

From: BELTRAMELLO Andrea (CAB-DOMBROVSKIS)
Sent: mardi 18 juin 2019 11:08
To: [REDACTED]
Cc: [REDACTED]
Subject: FW: AFME Ten Year Anniversary Publication
Attachments: VP Dombrovskis for AFME- The future role of Capital Markets Union in Europe.docx
Follow Up Flag: Follow up
Flag Status: Flagged

Dear [REDACTED]

On behalf of Vice-President Dombrovskis, please find attached his contribution to the AFME Ten Year Anniversary publication.

I am available to answer any follow-up questions you may have.

Thank you again for inviting the Vice-President to contribute to this publication.

Best regards,

ANDREA BELTRAMELLO
Member of Cabinet



European Commission
Cabinet of Vice-President Valdis Dombrovskis
Euro and Social Dialogue, also in charge of Financial Stability, Financial Services and Capital Markets Union



The views expressed in this e-mail are my own and may not, under any circumstances, be interpreted as stating an official position of the European Commission.

From: [REDACTED]
Sent: Wednesday, April 10, 2019 3:46 PM
To: DOMBROVSKIS Valdis (CAB-DOMBROVSKIS)
Cc: [REDACTED]
Subject: AFME Ten Year Anniversary Publication

Dear Vice-President Dombrovskis

It was good to see you briefly at EUROFI last week.

I am writing to ask whether you would be prepared to contribute a chapter to a tenth anniversary publication for AFME which we are aiming to publish in the autumn.

Over the last ten years, since AFME's creation in 2009 we have seen significant changes in Europe's capital markets both structural and regulatory. From our point of view, now would be a good time to take stock and focus on what the next ten years might look like for Europe's capital markets.

We are aiming to produce a publication that will provide a platform for different views and opinions on this important subject. We are delighted that [REDACTED]

[REDACTED] has agreed to contribute the lead chapter and we would be honoured if you would be prepared to contribute a chapter of 1200 – 1500 words. The central theme of the publication will be the future of Europe's capital markets. [REDACTED]

[REDACTED] We thought that you might want to focus on the topic of **The future role of Capital Markets Union in Europe** but it is, of course, at your discretion. It would be good to know reasonably soon if, in principle, you are able to participate. If so, we would be looking to receive copy by the middle of June.

Do let me know if you would like to discuss this directly with me or [REDACTED] (copied above) or require any further information at this stage.

I do hope you will be able to contribute to this timely publication.

Kind regards,



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The Association for Financial Markets in Europe (AFME) represents a broad range of European and global participants in the wholesale financial markets. Its members comprise pan-European and global banks as well as key regional banks and other financial institutions. AFME advocates stable, competitive and sustainable European financial markets, that support economic growth and benefit society. AFME is registered on the EU Transparency Register, registration number 65110063986-76. Our Privacy Policy is available [here](#).



The future role of Capital Markets Union in Europe

by Valdis Dombrovskis, European Commission Vice-President for the Euro and the Social Dialogue, also in charge of Financial Stability, Financial Services, and Capital Markets Union

Stronger and more vibrant capital markets will play an important role in delivering continued prosperity to European citizens and companies. Right now, Europe's economy is still predominantly financed by banks, but as the financial crisis showed, relying too much on one source of financing can create risks. Banks tend to lend more when times are good and less when times are bad, which exacerbates the economic cycle. Capital markets can act as a counter-balance to that. This is one reason why the Capital Markets Union has been an important priority of the European Commission.

Another is that deeper and more liquid capital markets provide European businesses with more choice on how they raise the funds they need to grow and create jobs. In particular, alternative market-based sources of financing, such as venture capital and crowdfunding, are important to finance innovation, start-ups and scale-ups, which are important engines of job creation. Stronger capital markets will also give more and better opportunities for EU citizens to place their savings. This, in turn, would make the EU financial system more resilient, lead to a stronger Economic and Monetary Union, and promote the international role of the euro.

Over the course of the Juncker Commission's five-year mandate, the EU laid the basis for a well-integrated single market for capital. The European Parliament and the Member States gave strong political backing to the Capital Markets Union, by agreeing on 11 out of 13 legislative proposals that the Juncker Commission put on the table. These achievements are 11 concrete steps that can deliver real benefits for Europe's citizens, companies, and for the EU economy.

