University of St.Gallen

# From the European Crisis to the Capital Markets Union

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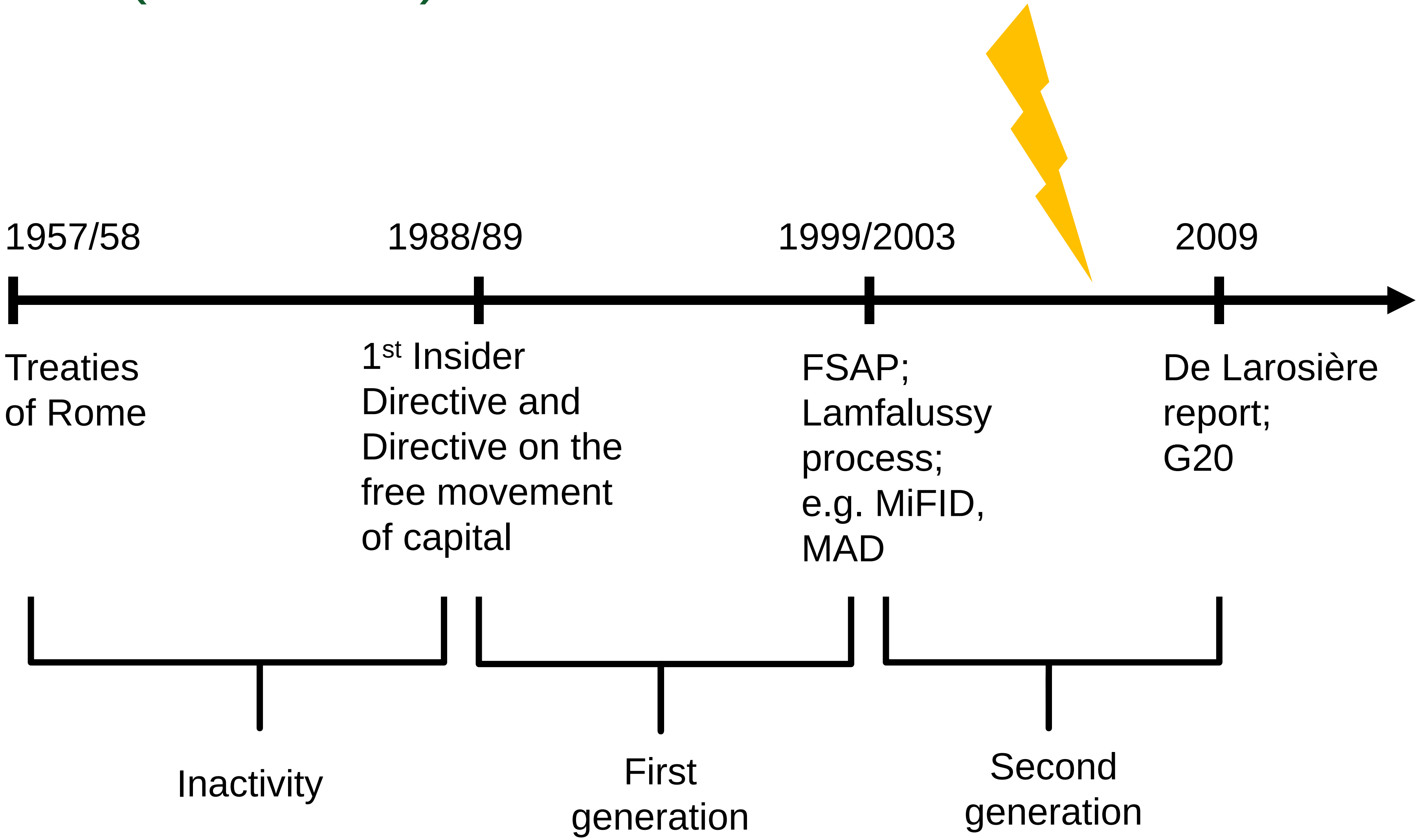
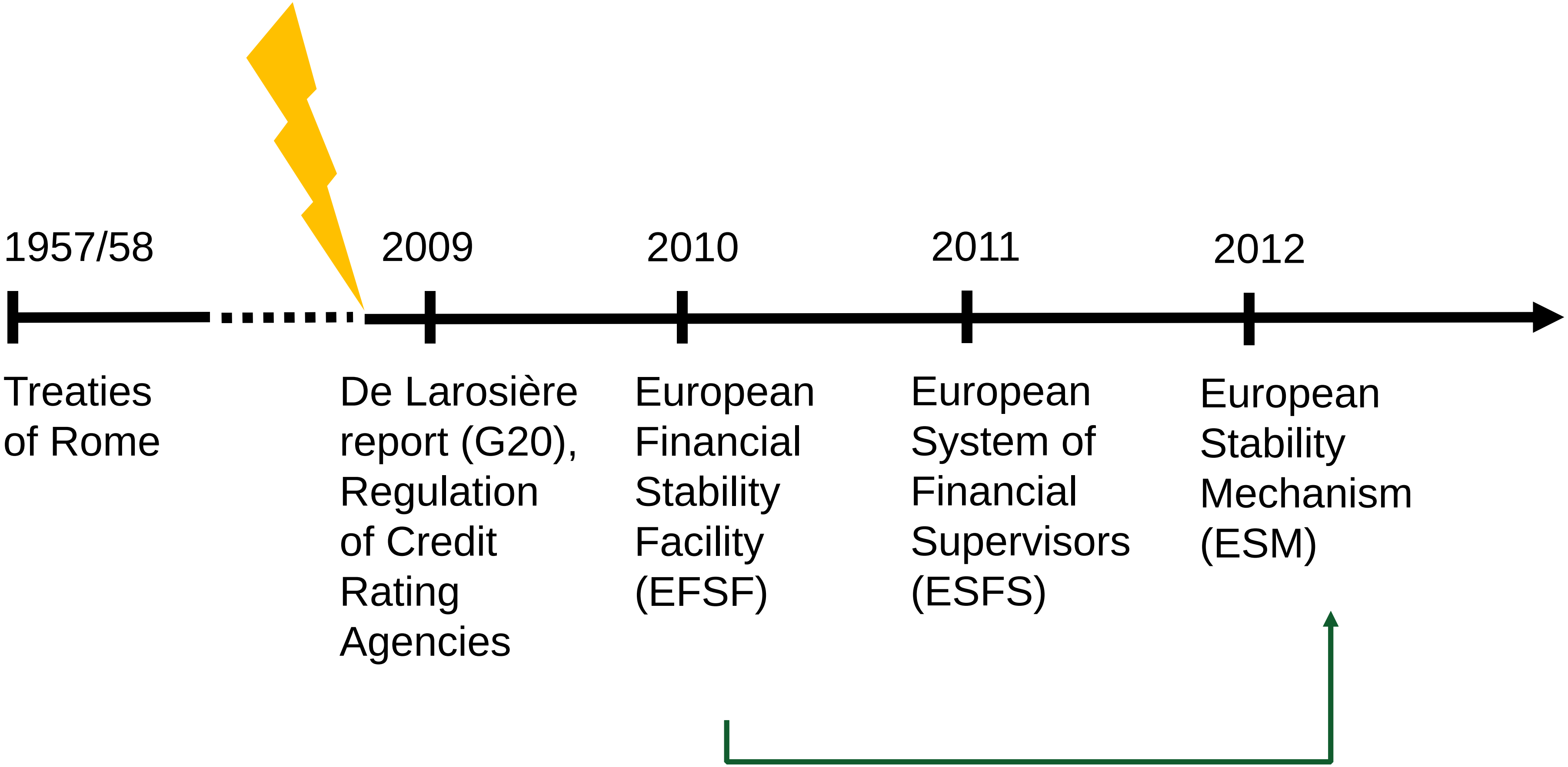
