

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

Open, well-functioning, and integrated European capital markets are crucial to promote the single market and to attract the necessary investments, and thereby to boost the EU's global competitiveness, innovation, sustainable growth, and job creation. It will provide better funding possibilities for growing companies, including small and medium-sized companies, and give EU citizens the opportunity to invest their savings more productively in Europe.

Deep and liquid capital markets that can allocate capital efficiently and allow for cross-border private risk-sharing constitute, together with a well-functioning Banking Union, a key element for the resilience of our economic and monetary union.

Today, Europe is at risk of falling further behind globally in terms of competitiveness, growth, and prosperity of its citizens. European capital markets need to be urgently developed into globally competitive markets. The EU needs a capital market that can channel domestic savings and foreign capital freely and effectively into innovative companies, allowing them to develop into engines of long-term growth and, ultimately, help the EU to become a global leader for innovation and new industries.

The robust and well-regulated banking sector of the European Union carries nowadays 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 must urgently 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 are far from reaching 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. **Reducing fragmentation, regulatory burden, and high transaction costs can increase the EU's attractiveness as a financial hub.** Attracting and keeping businesses in the EU will improve its future economic growth potential and offer more profitable investment opportunities in the EU.

An open, liquid capital market which is well integrated into global markets 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 to build up production capacity and boost innovation in Europe need to come primarily from the private sector.

Equally, well-functioning capital markets allow European citizens to benefit from more attractive investment opportunities that 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, under the mandate of the EU Leaders, the Eurogroup in inclusive format has 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 into innovative EU businesses, with greater liquidity, risk taking and risk sharing together with higher resilience and financial stability.

- B. Business:** ensure better access to private funding for EU businesses to invest, innovate and grow in the EU.
- C. Citizens:** create better opportunities for EU citizens to accumulate wealth and improve financial security, by increasing direct and indirect retail participation through access to profitable investment opportunities.

Measures

The Eurogroup in inclusive format considers the following **measures** in the three areas to be imperative and urgent **to be taken forward during the next European legislative term**, which should be pursued in full respect of the European Commission's right of initiative and the role of the Union legislator. The Eurogroup in inclusive format intends to monitor and evaluate **progress achieved at national and EU-level**:

- A. Architecture:** Develop, within the EU, an agile capital markets framework that allows better cross-border diversification of risk by reducing barriers and developing a competitive, consistent, streamlined, and smart regulatory and supervisory system that works for businesses, investors, and savers, and ensures financial stability.

- 1. Develop the EU securitisation market to allow for the efficient and transparent transfer of risks to parties best equipped to carry those risks.**

We invite the European Commission 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, in coherence with international standards.

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

We invite the European Commission to assess different options to strengthen supervision in the EU through further developing the common rulebook and enhancing supervisory convergence with the objective of strengthening financial integration, ensuring stability, and simplifying processes for supervised entities across the EU, thus building trust in the single market for EU capital. In this context, the potential for a more efficient and effective use of existing powers of the European Supervisory Authorities (especially ESMA and EIOPA) should be assessed [as well as the pros and cons of a possible expansion of their powers] with the aim of reducing compliance costs and delivering a more harmonised enforcement of rules.

Any possible follow-up initiative should be based on a thorough impact assessment including a cost-benefit analysis and a consultation with relevant stakeholders, including Member States, national supervisors and the industry concerned.

We also invite the Commission to assess the merits of further centralisation of data collection and storage at EU level [for example at ESMA] to facilitate supervision of market activities, and to reduce IT and compliance costs for financial companies and supervisory authorities.

- 3. Reassess the regulatory framework to reduce regulatory burden and transaction costs for market participants.**

We invite the Commission, following a thorough assessment, to consider bringing forward proposals to reduce regulatory burden in the EU's financial market framework, in particular

for smaller market participants, to improve the EU's competitiveness as a financial hub, while maintaining the related policy objectives.

Any new legislative initiatives, in the three areas to foster the Capital Markets Union and in financial services in general, should also always be based on thorough impact assessments in line with agreed principles for better regulation to support informed decisions based on aggregate effects and cost estimates at EU and, whenever possible, at national level.

