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Capital Markets Union: The EU's Next Focus for Reforms

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On 18 February 2015, the European Commission published a green paper on building a Capital Markets Union, alongside two complementary consultation papers on a revised EU framework for securitisation and a review of the Prospectus Directive. The proposals are part of an initiative to develop a more integrated single market for raising capital across the EU. The proposals in the green paper are in outline form because the ideas for creating the Capital Markets Union remain at an early stage of development. However, with an action plan due to be published later in 2015, they provide insight into the early ideas of the Commission. In this note, we explore the main changes proposed.

Introduction

The green paper¹ consults on the establishment of a Capital Markets Union (the “CMU”), the development of which is considered necessary by the Commission to lower the costs of funding within the EU and increase sources of funding for businesses by ensuring the capital markets fulfill a greater role in channeling finance to the economy. The paper identifies five priority areas for early action: (i) reducing barriers that prevent access to capital markets; (ii) widening the potential investor base for small and medium-sized enterprises; (iii) building a sustainable securitisation market; (iv) boosting long-term investment; and (v) developing a more harmonised European private placement market. The Commission is seeking to “create a single market for capital for all 28 member states by removing barriers to cross-border investment within the EU and fostering stronger connections with global capital markets.”²

The Prospectus Directive³ consultation seeks views on making it easier for companies to raise capital throughout the EU, whilst maintaining effective investor protection, through simplified disclosure in prospectuses. The consultation on an EU framework for simple, transparent and standardised securitisations aims to

¹ European Commission, Green Paper: Building a Capital Markets Union, 18 February 2015.

² Green Paper, p.5.

³ Directive 2003/71/EC, as amended.

develop a regime for high-quality securitisation, through greater standardisation, legal certainty and comparability across securitisations.

The CMU proposals in the green paper are part of the European Commission's commitment to "boosting jobs and growth in Europe."⁴ The growth objective will be furthered through the Investment Plan for Europe, announced at the end of 2014 (discussed further below).⁵ The Commission has committed to put in place the building blocks for a well-regulated and integrated CMU for all 28 member states by 2019. Given the various legal and political challenges involved, this is an ambitious timeframe.

Current Status of Capital Market Financing in the EU

Compared with some jurisdictions, capital market financing in Europe is relatively underdeveloped, with corporate finance being more concentrated in the banking sector. In the EU, businesses get approximately 80% of their financing from banks and 20% from debt securities, whereas in the US these ratios are broadly reversed.⁶ Funding can therefore become constrained when the banking sector is under pressure, as was seen during the recent financial crisis. Funding constraints, in turn, negatively impact growth. This is a particular issue for small and medium enterprises ("SMEs"), which are generally less able than larger corporates to obtain funding in the capital markets. By diversifying the range of available funding sources, particularly for SMEs, a CMU would seek to support sustainable growth across the EU.

Capital markets in the EU are also fragmented along national lines. Different rules, documentation and market practices for securitisations, private placements and crowdfunding⁷ apply in different member states. Cross-border transactions are hampered by a lack of harmonisation across legal requirements and tax treatments. Insolvency and company laws, for example, are harmonised to only a very limited extent. This fragmentation hinders the free movement of capital across the European single market, and the CMU is the first major cross-sectoral initiative to address this.

Despite rumours which circulated prior to the publication of the proposals, the green paper makes no reference to a new EU-level supervisory body, or "super-regulator," for the CMU. The current intention appears to be to adapt the existing European supervisory framework based around the European Supervisory Authorities ("ESAs").⁸

The Commission has stressed that it does not intend to produce large volumes of new legislation to facilitate the CMU, but instead will rely principally on adapting existing frameworks or on market-led solutions, where this is feasible. Neither will there be a "big bonfire of existing regulations in the name of growth."⁹

⁴ Jonathan Hill, "Unlocking Funding for Europe's Growth" (Speech) Brussels, 18 February 2015.

⁵ Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank: An Investment Plan for Europe /* COM/2014/0903, 26 November 2014.

⁶ Jonathan Hill, Capital Markets Union – finance serving the economy (speech) Brussels, 6 November 2014.

⁷ The European Banking Authority published an opinion on 26 February 2015 proposing the harmonisation of practices across the EU for the supervision of crowdfunding in order to avoid regulatory arbitrage, create a level playing field, ensure that market participants have confidence in crowdfunding as a market innovation and contribute to the single European Market, see: [https://www.eba.europa.eu/documents/10180/983359/EBA-Op-2015-03+\(EBA+Opinion+on+lending+based+Crowdfunding\).pdf](https://www.eba.europa.eu/documents/10180/983359/EBA-Op-2015-03+(EBA+Opinion+on+lending+based+Crowdfunding).pdf).

