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REPORT

on further development of the Capital Markets Union (CMU): improving access to capital market finance, in particular by SMEs, and further enabling retail investor participation
(2020/2036(INI))

Committee on Economic and Monetary Affairs

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CONTENTS

	Page
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION.....	3
INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE.....	19
FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE	20

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on further development of the Capital Markets Union (CMU): improving access to capital market finance, in particular by SMEs, and further enabling retail investor participation (2020/2036(INI))

The European Parliament,

- having regard to the report of the Next CMU High-Level Group of October 2019,
 - having regard to the report of the High-Level Forum on the Capital Markets Union of 10 June 2020,
 - having regard to the Commission communication of 10 March 2020 entitled ‘An SME Strategy for a sustainable and digital Europe’ (COM(2020)0103),
 - having regard to the Commission communication of 9 July 2020 entitled 'Getting ready for changes. Communication on readiness at the end of the transition period between the European Union and the United Kingdom' (COM(2020)0324),
 - having regard to the Commission communication of 8 March 2018 entitled ‘FinTech Action plan: For a more competitive and innovative European financial sector’ (COM(2018)0109),
 - having regard to the Capital Markets Recovery Package proposed by the Commission on 24 July 2020,
 - having regard to its resolution of 9 July 2015 on ‘Building a Capital Markets Union’¹,
 - having regard to its resolution of 19 January 2016 on ‘Stocktaking and challenges of the EU Financial Services Regulation: impact and the way forward towards a more efficient and effective EU framework for Financial Regulation and a Capital Markets Union’²,
 - having regard to the results of the regular ECB Survey on the Access to Finance of Enterprises,
 - having regard to the Commission’s Summer 2020 Economic Forecast,
 - having regard to Rule 54 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A9-0155/2020),
- A. whereas all actions taken to create a Capital Markets Union (CMU) should have as their core objective improving the range of more attractive, stable and sustainable financing

¹ OJ C 265, 11.8.2017, p. 76.

² OJ C 11, 12.01.2018, p. 24.

options offered to companies and citizens, while safeguarding economic stability, minimising financial risk and adequately protecting the interests of retail investors, pensioners and consumers, in order to incentivise financial participation and turn savers into investors; whereas access to equity financing for SMEs, entrepreneurs and the social economy has become even more crucial with a view to the COVID-19 recovery;

- B. whereas the EU's internal market is characterised by open competition, a regulatory framework, reliance on international standards and supervisory cooperation; whereas the CMU strategy should therefore be based on the same principles;
- C. whereas the level of financing required for the recovery of the EU economy creates an imperative need to invest wisely and sustainably for the future generations; whereas the CMU should be a key contributor to the transition towards a sustainable, competitive and resilient economy complementing public investment, in line with the EU Green Deal; whereas a framework to facilitate sustainable investment is currently being developed; whereas this framework forms an integral part of the EU's efforts, under the CMU, to connect finance with the needs of the economy and the Union's sustainable development agenda;
- D. whereas EU capital markets could serve the economy and the much-needed economic recovery best when they are transparent, competitive, resilient, centrally cleared and supported by fair regulation;
- E. whereas some investors have higher risk tolerance than others, and whereas not all businesses are in a position to access and benefit from capital market finance;
- F. whereas the creation of a euro area safe asset is crucial for the financial integration and the development of a CMU; whereas a safe asset in the EU is necessary for the creation of an integrated, deep and liquid European bond market as a central piece of the CMU, which could serve as a euro area pricing benchmark for the valuation of bonds, equities and other assets, and also as collateral across the euro area;
- G. whereas most actions taken so far to achieve the CMU are moving in the right direction even though multiple targets have not been reached, and the importance of bank lending as compared to equities has actually increased in recent years; whereas much work remains to be done in terms of the convergence, precision, effectiveness and simplification of the measures adopted; whereas an ambitious vision for the CMU project is essential to overcome national sensitivities and build the momentum to complete the CMU in order to make the EU an attractive market for foreign capital investment and to increase its competitiveness in global markets;
- H. whereas the development of a CMU goes hand in hand with the deepening of the Economic and Monetary Union, and in particular with the completion of the Banking Union; whereas in its resolution of 26 February 2020 on 'Banking Union – annual report 2019',³ Parliament urges the completion of the Banking Union through the creation of a fully implemented European Deposit Insurance Scheme; whereas the Banking Union will also remain incomplete as long as it lacks a credible backstop for the Single Resolution Fund; calls further for consideration of the need to establish and

³ Texts adopted, P9_TA(2020)0165.

create a mechanism of fiscal stabilisation for the euro area as a whole; whereas the CMU must be complemented by counter-cyclical policy measures in order to ensure equal access to financing and to investment opportunities across the EU;