New EU rules for securitisation, covered bonds or personal pensions create new opportunities for market players to develop attractive products. Likewise, simplified rules on the prospectus and easier access to SME Growth Markets will make it easier for European businesses get new growth funding from capital markets.

Finally, supervisory authorities have at their disposal new tools for supervisory convergence. Even if the level of ambition of the political agreement reached by the European Parliament and the EU Member States could have been higher, the revised rules on supervision of central counterparties and the review of the European Supervisory Authorities are positive steps. This is because it is not enough to have a single rulebook, if the rules are not applied in the same way in all Member States.

But in spite of these achievements, the work is not complete. While overall the Capital Markets Union has enjoyed wide support at the highest political levels, concrete support on specific legislative files has sometimes been lacking. In the years to come, several challenges will still need to be addressed if the EU's capital markets are to reach their full potential.

First, the EU needs to continue strengthening its capacities in terms of funding sources for companies, saving and investment opportunities for citizens, market infrastructure, and financial market supervision in the face of a changing geopolitical context. With the United Kingdom leaving the EU, it will be even more important for the remaining 27 EU member states to remain focused on this goal. Yet a single market for capital does not imply replacing London with one other European city. Instead, the Capital Markets Union is about linking a number of financial centres to form a joint and integrated capital market, based on a single rulebook, passporting, and a close convergence of supervisory practices.

Second, the Capital Markets Union needs to remain closely integrated with global capital markets, while protecting financial stability in the EU. The EU system of equivalence is one of the most developed in the world. It is also clear that the UK and the EU financial systems will remain interconnected. To ensure this, close cooperation on regulatory and supervisory issues will be needed.

Third, the EU must maintain its support for local and regional capital markets. Capital markets vary across countries in terms of liquidity, depth or size. At the same time, small and medium size companies are the backbone of the European economy. We need to ensure that they all have access to the funding regardless of where they are located. This is why it will be important to promote convergence among economies

and ensure that the benefits of capital markets development are spread evenly across the EU.

Fourth, capital markets have a vital role to play in the transition to a climate-neutral economy. The EU has a strategy to build a climate-neutral economy by 2050. The scale of investment needed to achieve this objective is massive. Public funding will simply not be enough. This is why we need to keep sustainable finance high on the agenda. Of course this is about contributing to the well-being of the planet and of future generations; but it is also about seizing the many business opportunities offered by the transition to a climate-neutral economy. The European Parliament and the EU member states have agreed new rules on the next generation of low carbon benchmarks and on how financial market participants disclose the sustainability aspects of their investment decisions.

Still lacking, however, is an agreement at EU level on a classification of green economic activities; or taxonomy. Such an instrument would allow for translating EU and international environmental, climate and energy standards into a language that can be used by investors to more easily channel their funds into sustainable and green projects. This is the cornerstone of the EU's sustainable finance strategy - one which will also serve as a basis to develop eco-labels and standards for green financial products.

Finally, European capital markets should fully embrace technological change. Despite rapid technological development, there is still plenty of unrealised potential for ground-breaking innovation in the financial sector. With the blockchain and distributed ledgers, capital market trading and post-trade infrastructure can be made cheaper and more efficient, while increasing safety and opportunities for consumers and investors. And more disruption is on the horizon, with cloud computing, artificial intelligence and machine learning. A first step for Europe to seize these opportunities is to allow innovative solutions to scale up across the single market. At the same time companies – both new and old – need help to innovate, while protecting consumers and safeguarding financial stability. One example is crowdfunding, for which the Commission has tabled a proposal to allow crowdfunding platforms to operate across the EU, based on a single license. Beyond this, efforts must continue to build a

Digital Single Market and to make sure the EU's regulatory framework keeps pace with financial sector innovation.

Even as the current Commission reaches the end of its mandate, the contours of Europe's future challenges are already becoming clear:

- A protective Europe, which empowers citizens to save for their future in a safe way and with a currency that better protects its citizens and businesses;
- A competitive Europe, which gives companies access to the funding they need to be successful in the global marketplace;
- A fair Europe, which spreads the benefits of capital markets to all countries and regions, not just to a few financial centres;
- A sustainable Europe, which takes the lead in funding the transition to a climate-neutral and environmentally sound economy; and
- An influential Europe, backed by strong capital markets and a stronger international role of the euro.

Stronger capital markets have a clear role to play in achieving these objectives. Much has been done already, but it is also something European policymakers must continue to work towards, to the benefit of all EU citizens and businesses.

1269 words