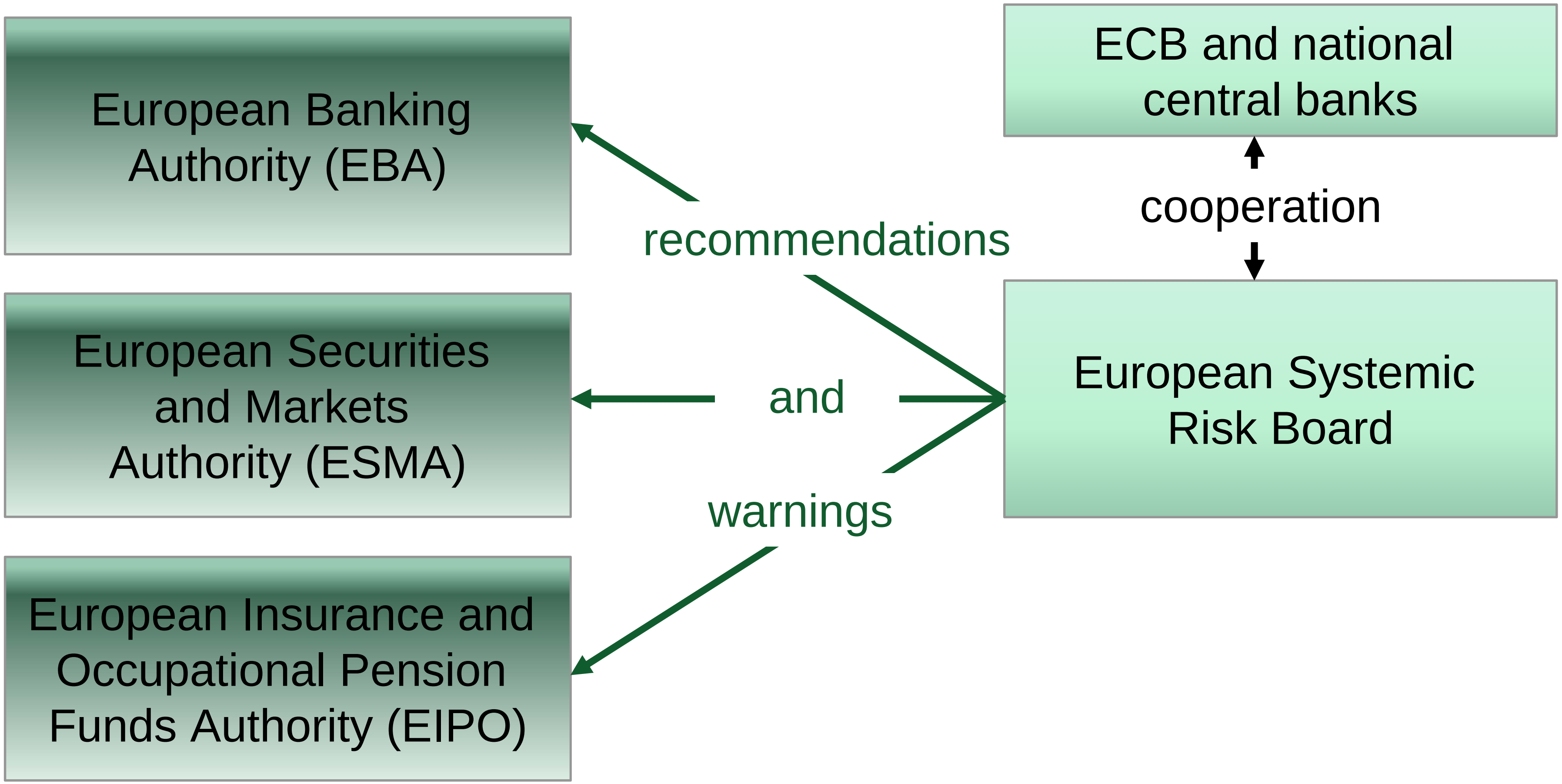
# Development of the EU Capital Markets Law (until 2009)