- I. whereas financial regulations, in particular in banking and auditing, have recently been modified in response to COVID-19; whereas capital market financing is needed to increase the overall financing capacity and to reduce the reliance on bank lending in the EU; whereas a well-capitalised banking sector will continue to play an important role in financing businesses, especially SMEs;
- J. whereas the lack of a centralised mechanism with easily accessible, reliable, understandable and comparable public information is one of the reasons why companies struggle to find investors; whereas investors find it difficult to evaluate young and small firms with a short business record, thus hindering innovative openings, especially by young entrepreneurs;
- K. whereas a consensus has emerged from the experience with the Great Recession that the euro area's institutional architecture is in need of reform to enhance its capacity to deal with large economic shocks; whereas in this respect the economic literature typically finds that higher shock absorption in the United States results mainly from more effective private risk sharing via credit and capital markets;
- L. whereas SMEs accounted for 99.8 % of all enterprises in the EU-28 non-financial business sector (NFBS), generating 56.4 % of value added and 66.6 % of employment in the NFBS; whereas micro SMEs accounted for 93 % of the sector, small SMEs for 5.9 % and medium-sized SMEs for only 0.9 %⁴;
- M. whereas the social and economic crisis resulting from COVID-19 and the lockdown measures will have a particularly negative impact on SMEs and could similarly affect retail savers; whereas the EU's response to COVID-19 through the European Recovery Plan should provide a large injection of capital and be complemented by incentives to promote market-based financing and reduce the reliance on bank lending, in order to increase European enterprises' access to finance and build a resilient EU economy, to preserve jobs and Members States' productive capacity;
- N. whereas the complexity of the scandal involving German payment service provider Wirecard, a DAX30 company that filed for insolvency on 24 June 2020, revealing deficiencies in the European regulatory framework, requires a careful assessment to determine what went wrong to allow a fraudulent behaviour on a huge scale to go unnoticed for so long; whereas adaptations to the European supervisory architecture for financial reporting, financial innovation, payments, and related areas including audit and Anti-Money Laundering/Countering Terrorism Financing, have once again been highlighted as being urgently needed in light of this latest scandal;
- O. whereas the CMU needs to mobilise retail demand; whereas to achieve such an objective, retail investors have to experience a change in investment culture; whereas such a change will only happen when retail investors become convinced that investment in capital markets is desirable while being subject to risks that are acceptable and

⁴ European Commission Annual Report on European SMEs 2018/2019

clearly defined; whereas the Commission should explore further opportunities to communicate the benefits of the CMU project, for example with a change of name reflecting the direct link between EU citizens' savings and investments in economic growth and post-COVID recovery, as suggested by the Next CMU High-Level Group;

- P. whereas, according to recent reports and consumer-focused surveys⁵, most European retail investors have sustainability preferences and want to take into account environmental, social or governance factors and risks in their investment decisions, but are rarely offered compatible products;
- Q. whereas the market movements resulting from COVID-19 have acted as a real-life 'stress test' on the robustness of the whole financial ecosystem, and should be followed up with a detailed assessment of the benefits and shortcomings of the existing EU rulebook on financial stability and financial supervision;
- R. whereas the ECB's zero interest rate policy confronts savers with a negative real interest rate, drives investors into taking higher risks, including investing in the capital markets, and can lead to speculative bubbles in the long term;
- S. whereas the departure of the UK from the European Union brings structural changes to the EU financial system; whereas the EU capital markets post-Brexit will have a polycentric character, facing greater risk for fragmentation in the EU; underlines the importance of promoting policies and measures, including a robust approach to third-country access to the EU's market and a dynamic monitoring system on equivalence regimes, that ensure the resilience, connectivity and competitiveness of the EU financial markets as well as their stability and a level playing field; whereas equivalence can only be granted if the regulatory and supervisory regime and standards of the relevant third country are deemed to fulfil the relevant requirements laid down in EU legislation in order to ensure a level playing field;
- T. whereas Fintech has the potential to suit certain needs of SMEs and retail investors by allowing decentralised ways of operating and delivering efficiency improvements;

Financing business

1. Calls for the removal of barriers and red tape, where appropriate, including the simplification and more proportional application of legislation where relevant and conducive to financial stability, in order to diversify funding sources for European companies, with a particular focus on SMEs, including start-ups and mid-caps, so as to promote their ability to access equity markets, and to access more diverse, longer-term and more competitive investment opportunities for retail and large investors; highlights the need to reduce the existing debt bias; points out that the current situation makes European companies and especially SMEs more fragile and vulnerable; calls for the introduction of an 'SME test' for impact assessments on each CMU initiative;
2. Notes that the necessary measures to ensure that SMEs, including start-ups and mid-caps, find their way to financial markets include facilitating investment research,

⁵ See for example: <https://2degrees-investing.org/wp-content/uploads/2020/03/A-Large-Majority-of-Retail-Clients-Want-to-Invest-Sustainably.pdf>

streamlining the definition of SMEs across relevant EU legislation, and easing issuance requirements; calls on the Member States to rebalance the debt-equity bias in taxation; supports the revision of the Markets in Financial Instruments Directive (MiFID II) regime for inducements to SME investment research;

