



PRESS RELEASE

Europe's Untapped Capital Market

Rethinking integration after the great financial crisis

Brussels, 3 February 2016 – The European Capital Markets Institute (ECMI) and the Centre for the European Policy Studies (CEPS) are pleased to announce the launch of a report of the European Capital Markets Expert Group (ECMEG). The report offers a methodology to identify and prioritise cross-border barriers to capital markets integration and provides a set of policy recommendations to improve its key components: price discovery, execution and enforcement. In particular, evidence suggests that data comparability among European financial and non-financial firms, from accounting to conflict of interest data, is very low. Less discretion and greater transparency of internal calculation methodologies for IFRS reporting and a centralised database for company filings and business registries are among its 33 policy recommendations. Tax and authorisation procedures are in some cases unnecessarily cumbersome or even discriminatory for foreign EU firms. Enforcement of rules and contracts is currently the weakest piece of Europe's financial system, as convergence relies on a handful of bodies that have limited powers and on a system of governance that does not protect the 'European interest'. This report calls for the European Securities and Markets Authority (ESMA) to play a central role in the integration process, equipped with more binding powers to advance convergence in specific areas, such as accounting practices and licensing of UCITS and AIFs. ESMA would still rely on the network of national regulators, but with a more independent management, more shared competences and a specific list of entities under its direct supervision. The quality of national courts is also very low in relation to other advanced non-EU economies and policy actions remain insufficient in areas like insolvency proceedings and redress procedures.

The study provides a long-term contribution to the Capital Markets Union (CMU) project launched last year by the European Commission. The report calls for a rethink of financial integration policies in the European Union and a barrier removal plan to achieve greater capital markets integration. The lack of risk diversification in the European financial system, due to limited cross-border banking and capital markets activities, lies behind the retrenchment of capital flows within national financial systems. Limited cross-border equity holdings and constrained participation of households and traditional institutional investors in capital markets keep markets fragmented and costly. An EU-wide action to promote competition among national capital markets could free up to €1.8 trillion in cash and deposits to invest in more profitable and riskier projects and so to create growth and jobs.

The report, authored by Diego Valiante, Head of Financial Markets and Institutions at CEPS, is the result of extensive research and discussions with a dedicated group composed of 15 authoritative academics and international experts, chaired by Francesco Papadia, former Director General of the European Central Bank. The ECMEG interacted with a broader group (the Task Force) including members from industry, as well as observers from EU institutions, national authorities and academia. Set up in December 2014, the ECMEG met five times between December 2014 and June 2015.

For a description of the report and a list of policy recommendations, please see the attached Executive Summary. The full report will be available for download at: <https://www.ceps.eu/publications> from February 3rd, 13:00h CET. For press interviews, please contact, Diego Valiante by phone at +32 229 3914 or by e-mail at diego.valiante@ceps.eu.



DISCLAIMER

This report is based on discussions held during the meetings of the European Capital Markets Expert Group (ECMEG), a group composed of academics and international experts. Joint meetings with the CEPS-ECMI Task Force, which included experts from the industry, academics and policy-makers, supported the work of the ECMEG.

The findings of this Final Report do not necessarily reflect the views of all the members of the ECMEG and the Task Force or the views of their respective companies. However, ECMEG members have been involved during the drafting of the Final Report and provided input to the discussions through presentations and provision of data and other materials, which have been used for the Final Report. A set of principles has guided the drafting process to allow all of the interests represented in the Task Force to be heard.

The Final Report was independently drafted by the main author, who is solely responsible for its content and any errors. Neither the ECMEG members nor the Task Force members (or their respective companies) necessarily endorse the final conclusions of the Report.

ABOUT ECMI

The European Capital Markets Institute (ECMI) - Informing Policy on European Capital Markets

The European Capital Markets Institute (ECMI) was established as an independent non-profit organisation in 1993, in a collaborative effort by the European Federation of Financial Analysts Societies (EFFAS), the Federation of European Securities Exchanges (FESE) and the International Capital Market Association (ICMA). Membership of the institute is composed of private firms, regulatory authorities and universities. Since 2005, the Centre for European Policy Studies (CEPS), a highly reputed, independent think-tank in Brussels, hosts and manages ECMI.

ECMI conducts original research into European capital markets, thereby informing current debate and policy-making. Through its various activities, it acts as a focal point for interaction between market participants, policy-makers and academics.

ABOUT CEPS

The Centre for European Policy Studies (CEPS) - Thinking Ahead for Europe

Founded in Brussels in 1983, the Centre for European Policy Studies (CEPS) is among the most experienced and authoritative think tanks operating in the European Union today. CEPS serves as a leading forum for debate on EU affairs, and its most distinguishing feature lies in its strong in-house research capacity, complemented by an extensive network of partner institutes throughout the world. CEPS' funding comes from a variety of sources, including membership fees, project research, foundation grants, conferences fees and publication sales