# Development of the EU Capital Markets Law (2009-2012)

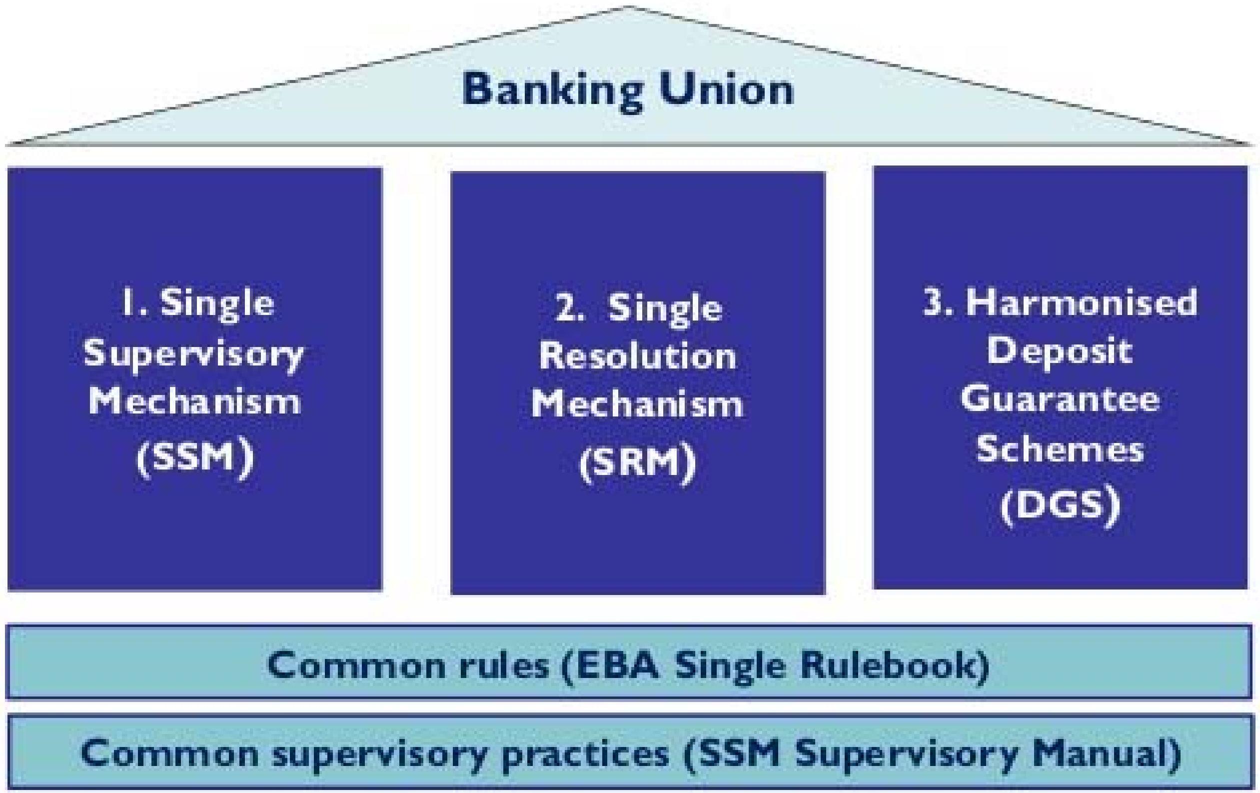


# European System of