⁸ Jonathan Hill, [Capital Markets Union – finance serving the economy](#) (speech) Brussels, 6 November 2014.

⁹ Jonathan Hill, [Capital Markets Union – finance serving the economy](#) (speech) Brussels, 6 November 2014.

The CMU also has an international outlook. It is likely that a better functioning single European capital market would both help to attract additional international investment and enhance the global competitiveness of the EU.

In light of this, the CMU will seek to fulfil the following objectives:

- Improving access to financing for all businesses across Europe (in particular SMEs) and investment projects such as infrastructure;
- Increasing and diversifying the sources of funding for investors in the EU and all over the world; and
- Making markets work more effectively and efficiently, linking investors to those who need funding at lower cost, both within member states and cross-border.

Proposed New Initiatives – Short Term

The green paper identifies a number of priority areas for action in the short term.

Review of the Current Prospectus Directive Regime

The EU prospectus regime defines the gateways into the EU capital markets for firms seeking funding and is therefore of critical importance to the CMU. Although some harmonisation has been achieved in the EU under the Prospectus Directive, various barriers remain, including the complexity of the prospectus approvals process and differing implementation of requirements across member states. The Commission has launched a parallel consultation on a review of the current Prospectus Directive regime, with a view to making it easier for companies (including SMEs) to raise capital.¹⁰ One key aim is to narrow the circumstances where a prospectus is required, for example, by widening current exemptions for private placements, introducing new exemptions for secondary issuances and improving the “proportionate disclosure regime” (currently limited to rights issues) so that more use can be made of it. In addition, possible extensions are proposed to the scope of the employee share scheme prospectus exemption so that it might apply to employees of non-EU, non-listed companies. However, the Commission is also proposing extending the Prospectus Directive regime so that admissions of securities to trading on multilateral trading facilities (or MTFs) should also trigger the requirement for a prospectus, as is currently the case with admissions on exchanges, to create a level playing field and harmonise disclosure requirements. Another area of focus is streamlining the prospectus approval process. Unlike other EU passporting regimes, the Prospectus Directive does not provide for automatic passporting of a prospectus approved in one member state into other member states. Translations are required of the prospectus summary, which presents an additional cost that issuers prefer to avoid, and there are often concerns about bank or auditor liability for a broader retail distribution. Simplifying the information required in a prospectus to make it more accessible for investors, including by limiting the length of a prospectus, is also an identified priority. Other possible changes to the prospectus approval process include allowing issuers to carry out certain marketing activities which go beyond “advertising” (as currently permitted) while also requiring draft prospectuses submitted for approval to be made public.

Improving Credit Information on SMEs

SMEs in particular faced challenges in obtaining funding during the financial crisis. A limited amount of financial and other information on SMEs is publicly available, and as a result they have more difficulty in obtaining non-bank investment. The Commission proposes an improved SME credit information framework, with a common minimum set of standards for credit reporting and assessment, aimed at helping SMEs to attract funding without being too burdensome. This could also contribute to the development of SME securitisations or other methods of refinancing

¹⁰ Commission, [Consultation Document](#), Review of the Prospectus Directive, 18 February 2015.

SME loans. More publicly available credit scoring is also put forward as a way to diversify lending sources for innovative and high growth start-ups.

Encouraging 'High-Quality' Securitisation

Securitisation can provide a mechanism for transferring risk and increasing capacity for banks to lend. However, the EU securitisation market has not fully recovered since the financial crisis. Regulation of securitisation was tightened post-crisis with the introduction of a “skin in the game” risk retention requirement for originators or sponsors of securitisations and stricter capital requirements for securitisation exposures of banks and insurers.

The Commission has issued a separate consultation paper on an EU framework for simple, transparent and standardised securitisations.¹¹ The proposed EU securitisation framework will aim to:

- Restart markets on a more sustainable basis, so that simple, transparent and standardised securitisations can act as an effective funding channel to the economy;
- Allow for efficient and effective risk transfers to a broad set of institutional investors as well as banks;
- Allow securitisation to function as an effective funding mechanism for some non-banks as well as banks; and
- Protect investors and manage systemic risk by avoiding a resurgence of the flawed “originate to distribute” models.

