



## Workshop on Europe's Capital Markets Union.

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Good afternoon,

First of all, I would like to thank BME and FEDEA for their kind invitation to this workshop.

It is a pleasure for me to share these opening remarks on Capital Markets Union with Javier (Hernani- BME) and Angel (De la Fuente- FEDEA).

These events are an excellent opportunity to focus on new challenges that are yet ahead of us.

But before focusing on these new challenges, it's always advisable to take a look back and spend a few minutes analysing the circumstances that brought us where we are now.

Looking back, as you all know, what is keeping us busy today comes from the financial crisis that started in 2007 which was followed by an economic crisis.

In order to rebalance the world's economy, the G20 pushed forward important measures aimed at enhancing international economic cooperation and reinforcing supervision of financial markets.

Following this impulse, policy makers and regulators in the EU started an ambitious regulatory reform plan whose overall objective has been to restore financial stability on a global scale and build a financial system that serves the economy and plays its part in putting Europe back on a path of sustainable growth.

We have been working with the aim of creating a safer, more transparent, and more responsible financial system, working for the economy and society as a whole, and contributing, as I said, to economic growth.

A look at the initiatives in financial services legislation reveals how fundamental these changes have been: MiFID 2, MAR, EMIR, AIFMD, CSDR and many other legislative pieces have been approved or are about to be approved in the near future.

And, after this financial services legislation revolution, the European Commission launched a new project called Capital Markets Union.

There is much literature about the goodness of this project, and many are the voices supporting the idea.

This Plan is very close to one of the basic pillars of the EU, the single market that aims at creating a barrier-free space for goods, services, people and capital within the Union.

The Action Plan is built around the following key principles: creating more opportunities for investors, connecting financing to the real economy, fostering a stronger and more resilient financial system, and deepening financial integration and increasing competition.

As part of its priority to boost jobs and growth, the Plan sets out 20 key measures to achieve a true single market for capital across the 28 EU Member States, to be implemented before the end of 2017.

And that is where the idea of Capital Markets Union can help as it is aimed to boost this integration by breaking down the barriers that are blocking cross-border investments and preventing businesses from getting access to finance.

The main goal of the CMU is to help money flow throughout the EU to where it is most productive. To connect savings more effectively to growth, to channel investment to projects which need financing, to give companies a greater choice of funding, and to increase the options for people saving for the long term.

Its long-term objectives are mainly these:

- o The first one is to improve the access to finance, especially for SMEs and infrastructure projects.
- o The second objective stands for the diversification of financing sources. In contrast with former initiatives, the CMU now aims to boost investment by removing existing barriers that prevent the capital flow among Member States. This should foster the attractiveness of Europe as a place to invest.
- o Last but not least, the third objective lies on markets efficiency, focusing on intermediaries, market infrastructures and corporate governance. The implementation of this goal may not be easy due to the cross-country asymmetries.

In my opinion, there are five main areas outlined in the CMU Action Plan which give indications of the priorities proposed by the European Commission. However, as you may know, priorities are to be reassessed by 2017.

First, making it easier for companies to enter and raise capital on public markets. There is a need to strengthen access to public markets and this can be done, for example, through the review of the prospectus directive or through the removal of barriers to access to SME markets.

Second, promoting long term and sustainable investment. There is a need to support infrastructure investment, and the consistency of the EU financial services rulebook can help investment more sustainable.

Third, providing financing for innovation, in order to broaden the range of options available for growing companies. We should make an effort to overcome information barriers and promote innovative forms of corporate financing.

Fourth, we should help retail investors get a better deal increasing the choice and competition for them. Greater engagement of retail investors in the capital markets is desirable as this will help them to diversify their savings and generate increasing returns.

And finally, a review of the existing regulation to understand if they have struck the right balance between reducing risk and enabling growth.

The Commission is trying to identify possible financial rules affecting the ability to finance the economy and gather evidence on the impact of those rules. The Commission has already received more than 250 responses identifying issues that deserve attention regarding financial regulation.

As I was saying at the beginning of my speech, it is also time to take a step back and review whether the different regulatory pieces have created unintended consequences.

I can confirm that, in general, the CNMV supports the project as it has been delineated. It is difficult not to agree in principle with the idea behind the proposal of CMU.

But, as always, the devil is in the details and the complication begins when we start thinking about specific measures. I would say that it is essential to take some time to think carefully, before acting.