Financial Supervision (2011)



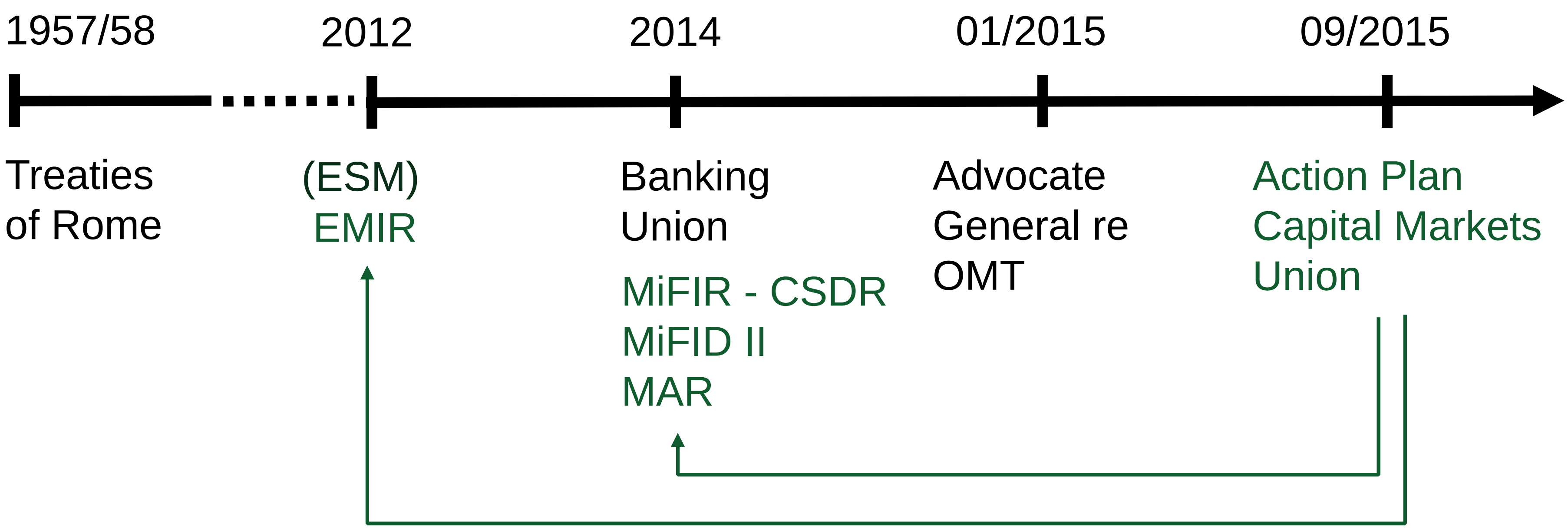
# Development of the EU Capital Markets Law (2012-2020)