3. Calls on the Commission to draft a legislative proposal on 'European Secured Notes' (ESNs), as a new dual-recourse funding instrument for banks which could help improve access to financing for SMEs across the EU; recalls that ESNs could be targeted to specific objectives, such as supporting SMEs in the transition to a more competitive and sustainable economy and in channelling funding to the real economy;
4. Calls on the Commission to strengthen the mandatory feedback given by banks when declining SME credit applications, as a more comprehensive feedback could give the opportunity to SMEs with declined requests to adapt their business approach and to learn;
5. Calls for further integration and improvement of European capital markets to make them as attractive, competitive, and resilient as possible, especially also in the context of the withdrawal of the United Kingdom from the EU;
6. Emphasises the fundamental importance of enhancing the euro area's risk absorption capacity;
7. Highlights that euro area countries can enhance their internal capacity to deal with macroeconomic shocks, in particular by effectively reducing vulnerabilities in their economies, banking sectors, and public finances; considers further that economic resilience needs to be improved via structural reforms that support potential growth and increase flexibility;
8. Stresses that efficient and integrated financial markets are a core prerequisite for efficient private risk sharing in the euro area; considers that a genuine CMU could significantly help to diversify and reduce risk;
9. Notes the decline of Initial Public Offering (IPO) markets in the EU, reflecting their limited attractiveness for, in particular, smaller companies; highlights in this regard that SMEs face disproportionate administrative burdens and compliance costs associated with listing requirements; takes the view that the efficiency and stability of financial markets should be improved and that the listing of companies should be facilitated; encourages the creation and prioritisation of a large, private and pan-European fund, an IPO Fund, to support SME funding; notes the need to ensure an attractive pre-IPO and post-IPO environment for SMEs;
10. Welcomes the idea of the High Level Forum to establish a European Single Access Point (ESAP) to aggregate information about companies in the EU through the interconnection of existing national and EU registers and company databases, as a way to help companies, in particular in smaller Member States, to attract investors; stresses that companies should be able to control the availability of their data in the ESAP; calls on the Commission to submit a legislative proposal for a European Single Access Point for financial and non-financial information in respect of listed and unlisted EU companies, while also respecting the proportionality principle where appropriate; calls

on the Commission to streamline the transparency requirements under the Non-Financial Reporting Directive (NFRD) with those under the Taxonomy Regulation and the Sustainable Finance Disclosure Regulation;

11. Calls for consideration whether the treatment under the Capital Requirements Regulation (CRR) of minority interest of subsidiaries may discourage listing on the stock markets, having in mind financial stability concerns and any added value for the financing to the real economy;
12. Calls for the acceleration of the development of EU venture capital (VC) and private equity markets under a common and transparent framework for European Venture Capital Funds (EuVECA)s⁶, by increasing the availability of funding for VC investments and developing larger early and late stage VC funds, tax incentive schemes for VC and business angel investments, as well as active IPO markets for VC-backed companies; underlines that these tax incentive schemes should be designed so as to be economically and socially viable and responsible, and be subject to systematic monitoring and evaluation;
13. Points out the necessity to increase transparency and reduce fragmentation within the European VC markets; stresses the need to boost the European Long-Term Investment Funds (ELTIFs), the EuVECA)s and the European Social Entrepreneurship Funds (EuSEFs), in order to develop pan-European vehicles for private equity; supports the review of Regulation (EU) 2015/760 on European long-term investment funds⁷, including analysis of possible targeted adjustments to related prudential calibrations in the banking and insurance regulatory frameworks while safeguarding financial stability, as a way to enable retail investors engaging in the long-term financing of unlisted companies, infrastructure projects and sustainable investments, in order to make use of the ELTIFs' full potential;
14. Calls for measures to revitalise securitisation markets in Europe by making them attractive for issuers and investors; asks the European Supervisory Authorities (ESAs) and the Commission to finalise all Regulatory Technical Standards; calls for the simplification and streamlining of regulatory requirements for disclosure, simple, transparent and standardised (STS) criteria, STS verification and the provision of simple and risk-sensitive parameters for the assessment of Significant Risk Transfer;
15. Takes note of the proposals on securitisation presented on 24 July 2020 within the Capital Markets Recovery Package; requests the Commission to assess how targeted amendments to the Securitisation Regulation could free up financing capacity, so as to avoid a reduction of European bank lending while addressing financial stability concerns, given that the nature of some synthetic securitisation may create specific prudential and systemic risks; takes the view that such targeted assessment could include the realignment of the treatment of cash and balance-sheet synthetic securitisations and of regulatory capital and liquidity with that of covered bonds and loans, as well as a review of the disclosure and due diligence requirements for third-party securitisation, covered bonds,

⁶ Regulation (EU) No 345/2013 of the European Parliament and of the Council on European venture capital funds, OJ L 115, 25.4.2013, p. 1.

⁷ OJ L 123, 19.5.2015, p. 98.

and simple, transparent and standardised (STS) securitisation;

16. Calls on the Commission to assess the impact on financial stability of potential targeted measures, aligning and simplifying securities market legislation, to facilitate expeditious recovery after the COVID-19 crisis, to facilitate investment in the real economy, in particular in SMEs, and to allow newcomers and new products to enter the markets, preserving consumer protection and market integrity while encouraging cross-border equity investment and trade; furthermore, calls on the Commission to assess whether it is necessary to review the Markets in Financial Instruments Regulation (MiFIR), including the Share Trading Obligation (STO) and Derivative Trading Obligation (DTO), in order to eliminate potential frictions that can impact the ability of EU companies to raise capital at this time, especially in view of the end of the transition period between the EU and the UK;
17. Regrets the underdevelopment of the EU market for crowdfunding as compared to other major economies; welcomes the new uniform set of criteria for EU-wide rules agreed in December 2019 (2018/0048(COD)) to help to resolve this situation and foster cross-border business funding; requests the European Securities and Market Authority (ESMA) and the Commission to closely monitor the implementation of the new rules in order to react and propose changes if no significant improvements are observed in crowdfunding as an alternative for financing SMEs; calls on the Commission and the Member States to actively inform SMEs of the alternative financing instruments available to them;
18. Calls on the Commission to explore initiatives to incentivise employee share ownership, in order to promote the direct involvement of retail savers in the financing of the economy, and also as a tool to improve corporate governance and help develop an equity culture;
19. Calls on the Commission to promote the direct involvement of retail savers in financing the economy, considering the possibility of return on investment for retail investors;
20. Invites the Commission to review the settlement discipline regime under the Central securities depositories regulation (CSDR), in view of the COVID-19 crisis and Brexit;