4. Targeted harmonisation of national corporate insolvency frameworks.

We invite the European Commission to monitor the effectiveness of the changes to national corporate insolvency procedures currently being negotiated, and based on that evaluation, assess the need for additional measures to facilitate further convergence in specific features of insolvency frameworks that could deter cross-border capital markets/investments, notably the ranking of claims and insolvency triggers or the rules for financial collateral and settlement.

5. Further harmonise accounting frameworks in a targeted manner to enhance cross-border comparability of available information on companies, without increasing administrative burden, to allow in particular small and medium sized businesses (SMEs) and other non-listed firms to 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, including with regard to the development of a voluntary IFRS-light regime for SMEs. We encourage the industry to make use of the ESAP and invite the European Commission to report on its progress regularly.

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

We invite the European Commission and Member States to assess [and, if appropriate, address] obstacles that could hinder mergers and acquisitions or other forms of integration of market infrastructure, including stock exchanges, with the view to strengthening European centres of expertise.

We also invite the European Commission to monitor 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.

7. Foster equity financing through well-designed national corporate tax systems to ensure EU companies have access to diversified sources of funding.

Member States are invited to investigate ways to reduce the debt equity bias (for example through their national tax systems) and share best practices and plans to address 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.

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

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 private investors.

We invite the European Commission, in cooperation with Member States, to assess the **impediments, including of a regulatory nature, to cross-border investment, especially in the EU equity market, by institutional investors, including pension funds and**, based on this assessment, consider ways to tackle the impediments.

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.

- 9. 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 comprehensive 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 citizens' 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 attractive, consumer-centric, investment products, underpinned by a robust retail investor protection framework that bolsters trust in capital markets.**

- 10. Create an attractive, easy-to-use and consumer-centric investment environment**, including easy-to-use and secure digital interfaces developed by the industry, **and provide incentives to citizens to encourage them to make better use of the opportunities of capital markets.**

Member States are invited to assess ways to make their respective personal income tax systems more supportive of investments in capital markets. Notably, Member States should review the tax treatment of long-term retail investment products and of capital gains and losses.

We invite the European Commission to identify and propose best practices and monitor and assess 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 building on the retail investment strategy. Easy access to simple, transparent and low-cost retail investment products, with appropriate risk-return profiles for all EU citizens, should be facilitated.

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

We invite the European Commission, if necessary, to come forward with legislative proposals to facilitate [retail] access [for all citizens] to an easy-to use digital investment environment.

11. Support sufficient complementary income streams for an ageing population through wider use of longer-term savings and investment products, including through occupational and personal pension schemes.

We invite the European Commission to review and consider whether to further develop and improve 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, where needed, based on input from the European Commission. 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.

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

Member States are invited to create initiatives to improve financial literacy among citizens as well as SMEs, combined with targeted initiatives to create more interest in long-term wealth-creation through 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 Rights Directive, notably with the aim to better harmonize shareholder rights in the EU, including the definition of shareholders and to ensure that cross-border shareholders do not face undue obstacles when exercising their ownership rights.

13. Develop attractive cost-effective cross border investment/saving products for retail investors.

We invite interested Member States and the European Commission to examine the potential of developing a framework for a common cross-border market-based savings product for citizens, and assess its impact. Such product could also be aimed at young citizens, offering them an early hands-on capital market experience through mechanisms such as a programmed monthly contribution and a diversified allocation by default.

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, 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, in full respect of the competences of the European Commission and the Council, will continue to play an active role in discussing the key political issues to further development of the Capital Markets Union. In this regard, the Eurogroup in inclusive format commits to **taking stock regularly of the performance of European capital markets** and to 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 report on their **national initiatives to deepen capital markets**, including any impact assessment, to Member States. We also invite the European Commission to report on progress on EU level initiatives and on capital market developments, based on **quantitative key 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.

The Eurogroup in inclusive format looks forward to a **rapid completion of the outstanding legislative work** following the 2020 Capital Markets Union action plan.

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 make active use of created opportunities and 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 sustainable growth and financial stability in the EU.