# European Banking Union (2014)




Source: European Central Bank

# Development of the EU Capital Markets Law (2012-2015)

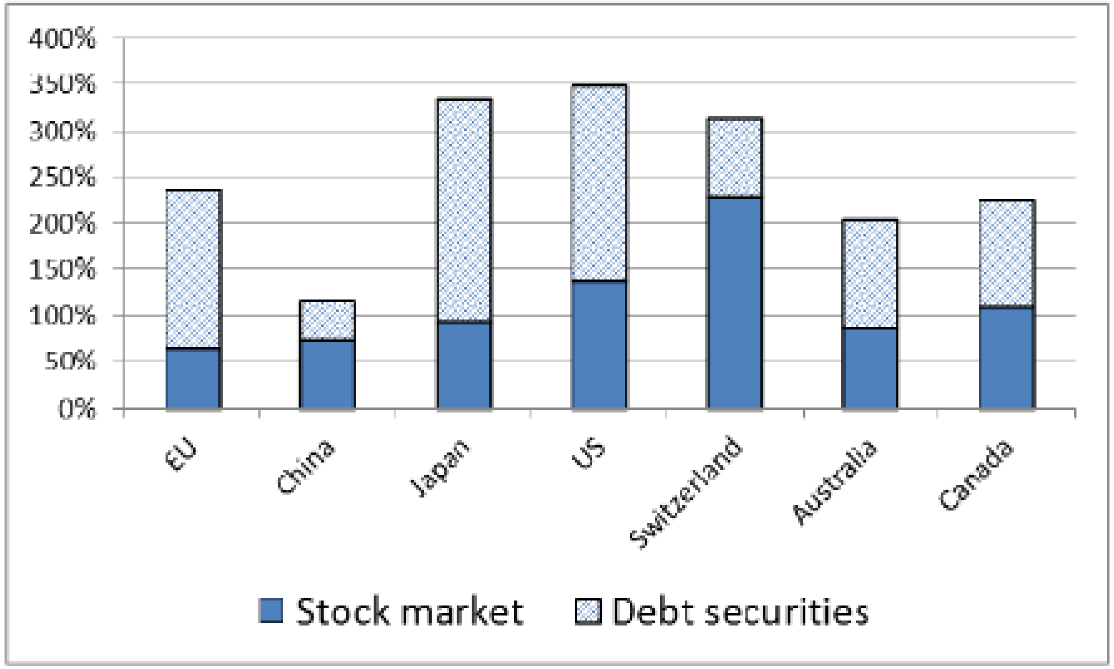


# Capital Markets Union
## New («old») Priorities

- Competitiveness of European companies, in particular the SME sector
- Growth and attractiveness for investors from third countries
- Depth and structure of the US capital market as a benchmark, in particular in view of
  - the lesser importance of bank loans for corporate financing,
  - the larger volume of direct financing through public markets (stocks and bonds), and
  - the greater importance of investment capital and private placement.

# Capital Markets Union
## New («old») Priorities

**Chart 2: Stock market capitalisation and debt securities (% of GDP)**

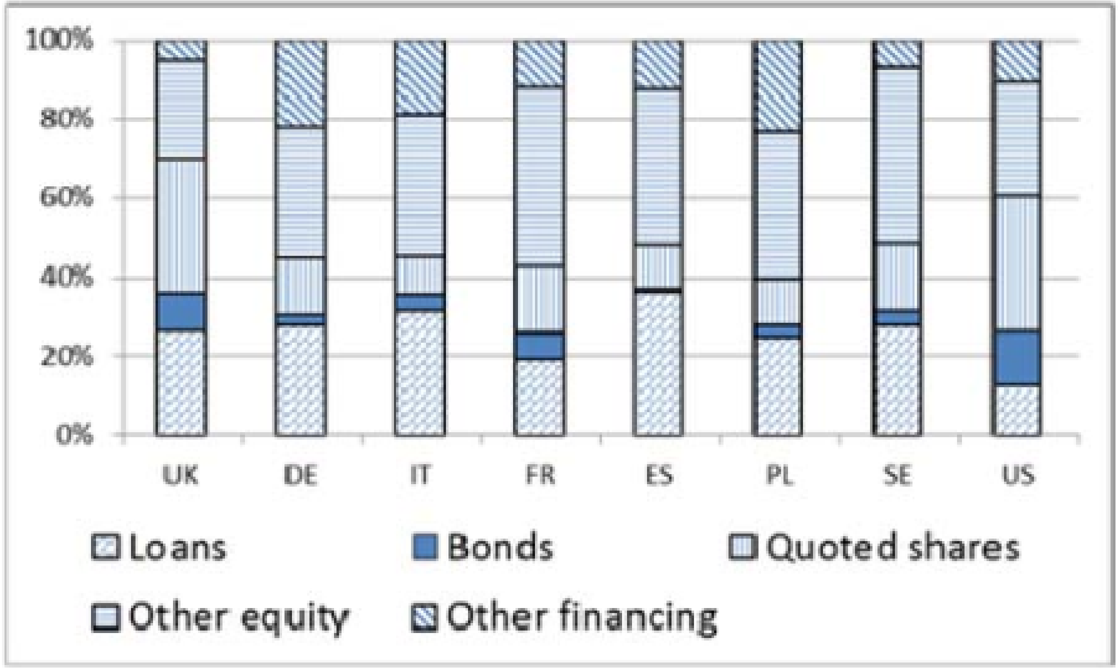



Source: COM(2015) 65

# Capital Markets Union

## New («old») Priorities

**Chart 3: Financing patterns corporates (in % of total liabilities)**




Source: COM(2015) 65

# Capital Markets Union – First steps

- Revision of the Prospectus Directive
  «This will update when a prospectus is needed, streamline the information required and the approval process, and create a genuinely proportionate regime for SMEs to draw up a prospectus and access capital markets.»
- Regulation on securitizations with updated calibrations for the CRR
- Establishment of infrastructure investments and revised calibrations for Solvency II and a proposal to revise the Prospectus Directive