Promoting long-term and cross-border investments and financial products

21. Asks the Member States to amend their national tax frameworks in order to reduce tax obstacles to cross-border investments, including procedures for a cross-border refund to investors, including retail investors, of withholding tax on dividends where double taxation is at stake; takes the view that such procedures should be cleared transparently on a pan-European digital platform and should enable investors to determine returns on their investment in real time; calls on Member States to work closely with the OECD and its Tax Relief and Compliance Enhancement (TRACE) Project, to rebalance the equity-debt bias penalising the financing of innovation through private investment, and to incentivise long-term investment opportunities for investors in order to help EU citizens gain better returns on their long-term savings;
22. Takes the view that amending national tax frameworks unilaterally within the EU to reduce tax obstacles to cross-border investments will further entrench the patchwork of

tax rules that companies must comply with when operating cross-border, with numerous costs, and offer further possibilities for tax avoidance; reiterates its call on the Member States to agree on the adoption of the proposals concerning the Common Consolidated Corporate Tax Base (CCCTB) simultaneously, taking into consideration Parliament's opinion, which already includes the concept of virtual permanent establishment and apportionment formulas; calls on the Member States to bridge their diverging positions on CCCTB, given the importance of this instrument for creating a framework that fosters certainty, prevents double taxation and reduces administrative costs, thereby enhancing cross-border investments;

23. Highlights the importance of increasing legal certainty for cross-border investments by making national insolvency proceedings more efficient and effective, and by further harmonising rules on corporate governance, including a common definition of 'shareholder' to facilitate the exercise of shareholder rights and engagement with investee companies across the EU; highlights the importance of ensuring a sound legal protection framework for cross-border investments within the EU after the termination of intra-EU bilateral investment treaties; calls on the Commission to propose legislative initiatives and/or issue recommendations to Member States, as appropriate;
24. Highlights the importance of financial market participants' long-term equity investments for supporting independent European enterprises in the Union, strong and resilient strategic sectors, sustainable economic growth and prosperity for the benefit of EU citizens;
25. Stresses the necessity of advancing further in the implementation and enforcement of a genuine single rulebook for financial services in the internal market, including in relation to common definitions and standards on sustainable finance; calls on the Commission and the ESAs to focus on the use of supervisory convergence tools and to enhance their effectiveness;
26. Highlights that taxation remains a key driver of global capital flows; stresses, therefore, the importance of carefully assessing the impact of any Financial Transaction Tax (FTT) on the EU's ambitions to develop strong, globally attractive, resilient, deep and liquid capital markets;
27. Underlines the need to promote pension provision, particularly when it comes to second and third pillar pensions, given the massive demographic changes that the Union faces; welcomes the Pan-European Personal Pension (PEPP) product; notes that PEPP is a complementary and voluntary pension product in addition to national public pensions; recalls that tax treatment will be a key consideration for the take-up of future PEPPs; recalls the Commission recommendation of 26 June 2017 inviting Member States to ensure that PEPPs are subject to the same tax treatment as national pension products to become an option for savers; calls for a thorough, evidence-based evaluation of the PEPP market, also as regards the existence of a level playing field, before the next legislative review of the PEPP Regulation;
28. Encourages the Member States to promote funded pension systems, as a way to deepen the pools of European capital available for long-term investment, and to improve market dynamics and the incentives to invest; believes that funded pensions should be

revitalised and made more attractive; calls for actions to overcome the obstacles to the coexistence of public and private pension systems; encourages the participation of investors in long-term products with tax incentive policies designed to generate a beneficial economic and social impact and to promote a level playing field across providers and product types;

