States are invited to assess the **impediments, including of a regulatory nature, to cross-border investment by institutional investors, including pension funds**, located in their Member State and share their findings with the Member States and the European Commission for the latter to tackle them, via an initiative, if appropriate. In this context, Member States could explore, where appropriate, whether voluntary commitments from large institutional investors to invest in EU equity as part of their European portfolio could be helpful.

Member States and EU institutions are invited to consider setting up a European initiative based on joint public-private investment structures facilitated by the EIF aimed at improving exit routes from the venture capital stage, following up on the European Tech Champion Initiative, to help EU businesses grow into successful global players.

- 8. Bolster the EU's edge in sustainable finance by scaling up the impact of the EU framework** in place and fostering the use of the provided finance toolkit by market participants to support their transition efforts.

We invite the European Commission to continue its efforts to enhance the usability of the EU sustainable finance framework and to support stakeholders with its implementation and,

where appropriate, to take steps to reduce administrative burden through enhancing clarity, consistency and ease of use, following a structured assessment of the impact of the framework.

We also invite Member States to step up their efforts in supporting market participants in the uptake of sustainable finance tools and to address national barriers which slow down the use of the common EU framework.

**C. Citizens: Facilitate citizen's access to capital markets by creating easier access routes to a larger choice of investment possibilities for their savings and pensions, by providing tools for citizens to improve their financial literacy, and by creating interest in investing in more attractive investment products, underpinned by a robust retail investor protection framework.**

**9. Create an easy-to-use investment environment**, including through the development of easy-to-use and secure digital interfaces to facilitate market access, **that benefits in particular citizens [but also entrepreneurs/small business owners,] and provide incentives to citizens to encourage them to make better use of the opportunities of capital markets** [such as diversified savings income and potential greater returns].

Member States are invited to assess the need for a simple and more incentive-based structure in their respective tax systems to encourage EU citizens to invest in capital markets. In this context, Member States should notably review the tax treatment for long-term retail investment products and of capital gains and losses.

We invite the European Commission to identify and propose best practices and monitor the impact in terms of possible market fragmentation.

We invite the European Commission to look further into any outstanding EU legislative changes to facilitate retail investments, including through clear and easy-to-understand product information, and to ensure, for all EU citizens, easy access to simple and low-cost retail investment products with appropriate risk-return profile.

In this context, we call on the Member States to ensure a speedy implementation of the digital European identity. We invite the European Commission to assess the uptake of the digital European identity by the financial industry, especially the banking sector, to offer **easy-to-use and secure digital interfaces** for all retail clients to facilitate access to financial services across the EU.

If necessary, we invite the European Commission to come forward with legislative proposals to ensure that all EU citizens have access to an easy-to use digital investment environment.

**10. Support sufficient complementary income streams for an ageing population through better use of longer-term savings and investment products including through the offers of occupational and personal pension schemes.**

We invite the European Commission to review and consider whether to further develop the pan-European pension product (PEPP) to offer all citizens attractive options for their pension income and to make sure that pension savings are invested productively.

Member States are invited to assess the availability of products for their citizens on the occupational pensions market and share best practices, including on how to better enrol citizens in occupational pensions. We invite the European Commission to inform Member States' efforts by identifying and proposing best practices.

Member States are also invited to develop pension tracking systems to provide citizens with an overview of their future retirement income, based on Commission input. The European Commission is invited to develop a pension dashboard, in collaboration with the European Insurance and Occupational Pensions Authority and Member States, to follow the evolution

of pension coverage across Member States and to report back to Member States on developments.

**11. Facilitate the strengthening of an investor/shareholder culture among EU citizens to increase retail participation**

Member States are invited to improve financial literacy among citizens but also SMEs, combined with targeted initiatives to create more interest in investing. The European Commission should promote a regular exchange of best practices among Member States integrating the joint EU/OECD financial competence frameworks in specific financial education measures aimed at building a better understanding of market-based investment opportunities.

We also invite the European Commission to review the EU Shareholder's Rights Directive, notably with the aim to better harmonize shareholder rights in the EU specifically, to harmonize the definition of shareholders and ensure that cross-border shareholders do not face undue obstacles when exercising their ownership rights.

**12. a [Develop attractive cross border saving products for retail investors.]**

We invite [interested Member States and European Commission] to examine the usefulness of developing a framework for a common cross-border market-based savings product for EU citizens.]

**12. b [Develop an investment programme for young European citizens.]**

We invite Member States and the European Commission to assess the feasibility of developing an investment programme for young European citizens [for example, where a small monthly amount would be invested into a diversified [publicly] managed fund [with a focus on the digital and green transitions] to provide young Europeans with an early hands-on capital market experience.]

**Process and Follow-Up**

The Eurogroup in inclusive format calls on Member States to implement the outlined measures swiftly.

The Eurogroup in inclusive format invites the European Commission to consider bringing forward the corresponding initiatives, based on thorough impact assessments in line with the agreed principles for Better Regulation, as early as possible during the new legislative term and looks forward to completion of relevant legislative work by 2029.

The Eurogroup in inclusive format commits to **taking stock at least once a year of the performance of European capital markets** and monitoring progress on the above-listed measures at national and EU-level regularly, on the basis of input from the European Commission and starting from 2025.

For these regular performance reviews, the Eurogroup in inclusive format invites Member States to share their **national capital market reform plans** with Member States including any impact study done on measures to deepen the capital markets. We also invite the European Commission to report on progress on EU level initiatives and on capital market developments, based on agreed **quantitative performance indicators and qualitative information** providing a clear picture, at ministerial level, of the progress made. [Engagement with industry on their respective follow-up may also be part of these discussions/reviews.]

The Eurogroup in inclusive format will also regularly coordinate the exchange of best practices among Member States, with input from the European Commission.

**Complementary work streams**

We call on Member States to **swiftly implement the already adopted European legislative measures** aimed at developing our Capital Markets Union, in particular the recently agreed legislation on [a European single access point (ESAP), consolidated tape, the European long-term investment funds regulation, Listing Act, and the review of the central securities depositories' regulation.

The Eurogroup in inclusive format looks forward to a **swift completion of the legislative work** on the withholding tax (FASTER) proposal, the corporate insolvency and the retail investment strategy proposals.

While EU institutions and Member States have a major responsibility in developing the enabling conditions and removing the barriers for a deep and robust Capital Markets Union, the EU-based industry has a central role to play in making full use of these opportunities. Therefore, we invite the **industry** to anticipate these regulatory changes to ensure a smooth implementation of the measures aimed at building a genuine single market for capital.

The Eurogroup in inclusive format remains committed to strengthening and completing the **Banking Union in a holistic manner**. The Capital Markets Union and the complementary Banking Union are critical to improving the investment opportunities for investors, businesses, and citizens, and promote a sustainable growth, while ensuring risk-sharing across Member States and financial stability in the EU.

Agence Europe