

Statement by Vice-President Dombrovskis on the Progress Report on the Capital Markets Union

Good afternoon,

Before I begin today's press conference, please allow me to express my deepest condolences to the victims and the families of the terrorist attacks in Christchurch, New Zealand. This is an appalling act of violence and I strongly condemn it.

Moving on to the topic of the day, which is the Capital Markets Union. I would like to update you all on the developments and advances that have been made lately. But before I do that, let me first say a couple of words on something which is happening in the world as we speak.

Today, people from over 2000 different cities in over 120 different countries are taking to the streets, demanding political action against climate change. The European Union is leading the way in this effort, and our commitment to the Paris agreement is steadfast.

Yet, the protestors are right when they point out that we are lagging behind. In particular, to meet our Paris agreement targets by 2030 and then transition to a climate-neutral economy, we need an additional €180 billion in investments every year.

Capital markets are vital in helping us to meet this investment challenge, by helping investors to fund the transition to a low-carbon economy. This is why we have put forward an Action Plan for Sustainable Finance followed by three legislative proposals. Together, they will steer the financial sector in a more sustainable direction.

I am happy that two out of the three proposals on sustainability disclosures and low-carbon benchmarks were recently agreed. However, that still leaves on the table our proposal for an EU-classification – or taxonomy – for sustainable economic activities.

This is a key proposal. It would provide common EU definitions for what is green, to help the growing number of climate-conscious investors to stay clear of greenwashing.

The ECON and ENVI committees in the European Parliament have voted on their joint report. So I now call on Member States to agree on a general approach as soon as possible. To fulfil our Paris investment targets and meet the legitimate demands of the younger generation, we cannot afford to wait.

Next Thursday, I will host here in Brussels an international conference on sustainable finance. We want to make sure that our experience in sustainable finance benefits others, and contributes to international standards in this

field. This is why next week's high-level conference assembles actors from around the globe.

Let me now return to the Capital Markets Union. Lately we have seen important progress. When I presented the previous CMU progress report in November last year, the lack of progress was disappointing.

But today, out of 13 CMU building blocks that we proposed, as many as 10 have been agreed at EU level! These achievements are concrete steps towards a single market for capital that will deliver real benefits for Europe's citizens, companies, and for our economy.

The financial crisis showed black-on-white the dangers of relying only on one source of financing. In Europe, the economy is predominantly financed by banks, which tend to operate in a pro-cyclical manner. In other words, they lend more when times are good and less when times are bad, which exacerbates the economic cycle.

Capital markets act as a counter-balance to that. This is why more developed capital markets of the United States helped them to recover more quickly from the financial crisis. The Capital Markets Union aims to improve financial stability by diversifying access to finance for companies in Europe. This would lead to a stronger Economic and Monetary Union, and also promote the international role of the euro.

- For EU companies, a single market for capital will increase access to funding, so they can grow, innovate, and create jobs.
- For example, we have new rules on prospectuses and on SME Growth Markets, so companies can seek more funding from stock markets across the EU.
- We have agreed a new approach to insolvency, to help viable companies restructure early, and give honest entrepreneurs a second chance.
- We have revised the labels for EU Venture Capital Funds and EU Social Entrepreneurship funds, to boost funding for small innovative companies to scale up quickly.
- And we have agreed new rules to boost the ability of investment firms to help companies tap capital markets, manage assets, and provide market liquidity.

For EU consumers, the CMU will provide new saving and investment opportunities.

- For example, we have agreed on a new pan-European personal pension product, and on measures to improve the EU's investment fund market.

For banks, deeper capital markets can help them provide funding to the real economy.

- This is why we have adopted an agreement on Safe, Transparent and Standardised securitisation.
- And we have recently agreed on common rules to develop covered bonds as a stable, cost-effective, and local funding source for EU banks.

Boosting local capital markets is also a major goal of the Capital Markets Union. For example, my services have worked to help the Baltic States – Estonia, Latvia, and Lithuania – to create preconditions for a pan-Baltic capital market. This would make the region more attractive for investors and create additional sources of financing, for example for the many innovative start-up companies hosted in these three countries.

Finally, resilient capital market structures are necessary to help us manage major systemic challenges. Brexit makes this even more important and urgent. The measures we have put forward here will help the EU to develop its markets, while strengthening our capacities in terms of market infrastructure, and financial market supervision.

Just this week, we reached an agreement on revamped rules for more robust supervision of central counterparties, which will boost financial stability. And we have made progress in the talks on reforming the European Supervisory Authorities. This would make European financial supervision stronger and more integrated, and strengthen the supervisory framework for anti-money laundering and terrorist financing.

We have made very good progress and with a bit of flexibility from on both co-legislators we can get there next week. So I call on the European Parliament and Member States to reach a political agreement with urgency. The Commission stands ready to provide its full support.

Despite the progress on our legislative agenda, there is more work to do. We need to create more opportunities for European companies, keeping in mind the rapid changes arising from climate change and developments in financial technology. So I expect that work on CMU will continue in the next Commission.

But for now, the main focus should be on adopting and implementing the agreed legislation. And I count on the full engagement of Member States and market actors in this crucial phase to deliver a successful Capital Markets Union.

Thank you very much.