29. Encourages the Commission to consider the introduction of an EU ‘de minimis’ or exemption regime for distribution to professional and/or semi-professional investors in the framework of the directive on Undertakings for Collective Investments in Transferable Securities (UCITS);
30. Recalls that the Solvency II Directive requires a review by the end of 2020 and that the European Insurance and Occupational Pensions Authority (EIOPA) will provide technical advice to the Commission, including lessons learnt from the COVID-19 outbreak, in particular on the coverage of pandemic-related risks, after consultations with different stakeholders; requests the Commission and EIOPA to assess, on the basis of a targeted impact assessment, the potential benefits and prudential justification of adjusting capital requirements for investments in equity and private debt, in particular of SMEs, possibly also through the internal model approach, to ensure that capital requirements for insurers and pension funds do not discourage long-term investments; encourages the rapid phasing-out of national exemptions and the reduction of ‘gold-plating’ in the national implementation of Solvency II;
31. Underlines the need to create and stimulate the availability of suitable sustainable assets; encourages the Commission to put forward a legislative initiative for an EU Green Bond Standard; calls for further discussions on the creation of a European safe asset, based on an evaluation to be performed by the Commission of the sovereign bond-backed securities (SBBS) proposal and possible developments, in order to strengthen the international role of the euro, stabilise financial markets and allow banks to diversify their portfolios;
32. Stresses that adequate prudential rules providing a loss absorption capacity are fundamental to preserve financial stability, while a balance must be sought to ensure that the capacity of financial institutions to invest and lend to the real economy and the EU's global competitiveness are improved; calls on the Commission, in implementing the finalised Basel III standards, to pay due attention to risk weights applicable to banks' investments in equity, especially SMEs' long-term equity;
33. Stresses that the CMU should be consistent and coherent with the European Green Deal, and in particular with the Sustainable Europe Investment Plan and the EU taxonomy for sustainable activities; considers that the CMU should aim to direct investments towards environmentally friendly and competitive projects, thereby contributing to the EU's sustainable agenda;

Market architecture

34. Stresses the need for efficient and effective cooperation between European and national supervisory authorities, in order to overcome their differences and to work together towards genuine supervisory convergence to promote a common European model of supervision and enforcement, guided by the European Securities and Market Authority

(ESMA), so as to reduce the existing obstacles to cross-border financial operations; notes the importance of ESMA, EIOPA and the European Banking Authority (EBA) in this process, while also respecting the role of the National Competent Authorities (NCAs) as laid down in the recently agreed review of the European System of Financial Supervision (ESFS); recalls furthermore the need to reform the governance structure of the ESAs to make them more independent of national supervisors;

35. Calls on the Commission, with a view to potential efficiency gains, to consider gradually granting ESMA direct supervisory powers, including direct oversight over certain market segments, such as EU Central Counterparties (CCPs) and Central Securities Depositories (CSDs), and the European Single Access Point, as well as greater product intervention powers; stresses also the need to appoint a single European supervisor, in cooperation with the relevant NCAs, on the basis of a common rulebook and product intervention powers for oversight on crypto-assets related activities with a significant cross-border element in the EU;
36. Is concerned about the recent scandal involving the German FinTech company Wirecard; in this regard, asks the Commission and the EU competent authorities to assess to what extent this scandal can be attributed to deficiencies in the EU regulatory framework in the area of audit and supervision, and whether national and EU supervisors are sufficiently equipped to effectively supervise big cross-border financial institutions with complex business models that involve different third-country jurisdictions and multiple corporate layers; calls for the drawing of conclusions from this case in relation to the further development of the EU regulatory and supervisory framework, and in particular to the CMU action plan; believes these conclusions should address whether direct supervision at European level in specific areas could have prevented this failure, and whether an ambitious reform of the governance of the ESAs, with a stronger role in reducing the existing obstacles to cross-border financial operations, would be warranted; reiterates in particular its call on the Commission to look into ways of improving the functioning of the accounting sector, including through joint audits;
37. Highlights EU-wide competition, choice and access to market infrastructures as fundamental principles for the diversity of trading mechanisms in the CMU, except where such access would endanger financial stability; notes with concern that over the past years an increasing share of trading flows has gone to trading venues with limited transparency requirements, and points out that such trading does not contribute meaningfully to price discovery; notes that levels of bilateral trading off-venue remain high; advocates a genuine shift towards competitive and on-exchange trading in European equity and derivatives markets, while ensuring a level playing field between different trading venues;
38. Calls on the Commission to ensure the proper funding of civil society operators and consumers' representatives in the field of financial services, since they offer invaluable insight and independent assessment to policymakers and regulators;
39. Underlines the need, in order to reduce the fragmentation risk stemming from the application of national options and discretion, to progress on common European standards;

40. Observes that the regulation of financial services is a very complex undertaking, existing at international, European and national level; encourages all relevant actors to address this complexity in order to ensure the proportionality of financial regulation, and to remove unnecessary administrative burdens; also notes that proportionality of financial regulation can sometimes lead to increased complexity, and calls on the Commission and the Member States to commit to significant efforts to streamline and harmonise existing and future rules, by phasing out national exemptions as appropriate and by preventing the ‘gold-plating’ of EU law at national level; highlights that regulations with clear timelines for transition and the phasing-out of existing regimes can build a smooth and steady path to regulatory convergence;
41. Reiterates the call made in its resolution of 19 January 2016 on ‘Stocktaking and challenges of the EU Financial Services Regulation’, for the Commission to conduct, every five years and in cooperation with the ESAs, the Single Supervisory Mechanism (SSM) and the European Systemic Risk Board (ESRB), a comprehensive quantitative and qualitative assessment of the cumulative impact of EU financial services regulation on the financial markets and their participants at EU and Member State level, in order to identify shortcomings and loopholes, assess the performance, effectiveness and efficiency of the regulation of financial services, ensure that it is not impeding fair competition and the development of the economy, and report back to Parliament; regrets that no such assessment has been conducted thus far;
42. Calls on the Commission to present a detailed roadmap to strengthen the robustness of the financial ecosystem, drawing lessons from the benefits and shortcomings of the existing EU rulebook on financial stability and financial supervision, as identified during the COVID-19 crisis; takes note of the recent recommendations from the ESRB, notably on liquidity risks arising from margin calls and liquidity risks in investment funds;