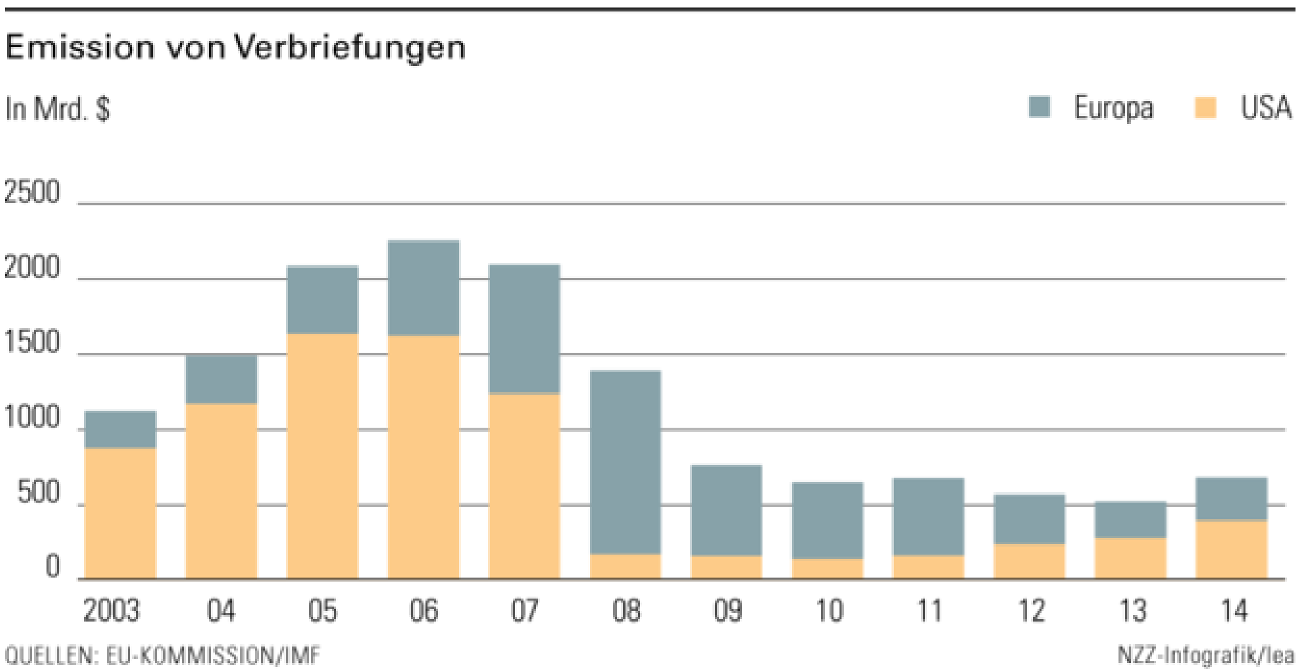
# Capital Markets Union – Medium term steps

- Legislative draft regarding corporate insolvencies with provisions for early restructuring and "Second Chance" (elimination of the main obstacles to the free movement of capital)
- Proposal for a common consolidated corporate tax base (checking the elimination / reduction of the difference in treatment between debt and equity financing)
- Package of measures to promote risk and venture capital financing with amending the EuVECA and EuSEF regulation, proposals for different European venture capital fund of funds and cross-border funds as well as tax incentives

# Capital Markets Union – Medium term steps

- Adapt the Solvency II calibrations to better reflect the real risk of investment in infrastructure, and then check the treatment of infrastructure positions in equity regulation
- Removal of uncertainties relating to ownership of securities and further improvement of the regulations for the clearing and settlement of cross-border securities transactions
- «Work with the European Supervisory Authorities (ESAs) to develop and implement a strategy to strengthen supervisory convergence and identify areas where a more collective approach can improve the functioning of the single market for capital.»

# Capital Markets Union – Medium term steps



# Regulations on Securitization

- Distinction between
  - (ordinary) securitization,
  - STS securitization (simple transparent standard), and
  - ABCP programs (asset-backed commercial paper).
- Basis of the draft regulation is, inter alia, the international standard of the BCBS-IOSCO Task Force.
- Due diligence obligation for institutional investors
- Risk retention obligation for the originator or the original creditor:

  «shall retain on an ongoing basis a material net economic interest in the securitization of not less than 5%»

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# *Thank you!*

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