



Ministerie van Financiën



Bundesministerium
der Finanzen

Brussels,

Subject: Investment and financial markets in the European Union

The Capital Markets Union is to become a central element in strengthening the single European market. It is designed to enable the diversification of the financing means and the investment opportunities at the disposal of market stakeholders within the Union. Integration of the capital markets helps to make the EU more resilient to shocks as the dependency on the bank intermediation is reduced.

The priorities initially set under the "Capital Markets Union" framework were confirmed in June 2017. In the previous years a lot of progress has been made to integrate the capital markets. Compromises have been reached on important legislative proposals. The need to further integrate the Capital Markets Union is, however, still very much present. Challenges in the form of climate and technological change, as well as the United Kingdom's decision to leave the European Union, resulting in Europe's leading international financial centre to be no longer part of the single market for financial services, make the need for a well-designed capital market for the EU to become an urgent strategic issue. It is critical for the Union to bolster its capacity to finance its growth and job creation, as a necessary condition to ensure the resilience of its economy. The decisions taken in this respect will play a considerable role not only with regard to the shape of the future EU financial markets but also to the international competitiveness of the European economy as a whole.

In order to initiate this strategic reflection, we propose to set up a high-level working group composed of European personalities, which are recognized for their expertise in the field of Capital Markets.

The working group's members will provide, in complete independence, the point of view of the real economy including SMEs, investors, financial intermediaries, market infrastructures, and experts on digitalization and financial innovation.

The work of the group should be based on reliable evidence and needs to be subject to broad consultations with all relevant stakeholders including experts, investors, consumers, Member States of the EU, national regulators and supervisory authorities.

The group will outline the strengths and weaknesses of Capital Markets in the European Union, differentiating between the short, medium and longer term.

It will also identify appropriate ways to endow the European Union with a capacity to finance the growth of its economy and its businesses in a robust and sustainable way, via private sector solutions and through diverse financing channels.

It will further assess ways to ensure stable and efficient financial markets in the European Union protecting its economic interests and financial stability, including the analysis of options how to maintain close relations with other international financial markets based on the principle of fair competition and preserving high regulatory standards for financial regulation. The group will finally highlight ways for Europe to seize all the opportunities of technical innovation and digitalization in financial services.

The analysis and recommendations will thus fuel the roadmap of the European institutions, Member States and financial markets, in view of the next European Commission period of office.

An interim report shall be delivered no later than 31 July 2019. The final result of the work is awaited no later than 30 September 2019./.



Wopke HOEKSTRA



Bruno LE MAIRE



Olaf SCHOLZ

Annex

Orientation of the work of the High Level Group on Investment and financial markets in a European Union with 27 Member States.

The work of the group will ensure:

1. not to interfere with the ongoing negotiations on the Brexit or the current European legislative agenda and not be influenced by competition between financial markets;
2. to highlight the mutual interest of Member States in acting together and how beneficial it can be;
3. assess different options for the relation EU financial markets could have with financial market places in third countries and how these could be strategically shaped;
4. to emphasize the opportunities offered by new technologies and digital innovations;
5. to develop a vision of EU Capital markets.

The analysis should focus in particular on:

1. the existence of a diversity of market players, a wide range of financial products, adequate talents and skills as well as a real capacity for innovation, and competitive market infrastructures from a global perspective;
2. the need for a liquid, deep and integrated market with sufficient critical mass to be able to cope with short-term fluctuations;
3. the provision of financing facilities by the private sector for all-size-companies at each stage of their growth, hence providing as many investment opportunities whilst preserving financial stability;
4. the development of a consistent concept for European capital markets simplifying access for issuers and facilitating investments by both wholesale and retail investors taking into account their respective needs;
5. how to develop a dense and dynamic ecosystem of financial innovation and assess how new technologies can be better used for a more efficient functioning of EU capital markets without compromising financial stability and investor protection;
6. long-term perspectives, as well as sustainable and value-creating objectives;
7. the strengthening of the competitiveness and attractiveness of the European financial market.