Retail investors

43. Emphasises the fact that there is no sound market without a wide investor base; is concerned that retail investors’ engagement with financial markets remains low; states the need to increase the portfolio of suitable investment options for retail investors; calls for measures to promote retail investments in view of the demographic challenges faced by the EU, by increasing the participation of retail investors in capital markets through more attractive, transparent and appropriate personal pension products; calls for initiatives specifically targeting retail investors, including facilitating the development of independent web-based EU comparison tools, to help retail investors determine the most appropriate products in terms of risk, return on investment and value for their particular needs and preferences, and promoting incentives for competitive Environmental, Social and Governance (ESG) products and for products typically associated with better value for money;
44. Regrets with concern that the consumer and investor protection provisions in several sectorial pieces of EU financial services legislation are poorly aligned, resulting in undue complexity for financial intermediaries and retail clients alike; calls on the Commission to adopt a more horizontal and harmonised approach to consumer and investor protection in EU financial services legislation, adapted to the green and digital

transformation, in order to ensure effective and consistent levels of protection across all financial products and providers;

45. Underlines the importance of enhancing investor confidence in the capital markets, fostered by sound investor protection and supported by financially literate market participants;
46. Stresses the need for a level playing field between financial services firms and digital technology firms, as long as a one-size-fits-all approach is not applied; emphasises that access to financial markets should be possible for all enterprises under the ‘same business, same rules’ principle; notes that this principle is particularly relevant in the FinTech and financial innovation areas, and that reciprocal access to financial data should be balanced with the need to have a level playing field across all providers and product types;
47. Emphasises that the single market for retail financial services is very underdeveloped; notes that purchasing retail financial services products such as mortgage loans or insurance products on a cross-border basis is very uncommon and embedded with obstacles; considers that retail market participants should be easily able to take full advantage of the single market to access retail financial services products on a cross-border basis in order to secure more choice and better products; calls on the Commission to put in place a new Action Plan for retail financial services that sets out an ambitious strategy to remove obstacles for cross-border retail financial services, along with the elimination of unnecessary and excessive fees for such services;
48. Calls for the improvement of the disclosure and comparability of key information and the elimination of misleading information in the legislation on Packaged Retail Insurance-based Investment Products (PRIIPs), issues which should be addressed in the next review; expects that Level 2 PRIIPs legislation on the Key Investor Document will respect the level 1 legislation, in particular on the provision of accurate, fair, clear and non-misleading pre-contractual information and on the methodologies related to the performance scenarios, as well as ensuring comparability among different investment products; notes the importance of ensuring both that past performance information is available to investors and that past performance cannot be used as an indicator to predict future returns; regrets the delays in the adoption of Level 2 PRIIPs legislation, which will overlap with the first review of PRIIPs and increase legal uncertainty and costs for stakeholders; insists that the forthcoming review should provide for disclosure documents which are standardised and machine-readable, thereby enabling comparability in a digital-friendly way; calls on the Commission and the ESAs to coordinate their proposals for their respective level 1 and level 2 changes in a way that guarantees a high degree of predictability for intermediaries and retail clients alike;
49. Urges the Commission to clarify the differentiation between professional and retail investors on all levels of MiFID, making it possible to tailor the treatment of clients according to their knowledge and experience on the markets; takes the view that it is important to allow retail investors to be considered professional investors according to clear criteria, upon request; requests the Commission to consider if the introduction of a category of semi-professional investors would better respond to the reality of participation on the financial markets and, on the basis of its findings, assess whether

the introduction of such a category would be needed or not; alternatively, requests the Commission to consider more flexibility in the client categorisation, namely through opt-out options for certain obligations and opt-in options for certain clients, or to make the existing criteria for professional investors more efficient;

50. Has been made aware that the current reporting framework within MiFID II and the European Market Infrastructure Regulation (EMIR) is very costly and complex, hindering the effectiveness of the system; believes that a simplification thereof should be considered, taking full account of current experience, exploring streamlining across legislation, and ensuring that this in no way serves to undermine the aims set for MiFID II and EMIR and does not hinder the rules on market integrity, transparency, consumer protection and financial stability;
51. Calls for amendments to legislation to ensure access to independent advice by financial intermediaries without undue promotion of the financial products manufactured 'in-house', and with a thorough assessment of products from a range of manufacturers, and to ensure a fair and transparent marketing of financial products; notes that ESMA has adopted a nuanced view on a potential ban on inducements, and calls on the Commission to explore alternative approaches, with similar effects on aligning interests across the entire distribution chain; agrees that the role of inducements in intermediation and distribution should be further examined to ensure that no conflicts of interest arise and that financial advice is fairly, transparently and adequately supplied to investors;
52. Underlines that mystery shopping is an important supervisory tool which can considerably improve the consistency and effectiveness of consumer protection across the EU; invites ESMA to make full use of its new coordination powers by promoting EU-wide mystery shopping exercises to identify mis-selling practices and to ensure that any findings of non-compliance with consumer protection and business conduct rules are followed by appropriate enforcement actions;
53. Proposes to the Commission that it look into the possibility of establishing an EU Individual Savings Account, as a complement to national regimes, that could overcome the fragmentation of national markets by operating in a uniform manner and across heterogeneous markets, ensuring portability and security of savings;
54. Insists that retail investors will be an integral part of the sustainable finance agenda and the EU's sustainable development agenda; calls on the Commission to ensure that the taxonomy label methodology is clear and understood by retail investors;