Existing EU legislation has already introduced a notion of good quality securitisation which permits insurers to hold more risk-sensitive capital.¹² Further reforms will build on this framework and on the work already begun by the EBA.¹³ A number of EU, UK and international bodies including BCBS/IOSCO are also currently working on proposals on this topic.¹⁴

Supporting Take Up of Long-Term Investment Funds

Growth in the EU is being hindered by low levels of investment, which have not recovered since the financial crisis. In November 2014, the Commission announced an EU Investment Plan to unlock public and private investments in

¹¹ Commission, [Consultation Document](#), An EU framework for simple, transparent and standardised securitisation, 18 February 2015.

¹² On 10 October 2014, the Commission published delegated acts under Directive 2009/138/EC (“Solvency II”) and Regulation 575/2013 (“CRR”) on the Liquidity Coverage Ratio. Securitisation positions of banks and insurance firms will be eligible for a more proportionate and risk-sensitive prudential treatment, provided that they meet a set of eligibility criteria relating to the nature and underwriting process of underlying exposures, and structural and transparency features (http://europa.eu/rapid/press-release_IP-14-1119_en.htm?locale=en).

¹³ On 14 October 2014, the EBA published a discussion paper on “simple, standard and transparent securitisations” (EBA [Discussion Paper](#) on simple standard and transparent securitisations (EBA/DP/2014/02, 14 October 2014)). The EBA proposes: (i) a differing regulatory treatment for “structurally risky” securitisations and those that are “simple, standard and transparent” (“qualifying securitisations”); (ii) qualifying securitisations will be those meeting: (a) a set of criteria on simplicity, standardisation and transparency; and (b) a minimum credit quality of the underlying exposures; (iii) capital treatment of securitisations should be conservative but broadly consistent with the capital requirements for the underlying portfolio; and (iv) a systematic review of the regulatory framework for securitisation transactions should be carried out, comparing it to other frameworks such as for covered bonds.

¹⁴ Joint Bank of England and EBA [Discussion Paper](#): The case for a better functioning securitisation market in the European Union, May 2014. The BCBS and IOSCO [announced](#) on 3 July 2014 that they are co-leading a task force that will undertake a wide-ranging survey of securitisation markets worldwide. On 11 December 2014, the BCBS published a revised securitisation framework (<http://www.bis.org/bcbs/publ/d303.pdf>).

the economy of at least €315 billion over the next three years, through the establishment of the European Fund for Strategic Investment and a range of other measures.

Political agreement was reached on 27 November 2014 on the proposed Regulation on European Long-term Investment Funds (“ELTIF”), although the final legislative text remains outstanding.¹⁵ An ELTIF is a new type of Alternative Investment Fund (“AIF”) through which investors (including retail investors) can invest in companies and projects needing long-term capital. It is thought that these vehicles will appeal to insurance companies and pension funds which need steady income streams or long-term capital growth. Marketing of ELTIFs could possibly begin by mid-2015.

Views are requested in the green paper on what further role the Commission and member states could play in supporting the take-up of ELTIFs, including the possible extension to ELTIFs of advantages currently available under national regimes.

Developing European Private Placement Markets

The private placements targeted in the proposals are medium- to long-term senior debt obligations issued privately by companies to a small group of investors or to institutional investors only. In most EU countries, the private placement market is small. The exceptions are Germany and France, which between them accounted for approximately €15 billion of issuances in 2013.

The EU has few institutions which typically invest in private placement issuances and companies are therefore generally reluctant to undertake them. Instead, many EU companies access the US private placement market to raise capital.

The International Capital Market Association (“ICMA”) set up a working group in mid-2014 to promote the EU private placement market.¹⁶ Various private-sector bodies, the UK Treasury and the Banque de France are involved. A market guide has been established setting out standardised structures, practices and documentation compatible with different legal regimes.¹⁷ The Commission welcomes this market-led approach, which it suggests could help facilitate the creation of a European private placement regime in the short term.

In addition, many countries have preferential tax treatment for listed securities which discourages private placements. In the UK, a new exemption from withholding tax for interest on private placements was included in HM Treasury’s 2014 Autumn Statement.¹⁸

Proposed New Initiatives – Longer Term

Various longer-term measures are proposed in the green paper in connection with each of the three objectives of the CMU proposals.

¹⁵ http://www.europarl.europa.eu/pdfs/news/expert/infopress/20141126IPR80904/20141126IPR80904_en.pdf.

¹⁶ ICMA Press Release: “Trade bodies join forces to promote EU Private Placement market”, 12 June 2014.

