

# STATEMENT

7 March 2024

## Statement by the ECB Governing Council on advancing the Capital Markets Union

### Strong reasons to support and enhance the Capital Markets Union

For the Eurosystem, achieving a single market for capital is imperative. Progress on the CMU agenda, which could be rebranded focusing more on its purpose, is key for five reasons.

First, we need a savings and sustainable investment union: making full use of Europe's capital markets is key to mobilise the massive private investments that are needed to carry out the green and digital transitions, and to enhance the EU's productivity and competitiveness in a shifting geopolitical landscape. That investment, in turn, will increase the euro area's supply capacity and support medium-term price stability.

Second, we need a greater number of innovative European firms to emerge, expand, and realise their full potential, thereby further enhancing the dissemination of technology and productivity growth. This requires deeper and more integrated capital markets to improve the quality of investment in Europe and allow these firms to access sufficient risk capital and equity finance in the EU, rather than having to go abroad. In particular, European venture capital funds remain underdeveloped.

Third, progress towards CMU would increase private risk-sharing across the euro area, helping stabilise growth when countries are hit by local shocks to which monetary policy cannot respond. A more integrated and diversified financial system would also help mitigate financial fragmentation and protect the transmission of monetary policy to all parts of the euro area.

Fourth, a continent-wide capital market in Europe would strengthen the international role of the euro, as deep and liquid financial markets are fundamental to a currency's ability to attain international

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status. In this way, progress on CMU reinforces the EU's ambition for open strategic autonomy and helps insulate Europe from a more volatile world.

Fifth, integrating capital markets would also help integrate the EU's banking sector. The sector would benefit from more cross-border financial services activities and from a wider investor base for capital market-based funding instruments. All this would make European banks more resilient and help lower the remaining barriers within the banking union.

## Key initiatives in the CMU action plan to achieve in priority

The Eurosystem therefore welcomes the implementation of the Commission's second CMU Action Plan in the current institutional cycle, as well as the intentions of the Eurogroup to publish a statement on the future of CMU that will serve as guidance for the further development of CMU during the next European legislative term.

It is clear that the EU needs to move beyond broad statements and a piecemeal approach on CMU to a top-down approach, including concrete actions to foster capital market integration and development at the European level. True political will, ambition and follow-up will be critical. The Eurosystem sees a number of specific priorities as essential.

First, further progress at the EU level is needed on challenging open dossiers:

- Ensuring that the EU securitisation market can play a role in transferring risks away from banks to enable them to provide more financing to the real economy, while creating opportunities for capital markets investors. This requires understanding the supply and demand factors relevant for the development of the securitisation market, including (a) reviewing the prudential treatment of securitisation for banks and insurance companies and the reporting and due diligence requirements, while taking into account international standards and (b) exploring whether public guarantees and further standardisation through pan-EU issuances could support targeted segments of securitisation, such as green securitisations to support the climate transition.
- Integrated supervision of EU capital markets, including by ensuring the European Supervisory Authorities (especially ESMA and EIOPA) have a European and independent governance, sufficient resources and comprehensive oversight powers, and directly supervise the most systemic cross-border capital market actors – in cooperation with their national supervisors.
- Targeted harmonisation of corporate insolvency rules, accounting frameworks and securities law.

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- In the area of post-trading, finalising the harmonisation of processing of withholding tax and corporate actions and overcoming remaining integration barriers in securities post-trade services, including collateral management.
- Addressing the debt bias in taxation, as – among other reasons – this may stand in the way of recapitalising EU firms and disincentivise retail investors from investing in equity.

Second, the Eurosystem will continue to contribute significantly to CMU in the area of financial market infrastructure:

- The Eurosystem will continue to explore, together with financial market stakeholders, the potential use of new technologies for issuance, trading and settlement, fostering tokenisation and possibly a “European unified ledger”. This will help to promote a digital capital markets union and thereby strengthen the efficiency of European financial markets while avoiding a re-fragmentation of elements that have been harmonised and integrated.
- The Eurosystem will support the development and integration of pan-European financial market infrastructures to provide European financial markets with a single pool of euro liquidity in central bank money guaranteeing safety, efficiency and integration at the core, through the use of TARGET Services, and the pooling of financial transactions on payments, securities and collateral.
- The Eurosystem will continue to catalyse and coordinate market efforts to implement a single pan-European rulebook for securities settlement and collateral management as well as to support the harmonisation of debt issuance procedures and the implementation of these harmonised procedures, with the goal of creating a genuine single securities market in Europe.
- The Eurosystem will also strongly support and monitor industry efforts to build-up further central clearing capacity within the EU.

Third, promoting the attractiveness of listing in the EU should be a priority to increase efficiency and liquidity in stock markets. The EU could thus benefit from measures supporting large EU-based institutional investors such as asset managers and pension funds, as well as from better integrated trading and post-trading infrastructure through the harmonisation of listing requirements and the consolidation of stock exchanges and market infrastructures.

Fourth, households and citizens should be able to reap the benefits of CMU. In this regard, the proposed non-legislative initiatives on financial education continue to be important. While the full impact of the benefits from such actions might only appear in the medium-to-long term, initiatives on pension saving options or advice could yield quicker benefits.

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Finally, more targeted actions could also help advancing CMU: the Eurosystem welcomes the legislative agreement on the establishment of a European Single Access Point and looks forward to its swift implementation. The ESAP will give investors and savers easier access to information and thereby improving companies' access to funding.

While many of these initiatives will take time and the Capital Markets Union remains a long-term project, urgent and decisive action is now needed to make real progress in the integration and development of EU capital markets. There are no more low-hanging fruits to pick in this area, and the EU must now address the most important and structural challenges.

This should go hand in hand with renewed efforts to remove barriers within the Single Market, policies that support the necessary restructuring of our economies, and projects that promote European innovation to provide opportunities for this funding to be used in productive ways.

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