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### Action Stations as EU Publishes CMU Action Plan

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On 30 September 2015, the European Commission (EC) published its much anticipated Action Plan (Action Plan) on Building a Capital Markets Union (CMU). The publication of the Action Plan follows the launch of a Green Paper: Building a Capital Markets Union, together with a consultation paper on the creation of a high-quality securitisation market and a further paper proposing a review of the Prospectus Directive on 18 February 2015. Responses were requested by 13 May 2015, following which a conference took place over the summer prior to today's publication of the agreed Action Plan.

The CMU forms part of President Juncker's EUR315bn investment plan to strengthen Europe's economy and stimulate investment to create jobs. In addition to the Action Plan, the EC has published legislative proposals relating to securitisation and Solvency II legislation. The EC also issued a consultation on how to build a pan-European covered bond framework, a call for evidence on the cumulative impact of financial reforms and a consultation on venture capital. The CMU Action Plan and the related legislative proposals and consultations can be accessed by clicking [here](#).

The EC intends for a "well-functioning and integrated" CMU to be established by 2019 and will assess its progress on an annual basis as well as conducting a full review in 2017.

The key priorities under the Action Plan include:

- **Encouraging long term financing in infrastructure:** The EC highlights the role that it hopes that European Long Term Investment Funds (ELTIFs) will have in long term cross border projects once the ELTIF Regulation comes into force in December 2015. The EC has issued a legislative proposal to amend the Solvency II Directive to re-calibrate the regulatory capital treatment of investment in infrastructure projects and in ELTIFs in order to ensure that they are more risk sensitive and encourage investment by institutional investors. By the end of 2017, the EC will also assess whether the capital treatment of private equity and privately placed debt in Solvency II is an impediment to insurers investing in such



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- **Promoting a better functioning securitisation market:** Through a number of proposed amendments and the introduction of simple transparent and standard (STS) designation for securitisations the EC intends to revitalise the European securitisation. Of particular importance to the market will be the proposed re-calibration of capital requirements for institutional investors who invest in STS securitisations. For more information on the securitisations proposals, please see our publication "[European Commission publishes major changes to European securitisation rules](#)".
- **EU-wide covered bond framework:** Before the end of 2015, the EC will also examine the viability of building a pan-European covered bond framework and will continue to explore the possibility of allowing local credit unions to operate outside of the capital requirements framework for banks.
- **Reducing investment barriers between EU member states:** The EC will consult on key barriers resulting from different insolvency regimes and publish a legislative proposal on business insolvency, address ambiguities relating to securities ownership, improve existing clearing and settlement procedures for cross border securities transactions, strengthen supervisory convergence within the EU and encourage regulatory cooperation with third countries.
- **Amending disclosure requirements:** The EC has identified the need to review how corporate disclosure about an entity seeking access to the capital markets is produced. This is currently governed by the Prospectus Directive which will be updated to clarify when a prospectus is needed, streamline the information required and the approval process, and create a proportionate regime for SMEs to draw up corporate disclosure and access capital markets. Proposals to amend the Prospectus Directive can be expected in November 2015. A review of the Prospectus Directive may have knock-on effects for other participants in the capital markets, particularly if there is also a focus on streamlining information made available to retail investors, as this may force a fundamental shake-up in how disclosure surrounding retail products is presented by financial counterparties. The EC has also indicated that it will work with the International Accounting Standards Board to develop a set of accounting standards specifically for SMEs admitted to trading on public markets and will review the regulatory barriers to SMEs trading on public markets.
- **Providing more funding choices for European businesses and SMEs:** The EC has also stated it intends to introduce measures to better connect SMEs with potential funding sources, and will promote forms of non-bank financing such as venture capital, crowd-funding, as well as private placement and loan-originating funds. In relation to private placement, the EC acknowledges its support for the steps taken by the ICMA and the German Schuldscheine regime to standardise the process and documentation for the private placement market.

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- **Greater choices for retail investors:** The EC recognises the importance of retail savings held through asset managers, life assurance companies and pension funds and intends to publish a Green Paper before the end of 2015 on retail financial services and insurance to assess ways to boost competition and choice, and examine the regulatory framework for retail investment.

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