¹⁷ <http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/Primary-Markets/private-placements/the-pan-european-corporate-private-placement-market-guide/>.

¹⁸ <https://www.gov.uk/government/publications/autumn-statement-documents>.

Improving Access to Financing and Investment Projects

The longer-term measures proposed for improving access to financing relate to overcoming information problems that hinder investment, increasing standardisation as a means of stimulating market development and helping to enable the development of alternative means of financing.

- **Availability of information:** the Commission has proposed:
 - The development of a simplified, common, high quality accounting standard tailored to companies listed on MTFs. This is intended to contribute to the development of alternative financing sources for SMEs, including encouraging SME listings, and could become a feature of SME Growth Markets pursuant to the Markets in Financial Instruments Directive II (“MiFID II”)¹⁹ framework (see further below). The London Stock Exchange’s AIM market has been successful in allowing a listing venue for SMEs, but not all EU countries have such a facility. Currently, IFRS are only mandated for listed companies’ consolidated financial statements, so no standardised format applies to SME accounts. A number of the proposed reforms to the Prospectus Directive (see above) are also intended to help in this area; and
 - The creation of a central EU website providing details of infrastructure projects, to increase transparency and thereby boost levels of investment in these projects.
- **Standardisation:** the Commission is exploring ways of developing a more standardised European corporate debt market. This should enhance the availability of sources of cost effective funding and provide investors with safe and liquid investment opportunities. Proposed measures include:
 - Developing an integrated market for covered bonds, building on well-functioning national frameworks. Covered bonds are seen as a stable fixed income investment offering high credit quality, but are subject to significantly varying rules across member states. A disclosure framework for investors, providing more detailed information on collateral underlying covered bonds, will also be considered;²⁰ and
 - Greater standardisation of corporate debt issuances, either through a market-led initiative or regulatory intervention.
- **Alternative means of financing:** the Commission envisages promoting the development of so-called “green bonds” to raise funds exclusively for carbon emissions-reducing and other environmental projects. Peer-to-peer lending (crowdfunding) is another area of focus, with the barriers to entry to be reviewed, and the development of a crowdfunding framework also being considered. Information gathering has begun but this is a relatively new area and may take longer to develop.

Developing and Diversifying the Supply of Funding

To boost investment levels in the EU, the Commission is exploring ways to attract more institutional, retail and international investors.

- **Institutional investment:** the Commission is considering how to remove regulatory barriers and other factors restricting the flow of long-term institutional investment to long-term projects, such as infrastructure. Different approaches will be needed for different types of institutional investor, as follows:

¹⁹ Directive 2014/65/EU.

²⁰ See further EBA, [Report on EU Covered Bond Frameworks and Capital Treatment](#).

- Asset management regulation. Specialist regimes have already been developed to regulate the sector, namely the Undertakings for Collective Investment in Transferable Securities directives (“UCITS”)²¹ framework and the Alternative Investment Fund Managers Directive (“AIFMD”).²² Suggested further measures include reducing the costs of setting up, and cross-border marketing, of funds, particularly those investing in long-term infrastructure, start-ups and SMEs;
- Encouraging investment by pensions and insurance companies in infrastructure debt and equity investments. Certain measures have already been undertaken. For example, Solvency II removes national restrictions on the composition of asset portfolios, and removes maturity mismatch issues that could have been obstacles for long-term investments. This should enable insurance companies to invest with lower capital charges in infrastructure projects. Further work is needed on encouraging investment in lower risk long-term investments for banks;
- Introduction of a standardised personal pension product through a pan-European or “29th” regime is being considered. Removing obstacles to cross-border access could also strengthen the single market in personal pension provision; and
- The developing role of private equity and venture capital. Measures suggested include the potential liberalisation of new EU Venture Capital Funds²³ and European Social Entrepreneurship Funds Regulations,²⁴ allowing larger managers (already managing more than €500 million) to set up such funds. The Commission is also looking at how public and private funds can contribute to the scale of venture capital funds, for example, by providing for better exit options. Finally, there may be a need to liberalise investment and marketing restrictions in some countries, removing super-equivalent restrictions.
- **Retail investment:** the level of direct retail investment in capital markets is generally low in the EU, and is mostly channelled through collective institutional investments such as pension funds. However, significant savings are held in bank accounts, and the Commission considers that in some cases these could be used more productively. The means of achieving this include:
 - Encouraging cross-border retail participation in UCITS;
 - Introducing new standardised or simple products;
 - Retail education and restoring trust in the investment sector;
 - Clarifying or enhancing the roles of ESMA and EIOPA for investor protection; and
 - Enhancing competition for retail financial products, particularly those provided by electronic and mobile tools.
- **International investment:** the CMU will be developed taking into account the wider worldwide context, in light of the global nature of capital markets. Attracting international investment is important, as the EU is the region which suffered the most acute decline in the magnitude of gross capital inflows and outflows as a percentage of GDP in the financial crisis. The Commission will seek to increase the attractiveness of the EU markets to

²¹ Directive 2014/91/EU.