Financial education

55. Notes that lack of financial literacy and lack of access to widespread public information about financial markets are among the factors that explain the lack of an equity culture in the EU; underlines that financial education is needed to enable consumers to know their rights and understand the risks associated with financial market participation, in order to accelerate retail investor engagement with the financial markets based on increased knowledge, trust and risk awareness; urges the Commission to launch and support programmes in Member States to foster financial and digital literacy using a range of instruments, including digital and social media, to engage with citizens and businesses, especially through public agencies created for that effect; calls on financial

services providers to better facilitate retail investors' participation in capital markets, and to support overcoming their savings bias by creating an equity culture, in accordance with their risk profile;

56. Emphasises that financial education is a medium-term tool, whose effects are limited due to inevitable cognitive biases, the speed of change in financial markets and their sheer complexity; stresses that financial education cannot replace access to reliable and impartial professional financial advice; notes that employee share ownership programmes are among the most effective means of increasing financial awareness and literacy for adult EU citizens;
57. Believes that a more informed and better-educated citizenship on financial issues is beneficial to democratic systems, contributes to the stability of financial systems, and promotes the transparency and duties of information of financial institutions; calls on the Commission to propose a review of the Council recommendation on 'Key Competences on Lifelong Learning', and to introduce financial literacy as a standalone key competence; also encourages financial institutions to develop and implement programmes that aim to expand financial literacy and capability, building opportunities for financial inclusion for all citizens;
58. Urges the Member States, as well as, where appropriate, competent regional, local or other public authorities, to consider including or expanding financial literacy in all curricula from school to university, with evolving programmes that are adapted to the needs of pupils and students and curricula that are aimed at developing autonomy in financial matters; suggests that such programmes should at least include basic financial concepts such as compound interest, returns and annuities, and the distinction between bonds and shares; suggests the inclusion of financial literacy in the Programme for International Student Assessment (PISA) study;

Digitalisation and data

59. Takes the view that the digitalisation of financial services can be a catalyst for the mobilisation of capital and could help overcome the fragmentation of the financial markets in the EU while reducing barriers and increasing supervisory efficiency; underlines that digitalisation should lead neither to regulatory arbitrage nor to lower customer protection, reduced safety or financial stability risks; emphasises that an EU framework with high standards of cybersecurity, including on the protection of privacy and on data protection, could be conducive to the CMU; observes that digital finance has a strong capital flow element which attracts cross-border investments; notes that such a EU framework should be primarily fit for the digital age and technology-neutral;
60. Calls on the Commission to work towards the implementation of the Digital Finance Action Plan for better access to financial services offering wider choice and increasing efficiency of operations;
61. Calls on the Commission to use the forthcoming reviews of financial services regulations to foster investor and shareholder engagement through digital tools;
62. Emphasises the need for European markets to be able to compete globally; calls on the Commission to create a favourable environment for innovative and competitive EU

financial products, with a global reach to attract foreign capital and investment and to promote the EU's competitiveness in global markets, whilst maintaining high levels of prudential regulation and financial stability; reiterates the need for a more streamlined and codified representation of the EU in multilateral organisations and bodies, in line with Parliament's resolution of 12 April 2016 on the EU role in the framework of international financial, monetary and regulatory institutions and bodies⁸;

63. Stresses that crypto-assets are becoming a non-traditional financing channel for SMEs, notably initial coin offerings that have the potential to fund innovative start-ups and scale-ups; insists in this regard that a clear and consistent guidance at EU level is needed on the applicability of existing regulatory and prudential processes to crypto-assets that qualify as financial instruments as far as EU legislation is concerned, in order to provide regulatory certainty and avoid a non-level playing field, forum shopping and regulatory arbitrage in the internal market;
64. Notes that some oligopolistic structures have developed in the area of financial services, and also that some large technology companies have become important players in the financial services market; calls on the Commission to monitor and investigate how the competitive advantages inherent to these operators may distort competition in the market and harm the interests of consumers and innovation; stresses that no disincentives should be created to providing market data in the first place and that a comprehensive review on the cost and availability of market data for all market participants should be conducted;
65. Highlights that 'sandboxes' may be an adequate tool to enhance the innovation and competitiveness of the financial services sector; underlines that any sandbox, including a pan-European 'sandbox', should seek to strike a balance between the objective of fostering innovation and financial stability and the protection of investors and consumers, while taking into account the size, systemic significance and cross-border activity of the firms concerned; requests that the Commission draw upon the experience gained from the European Forum for Innovation Facilitators (EFIF) to assess whether a common EU framework for a pan-European 'sandbox' for financial services would provide additional benefits for financial innovation;
66. Calls for efforts focused on preserving a level playing field based on cross-border data access, and a high level of consumer data protection and privacy, making the EU a framework with high standards of cybersecurity which would be conducive to the CMU;

