



EUROPEAN COMMISSION

Commissioner Mairead McGuinness
Financial Services, Financial Stability and Capital Markets Union

Brussels,

Dear Ministers Primorac, Brunner and Boštjančič,

Thank you for your letter on the way forward for the Capital Markets Union (CMU) and for your constructive engagement on this matter.

I wholeheartedly agree that the CMU is at a critical juncture and that in the years ahead we must unleash our capital markets so that we can support essential economic growth we attain the level of investment required to support EU's competitiveness, finance EU start-ups and innovative companies and make the green and digital transitions successful.

I am pleased that the Commission has implemented all actions from the 2020 CMU Action Plan. While there have been some significant divergences between Commission proposals and some pieces of legislation finally adopted, I believe that good progress has been made. I expect the measures taken will have a positive impact on the development of our capital markets and growth in the wider economy in the years ahead.

Attention is being increasingly drawn to the next Commission's mandate and measures that could form part of the future CMU strategy. While it would be premature to discuss the details of future measures, I can assure you that technical preparations are underway. Taking account of the recent statement of the Eurogroup in inclusive format, the conclusions of the European Council, the statement of the ECB Governing Council, the reports from Enrico Letta and Christian Noyer, as well as your own letter to me, I believe there are some recurrent issues which would deserve consideration. In her statement at the European Parliament Plenary on 18 July, President von der Leyen called for completing our Capital Markets Union and mobilising more private financing. She underlined the need to leverage the EU's enormous wealth to create growth here in Europe and she proposed a European Savings and Investments Union.

Mr Magnus BRUNNER,
Federal Minister of Finance of Austria

Mr Mr Marko PRIMORAC
Minister of Finance of Croatia

Mr Mr Klemen BOŠTJANČIČ
Minister of Finance of Slovenia

On securitisation, we must examine ways to grow the market by making it more attractive for issuers and investors alike. Examining regulatory burdens and limitations placed on market actors will be key. I announced that an extensive public consultation will be launched on this issue in the autumn and I would welcome your input to that process.

Regarding supervision, we are looking at how we can appropriately develop more supervisory convergence to improve the functioning of the single market, ensure a better level playing field and reduce burdens, particularly for companies active in multiple Member States. You are right to point out that we need to have more efficient and effective use of the existing powers of the European Supervisory Authorities and more generally, we should be mindful of increasing administrative and regulatory costs.

With respect to market consolidation, the EU's fragmented markets are a significant drag on overall competitiveness and innovation potential. We need to understand better the dynamics and identify obstacles to consolidation. It is likely that those barriers will differ across market segments and Member States. But any policy response should aim at supporting and enabling "natural consequences of individual market participants", as you put it, and not by mandating change. Nevertheless, we need to make sure that there are no regulatory barriers to market-driven consolidation. We are about to launch a study to better understand the dynamics and are engaging with Member States, including through the Financial Services Committee. I expect there to be much more stakeholder engagement in this area over the coming period.

On retail investment, we are looking at further ways to increase retail participation and the footprint of EU pension funds in capital markets, which has the potential to significantly increase the size of EU capital markets. With higher levels of financial literacy, many people will recognise they are missing out on participating in capital markets where it pays to put their savings to work by investing in EU companies. It should be the case that saving for retirement or for major life events can be better supported by greater engagement in EU capital markets. Similarly, people should have easier access to safe and cost-efficient products that suit their needs.

Regarding your point on the administrative burden and efficiency, you will see that this is a thread running through many of the policy areas I have already outlined, and I fully agree on its importance. We have a comprehensive set of legislative and supervisory frameworks across our financial services, and we must now focus on making those frameworks function as efficiently as possible. The EU must increase its competitiveness and therefore intensifying the efficiency and effectiveness of our existing frameworks will be an essential task.

A range of other measures may also be necessary, but these will be set out by the next Commission.

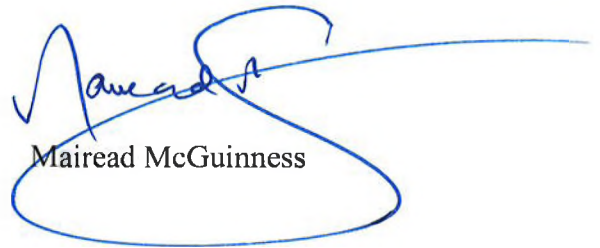
Special care must be taken to ensure that existing divides between different national markets are not widening. To be left out of the future CMU integration and development is to be left behind.

And the CMU must build on all Member States' strengths and successes and look across the EU for best practice, ideas and solutions.

Senior officials in DG FISMA have already begun planning visits to all 27 Member States and I know that dates have already been set in September for visits to Ljubljana and Zagreb. A visit to Vienna will be scheduled as soon as the new government is formed following the elections in autumn. These engagements offer an excellent opportunity to engage directly on pressing CMU issues and to better understand the perspectives and lessons-learned from Member States. These country visits are just one part of a wider range of stakeholder consultations, as understanding and integrating Member State views are critical if we are to make further and faster progress on the CMU.

On a personal level, I would like to thank you for your support on the CMU and I hope we can count on your continued constructive and pragmatic engagement on this project.

Yours sincerely,



Mairead McGuinness