²² Directive 2011/61/EU.

²³ Regulation (EC) 345/2013.

²⁴ Regulation (EC) 346/2013.

international investors. International trade and investment agreements should liberalise the movement of capital, regulate market access and investment (including for financial services) and facilitate the direct marketing of EU investment funds and other investments in third countries.²⁵

Improving Market Effectiveness

The Commission identifies a range of measures in diverse areas as potential ways to improve the effective functioning of the EU market.

- **Single rulebook, enforcement and competition:** the Commission proposes further consistent application and implementation of the harmonised rules relevant to the capital markets. “Gold-plating” opportunities for member states will be reviewed, including additional requirements imposed by some member states on incoming passporting firms. Competition law should be fully applied and enforced to ensure that barriers to entry are removed.
- **Supervisory convergence:** the Commission considers that this should be increased, as national supervisory regimes may result in differing investor protection levels, barriers to cross-border operations and discouragement to companies seeking financing in other member states. Improvements and possible extensions to the role of the ESAs are being considered, building on the Commission’s recent report on the operation of the ESAs and the European System of Financial Supervision (“ESFS”).²⁶
- **Data and reporting:** MiFID II provides for the publication of a “consolidated tape” of post-trade information for European equity markets. The Commission may appoint a commercial entity to run the service.
- **Market infrastructure:** various measures to further enhance the efficient functioning of EU market infrastructure and securities laws are suggested, in addition to the existing legislation for CCPs and trade repositories (under the European Market Infrastructure Regulation, “EMIR”),²⁷ central securities depositories (under the Central Securities Depositories Regulation, “CSDR”)²⁸ and the TARGET2-Securities (“T2S”) project for cross-border settlement in the Eurozone.²⁹ The legislative proposal for a European framework for recovery and resolution of clearing houses is to be brought forward. The Commission is looking at ways to facilitate the flow of collateral throughout the EU and ensure it is not being reused to support multiple transactions in light of new requirements under EMIR and the CRR which result in an increased demand for high quality, liquid collateral.
- **Securities Law:** greater harmonisation of securities laws is also considered important. Investor rights in securities across the EU vary considerably and this issue has been under examination for several years, notably through proposed harmonised securities law legislation. In addition to harmonising rules on holding of securities and conflicts of laws, there would need to be a degree of harmonisation across property, contract, corporate and insolvency laws, which are largely outside the EU’s competency. Some consider that harmonisation will not be necessary as T2S will reduce the risks of holding securities cross-border. However, T2S is a Eurozone initiative and the UK has not opted in. The Commission is also considering further reforms to company law and amendments to

²⁵ The EU is currently negotiating the Transatlantic Trade and Investment Project with the US.

²⁶ Report from the Commission to the European Parliament and the Council on the operation of the European Supervisory Authorities (ESAs) and the European System of Financial Supervision (ESFS); COM(2014) 509.

²⁷ Regulation (EU) 648/2012.

²⁸ Regulation (EU) No 909/2014.

²⁹ <http://www.ecb.europa.eu/paym/t2s/about/spotlight/html/index.en.html>.

conflicts laws around transfers of claims, particularly on an insolvency, which hamper securitisation, factoring and financial collateral arrangements.

- **Company law, corporate governance:** a review of the Shareholder Rights Directive is currently underway.³⁰ In addition to the planned codification of the existing seven company law directives into one instrument, the Commission is proposing further reforms to overcome barriers to the cross-border establishment and operation of companies. Conflicts of laws rules may also need to be harmonised to reduce legal uncertainty when a company is operating in more than one member state.
- **Insolvency:** despite the harmonisation of conflicts of laws rules for insolvencies, underlying national insolvency frameworks are divergent. The Commission has already issued a Recommendation on a new approach to business failure and insolvency, with a focus on applying early restructuring processes and giving “second chance” provisions to entrepreneurs.³¹ The Recommendation will be reviewed in 2015 and the Commission also invites views on the potential harmonising of insolvency laws to support the CMU.
- **Taxation:** differing tax laws may inhibit cross-border flows for numerous types of investment, e.g. pensions and life insurance contributions. The Commission intends to take action if it finds discriminatory tax rules. It is working on simplifying withholding tax relief procedures applicable in the post-trade sector.³² Differences between corporate tax treatment for debt and equity financing, and between the relevant definitions for these, may also create distortions and are being looked into. The Commission is also considering targeting tax incentives for R&D expenditure for young, innovative companies.
- **Technology:** the wider application of technology is proposed, e.g. electronic shareholder voting and an online EU company register. Common IT approaches to reporting requirements may be developed.