The EU's role in global markets

67. Points out that Europe competes for capital in a global market, and that, as a result, deeper, more integrated, well-regulated, stable, efficient and resilient European capital markets are critical to protecting Europe's economic sovereignty, to encouraging the use of the euro in third countries, and to attracting foreign investors; believes that the exit of the UK from the EU makes this objective even more important and that it should be pursued according to transparent rules-based criteria and not case by case;
68. Reiterates that EU legislation provides for the possibility of considering third-country

⁸ OJ C 58, 15.2.2018, p. 76.

rules as equivalent on the basis of a technical, proportional and risk-based analysis, and that such decisions should be taken through a delegated act; recalls that the EU can unilaterally withdraw any equivalence decision and that any divergence from EU regulatory standards should be closely monitored; calls on the Commission, in cooperation with the ESAs, and where relevant with NCAs, to establish a dynamic monitoring system on equivalence regimes, in the case of third-country regulatory and supervisory divergences which could entail potential risks for the EU in terms of financial stability, market transparency, market integrity, investor and consumer protection and the level playing field; highlights that the Commission should have emergency procedures in place to withdraw equivalence decisions in case of the need to act swiftly, bearing in mind the potential consequences of an emergency withdrawal of an equivalence decision; emphasises the need to ensure that EU supervisors have direct supervisory powers in case the activities of certain third-country firms recognised under the EU equivalence framework may impact financial stability, orderly markets or investor protection;

69. Recalls the need to ensure interoperability of the EU's regulatory framework with the internationally agreed principles of the Basel Committee on Banking Supervision and the Financial Stability Board;
70. Calls for action to strengthen the international role and use of the euro, by completing the Economic and Monetary Union, the CMU and the Banking Union, supporting the development of euro-benchmarks for commodity markets, and reinforcing the role of the euro as a reference currency;
71. Considers that a level playing field should be guaranteed in future relations with the United Kingdom after the transition period, thus promoting the stability of the EU's financial markets.

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72. Instructs its President to forward this resolution to the Council, the Commission, the ESAs and the European Central Bank.

INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE

Date adopted	10.9.2020
Result of final vote	+: 37 -: 10 0: 10
Members present for the final vote	Gunnar Beck, Marek Belka, Isabel Benjumea Benjumea, Stefan Berger, Francesca Donato, Derk Jan Eppink, Engin Eroglu, Jonás Fernández, Frances Fitzgerald, José Manuel García-Margallo y Marfil, Luis Garicano, Sven Giegold, Valentino Grant, Claude Gruffat, José Gusmão, Enikő Győri, Eero Heinäluoma, Danuta Maria Hübner, Stasys Jakeliūnas, Billy Kelleher, Ondřej Kovařík, Georgios Kyrtos, Aurore Lalucq, Aušra Maldeikienė, Jörg Meuthen, Csaba Molnár, Siegfried Mureşan, Caroline Nagtegaal, Luděk Niedermayer, Lefteris Nikolaou-Alavanos, Dimitrios Papadimoulis, Piernicola Pedicini, Lídia Pereira, Kira Marie Peter-Hansen, Sirpa Pietikäinen, Dragoş Pîslaru, Evelyn Regner, Antonio Maria Rinaldi, Alfred Sant, Joachim Schuster, Ralf Seekatz, Pedro Silva Pereira, Ernest Urtasun, Inese Vaidere, Johan Van Overtveldt, Stéphanie Yon-Courtin, Marco Zanni, Roberts Zīle
Substitutes present for the final vote	Damien Carême, Christian Doleschal, Eugen Jurzyca, Eva Kaili, Chris MacManus, Margarida Marques, Eva Maydell, Pina Picierno, Stéphane Séjourné

FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

37	+
ECR	Eugen Jurzyca, Johan Van Oortveldt, Roberts Zīle
PPE	Isabel Benjumea Benjumea, Stefan Berger, Christian Doleschal, Frances Fitzgerald, José Manuel García-Margallo y Marfil, Enikő Győri, Danuta Maria Hübner, Georgios Kyrtos, Aušra Maldeikienė, Eva Maydell, Siegfried Mureşan, Luděk Niedermayer, Lídia Pereira, Sirpa Pietikäinen, Ralf Seekatz, Inese Vaidere
Renew	Engin Eroglu, Luis Garicano, Ondřej Kovařík, Caroline Nagtegaal, Dragoş Pîslaru, Stéphane Séjourné, Stéphanie Yon-Courtin
S&D	Marek Belka, Jonás Fernández, Eero Heinäluoma, Eva Kaili, Margarida Marques, Csaba Molnár, Pina Picierno, Evelyn Regner, Alfred Sant, Joachim Schuster, Pedro Silva Pereira

10	-
GUE/NGL	José Gusmão, Chris MacManus, Dimitrios Papadimoulis
ID	Gunnar Beck, Francesca Donato, Valentino Grant, Jörg Meuthen, Antonio Maria Rinaldi, Marco Zanni
NI	Lefteris Nikolaou-Alavanos

10	0
ECR	Derk Jan Eppink
NI	Piernicola Pedicini
Renew	Billy Kelleher
S&D	Aurore Lalucq
Verts/ALE	Damien Carême, Sven Giegold, Claude Gruffat, Stasys Jakeliūnas, Kira Marie Peter-Hansen, Ernest Urtasun

Key to symbols:

+ : in favour

- : against

0 : abstention