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High Level Forum on the EU Capital Markets Union Releases Interim Report

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Trading and Markets RE: High Level Forum on the EU Capital Markets Union Releases Interim Report

The High-Level Forum (Forum) on the EU Capital Markets Union (CMU) has published an interim report, *A new vision for Europe's capital markets*, setting out its rationale and priorities to guide its CMU work through May when it will make its final recommendations.[\[1\]](#) The interim report reflects the views of the Forum and not the views of the European Commission.

The European Commission launched the Forum in November 2019 with a mandate to propose targeted policy recommendations for future CMU actions. The Forum consists of 28 “wise men and women” from across the European Union, representing experts from asset management, banking, insurance, trading, civil society, and academia.

Diagnosis of issues to stress the political urgency of the CMU

The interim report does not yet put forward any specific policy proposals. It discusses why the prior CMU initiative did not succeed, the challenges facing Europe and how a functioning CMU can help address them, and sets out guidelines for the recommendations it will produce.

The report emphasizes “an unprecedented sense of urgency” for completing the CMU, especially following the departure of the United Kingdom from the European Union (EU) and calls for “strengthening the EU supervisory architecture”. The report also highlights the challenges of aging demographics and a prolonged low-interest rate environment, as well as the need for “a large-scale switch to equity investments”. More market financing is also needed to grow Europe’s competitiveness and to help finance ambitious sustainable objectives.

Noting that the “first CMU Action Plan was criticised for addressing only ‘low-hanging fruit’” and not addressing issues that are politically challenging at the Member State level, the Forum calls for “the measures that may be politically difficult, but that will lead to tangible results”. It calls for channeling the strong political support for the CMU project into “an agreement between competent legislators at the European and national levels”. To accomplish this, “the Capital Markets Union needs to tackle cross-border and domestic barriers and other obstacles that lead to capital markets’ fragmentation, inadequate access of businesses to market-based financing, and lack of long-term investment by citizens and institutional investors”.

At this stage, the Forum identified the following focus areas:

- Improving financing for businesses, including through measures supporting the development of cross-border long-term investment vehicles. (The report cites to the success of UCITS as an illustration of how a harmonised EU product label can succeed in the EU market and abroad).
- Improving market infrastructure, including through measures to enhance integration and efficiency of trading and post-trading and to improve liquidity of secondary markets.
- Enhancing investment by retail investors, including through providing access to “adequate occupational and personal pension products” and with assistance of professional intermediaries, along with measures to develop financial literacy of retail investors and equity culture and to provide access to high-quality advice.
- Addressing several cross-cutting issues that include measures to resolve the tax-related obstacles in cross-border investment and measures to seek convergence of supervisory outcomes across Europe. The report foresees an increasing role for European Supervisory Authorities (ESAs) in the post-Brexit environment, observing that today’s ESAs “still lack sufficient powers to ensure what is enshrined in their mandate”.

Next steps for Forum

The Forum will publish its final report in May, which will contain concrete and targeted policy recommendations to the European Parliament, Member States, the European Commission, and other stakeholders. It has stated that it will “go further than any report published so far” by providing more than “broad policy recommendations” and setting out the method and process to accomplish them. The Forum is expected to “propose only those policy measures that will produce the maximum impact on the ground or will be **the game-changers**”. The Forum also will suggest a clear delivery timetable that will be monitored against a set of indicators.

Although there is no formal consultation on this interim report besides the Forum’s website accepting comments on what the Forum should be discussing in the context of CMU,^[2] the Commission, in parallel, is in a key period of prioritising its next steps on CMU. Therefore, when the Forum publishes its final report in May, we expect the key parameters of the Commission’s next steps to be largely set even if there is technically an opportunity for comment on the final recommendations. Interested parties, such as members and ICI, must engage directly with the Commission and the key members of the Forum before the publication of the final report.

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endnotes

[1] *Available at*

https://ec.europa.eu/info/files/200220-cmu-high-level-forum-interim-report_en.

[2] The Forum's website is *available at*

https://ec.europa.eu/info/publications/cmu-high-level-forum_en.

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