Other Relevant Initiatives

As discussed above, work has begun on reforms to the Prospectus Directive, the EU securitisation framework, developing private placement markets and the proposed covered bonds framework. In addition, certain of the proposals build on or complement other areas of reform such as the following:

Shadow Banking

Various international and EU bodies as well as national regulators are currently focusing on issues concerning the shadow banking sector, owing to concerns as to arbitrage from the regulated sector and possible systemic impact of shadow banking collapses. The Financial Stability Board has defined shadow banking as: “credit intermediation involving entities and activities outside the regular banking system.”³³ This can include the following:

- Unregulated wholesale lending;
- Money market funds;
- Prime brokerage;
- Loans by insurance companies, pension funds, hedge funds and other asset managers;

³⁰ Directive 2007/36/EC.

³¹ Commission Recommendation C(2014) 1500.

³² Commission Recommendation C(2009) 7924.

³³ Shadow Banking: Scoping the Issues: A Background Note of the Financial Stability Board, 12 April 2011.

- Repo and securities lending markets
- Peer-to-peer lending (crowdfunding); and
- Loans by SPVs (which may be funded by securitisation and the issuance of collateralised loan obligations).

The interaction between the CMU and shadow banking reform is not addressed in the green paper, but is relevant as regulators are currently looking to tighten the regulation of the shadow banking sector. This initiative could possibly yield outcomes inconsistent with the liberalisation of corporate finance proposed in the CMU.³⁴ Currently, non-bank financial institutions face differing regulatory hurdles when lending in different countries across the EU because of the divergent regulatory treatment of lending. There is no ability for non-banks to passport lending activity between member states. Certain EU member states, such as France and Spain, require a banking licence for essentially all lending activity. Others, such as the UK, do not generally regulate wholesale lending. To facilitate cross-border lending across the EU, an EU passporting regime should be developed but this may only be achievable by regulating more lenders than is currently the case.

MiFID II

MiFID II provides for a new type of market to facilitate access to capital for SMEs and the further development of specialist markets catering for SME issuers (such as AIM). The new market will be a subset of the existing MTF trading venue category. The aim of the measure is to raise the visibility and profile of SME growth markets and aid the development of common EU regulatory standards for them. However, based on MiFID II alone, the likely impact is unclear, as registration as an SME growth market will be voluntary and SMEs will not be required to list on SME growth markets. MiFID II envisages that future regulation should foster and promote the use of SME growth markets to make them attractive for investors, easing the administrative burdens and enhancing incentives for SMEs to access the capital markets.³⁵ The CMU proposals for a simplified accounting standard for companies listed on MTFs may help to contribute towards achieving this ambition.

Next Steps

The growth-focused CMU proposals have been welcomed by businesses across Europe following a period of recession and austerity. In the UK, the House of Lords European Committee has also largely welcomed the proposals,³⁶ although it is concerned that attention is paid to the need to balance sufficient access to capital and investment opportunities, without companies being overburdened by onerous requirements, with adequate protection for consumers and investors. At a time when political views are divided over the UK's role in Europe, the CMU proposals could be influential.

³⁴ Measures include the Proposal for a Regulation of the European Parliament and of the Council on Money Market Funds (COM/2013/0615).

³⁵ MiFID II, recital 132.

³⁶ House of Lords European Committee, [Capital Markets Union: a welcome start](#), 20 March 2015.

The CMU is at an early stage of development, and the proposals in the green paper are very much in outline form. The detail is still to be provided. The Commission's action plan for CMU, expected to be published later in 2015, will provide a clearer insight into how the proposals are likely to translate into action. Given the global nature of the capital markets, attention will also need to be given to the international dimension and to ensuring that reforms are conducive to cross-border business involving other major markets such as the United States and Asia.

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This memorandum is intended only as a general discussion of these issues. It should not be regarded as legal advice. We would be pleased to provide additional details or advice about specific situations if desired.

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