And I believe in this process we should take into account the following premises:

- o The steps forward in defining future policy measures must be based on sound data and on the effects of the still ongoing financial reform promoted as a result of the crisis. A

proper assessment of post-crisis scenario and of the effects of the reforms -many are not implemented yet- is essential to ascertain the following steps.

- o In addition, it is necessary to verify and evidence some premises based on the fragmentation of capital markets and thus on the existence of a significant amount of unproductive financial capital or an inefficient allocation as well as the causes to which it is attributed such as a regulatory excess and the existence of barriers to capital mobility within the European Union.

- o I would also like to emphasize the need to frame, contextualize and identify all regulatory and policy measures and initiatives currently in place and relevant to the CMU, in order to reconcile their objectives while avoiding overlaps and eventual contradictions as well as to find a clear and common purpose.

- o Finally, I believe it is important to insist on the idea that promoting market based financing should not be detrimental to banking activities. Banks are essential actors in EU financial markets and should see the CMU as an opportunity to explore alternative ways to offer funding to companies.

Having said this, although as I mentioned before the CNMV shares in general the priorities suggested, I think it is important to highlight some issues that I consider of utmost importance in this debate.

First, I believe it is essential to preserve investors' protection as a means to foster confidence in order to facilitate the return or eventual approach of investors to European capital markets. In this sense, any new regulation should seek to maintain the balance between flexibility in favor of the development of new markets and instruments and ensure adequate investor protection.

Therefore, it is crucial to strengthen and define appropriate supervisory schemes for new practices or activities to be defined under CMU objectives.

And also we have to set a level of sufficient transparency requirements, good rules of conduct, fair treatment to retail investors together with an improvement of smooth ways of attention of claims and complaints through both courts and, mainly, alternative resolution schemes.

Second, I also believe that in future development of any initiative not only a cost-benefit analysis must be conducted but also its impact on the competitiveness of European companies and markets has to be taken into consideration.

Finally, I would also stress in particular technology as a top priority. The development of new technologies is a driver of the integration of capital markets and the combination of new technologies and the growing importance of collaborative economy is a major trend with significant implications for the global economy.

This trend, therefore, deserves special attention in order to properly analyze how it can impact on economic growth, how it will change business models and company-customers relations. It is necessary to analyze how the CMU objectives can benefit from this new environment.

As you have seen, the CMU is a long-term project but with some important early initiatives amongst which a relaunch of high quality securitisation is included in the first set of measures.

Indeed, in one of its promoters' words, the Commissioner Jonathan Hill: "In 2014, the securitisation market was worth 216 billion euros, about a third of its value in 2007. If we could revive that market to its pre-crisis average, this could provide an extra 100 billion euros of credit to the economy".

For that reason, the proposal of the European Commission sets out criteria for simple, transparent and standardised securitisation, with reduced bank capital requirements for securitisations.

In addition, the European Commission is also exploring the potential and the risks of crowdfunding. Some Member States have already introduced specific legislation on this emerging alternative source of finance, this being the case in Spain where the Law for promoting corporate financing has regulated it.

The law addresses this phenomenon from three perspectives: the legal framework governing crowdfunding platforms; the authorisation, registry and activity reserve in favour of the platforms; and the regulations applicable for each of the three sides involved in the financing channel (the project owner, the potential fund contributors and the platform itself), including restrictions on activities permitted and rules to protect non-qualified investors, as defined in the Law.

As you can appreciate, there is already pretty much done, but we need to be ambitious in pursuing our objective and work even harder in our day-to-day to make the single market become reality.

The gloomy economic situation we have been struggling with allows us, once again, to learn in order to strengthen financial markets.

Actually, we should learn from the mistakes and jointly seek for solutions to adapt our financial system to even more complex and integrated markets.

The CNMV is also aware that this will be a challenging task, but we are convinced that our efforts will certainly be rewarded. I strongly believe that our time for action is now because CMU is already giving its first steps.

And now, to conclude, I leave you with Diego Valiente, whose report is, without a doubt, a valuable input for this project. He has based his proposals on two of the premises that I was mentioning:

- o First, he has analysed the current situation and, using sound data, he has being able to offer a list of 36 barriers.
- o Second, ha has also studied the impact of these barriers.

And after this analysis he proposes 33 very interesting policy recommendations on those areas where an action is needed.

I am also sure that Antonio Sainz de Vicuña and Carmen Ansótegui will offer their valuable views on this topic and on the report that will be presented today.

Thank you all for your attention.