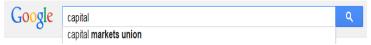




Capital Markets Union



Capital Markets Union – The new buzzword



July 2014: CMU is first mentioned by President-elect Juncker in his Political Guidelines

Nov. 2014: Internal restructuring in the European Commission and new unit established: from DG MARKT to DG FISMA

"Over time, I believe we should complement the new European rules for banks with a Capital Markets Union.

To improve the financing of our economy, we should further develop and integrate capital markets."



Financial stability

Financial services

Capital Markets Union

Feb. 2015: Commission Green Paper «Building a Capital Markets Union» opens the debate **Summer 2015:** CMU 5-year Action Plan

Capital Markets Union – Challenges and objectives according to the EC

Challenges

- ☐ Investment in Europe remains heavily reliant on banks
- ☐ Significant differences in financing conditions between Member States exist
- ☐ There are differing rules and market practices for products like securitised instruments or private placements
- ☐ Shareholders and buyers of corporate debt rarely go beyond their national borders when they invest
- ☐ Many SMEs still have limited access to finance

Objectives

- Help businesses tap into more diverse sources of capital from anywhere within the EU
- Make markets work more efficiently and offer investors and savers additional opportunities to put their money to work
- Create a single market for capital for all 28 EU Member States by removing barriers to cross-border investment and to lower costs of funding within the EU.
- Put in place the building blocks of a well regulated and fully functioning Capital Markets Union in the EU by 2019

Capital Markets Union – Why now?

This time it's different?

- ✓ Many elements of the CMU are not new (Treaty of Rome, Single Market Act, countless reports)
- ✓ Crisis highlighted limits of overreliance on banking sector
- ✓ «last chance Commission» has put investments, growth and jobs at the top of the agenda





Juncker Plan and CMU as the Commission's flagship initiatives

Capital Markets Union – EC priorities: short-term vs long-term

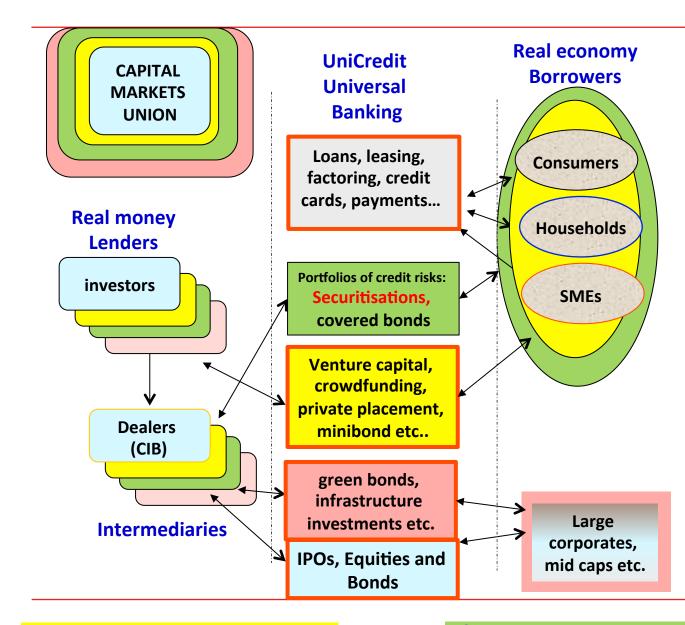
SHORT-TERM PRIORITIES

- ✓ Encourage 'high-quality' securitisation
- ✓ Widening the investor base for SMEs by improving credit information
- ✓ Lowering barriers to access capital markets (review Prospectus Directive)
- ✓ Boosting long-term investment
- ✓ Develop European private placement markets

AREAS FOR LONG-TERM ACTION

- ✓ Harmonisation of company law and corporate governance rules
- ✓ Harmonisation of insolvency laws and standardise enforcement of contracts
- ✓ Addressing tax barriers and debt bias
- ✓ Overcoming cultural barriers

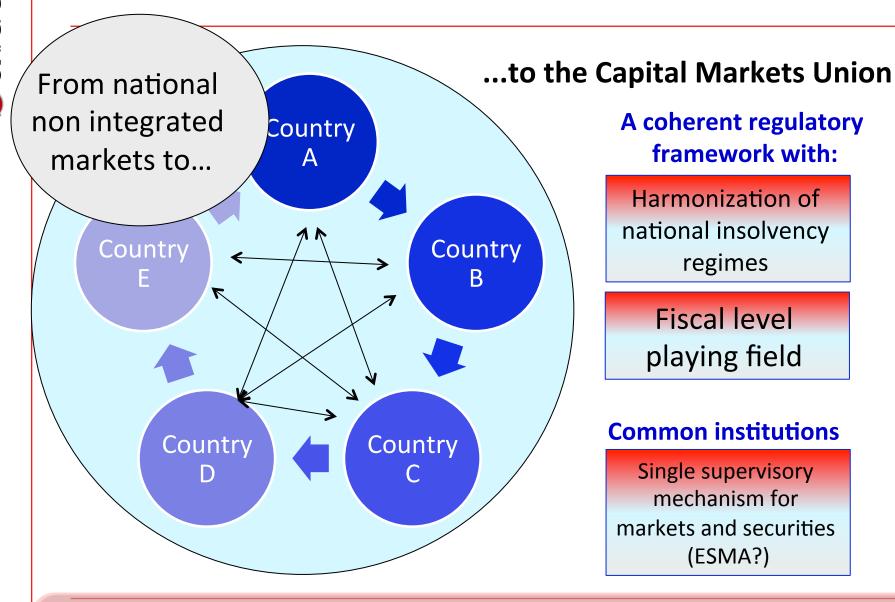
UniCredit role in the Capital Markets Union?



Finance for smaller borrowers (e.g.SMEs, start-ups etc..)

Securitisation changes the structure of the financial system

From national financial markets to CMU?



A coherent regulatory framework with:

Harmonization of national insolvency regimes

> Fiscal level playing field

Common institutions

Single supervisory mechanism for markets and securities (ESMA?)

The direction: long-term priorities

A roadmap towards the CMU?

Obstacles Accelerators

Capital Markets Union

Convergence of accounting standards

WHAT to do? Legislators should mandate ESMA to enforce **IFRS**

Recognise market liquidity and SROs

WHAT to do? Recognise European Self-Regulatory Organisations. Add the safeguard of market liquidity as policy objective

Ill-designed prudential requirements

WHAT to do? it is necessary to review the prudential regulation not to discourage private investment in credit risk-sharing financial instruments. Otherwise public investment are

Promote market-led initiatives

meeded **WHAT to do?** authorities to support or catalyse the development of best market practices and standards

Ill-designed regulatory and fiscal measures

WHAT to do? it is necessary to freeze the Banking Structural Reform dossier and the FTT, as they will dramatically penalise the European banking sector, thereby hampering the market making function. Address the fiscal bias to channel savings to real economy borrowers.

Authorities can remove obstacles and introduce accelerators

The CMU could offer a path...

a adaptable

calibration



Simple, Transparent and Standardised Securitisations

Adapt prudential calibrations if and when required by the business and financial cycles, and starting from a lower basis than today



Develop a **sustainable and adaptable securitisation market framework** with governance, conditions and tools.

a new Product Finalise a **sound and adaptable securitisation instrument framework** for simple, standard and transparent securitisations (both true sale and so-called synthetic), including asset-backed commercial paper.



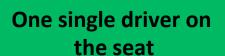




Finance for growth glasses



Prudential regulation should no longer be the main perspective. **Sustainable markets should become key for growth.**





To ensure coordination, coherence, a single entry point for a structured dialogue with the industry