



ITEM 6 – CAPITAL MARKETS UNION

40th EBF Associates meeting

29 May 2015, San Marino



European
Banking
Federation



“The crisis has shown the drawbacks of over-reliance on a bank-centred lending model. So we also need to develop reliable sources of non-bank lending, such as equity and bond markets, securitisation, lending from insurance companies and asset managers, venture capital and crowdfunding”. (2014)



“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. This would cut the cost of raising capital, notably for SMEs, and help reduce our very high dependence on bank funding.” (2014)



The Commission published a green paper on CMU in February 2015.

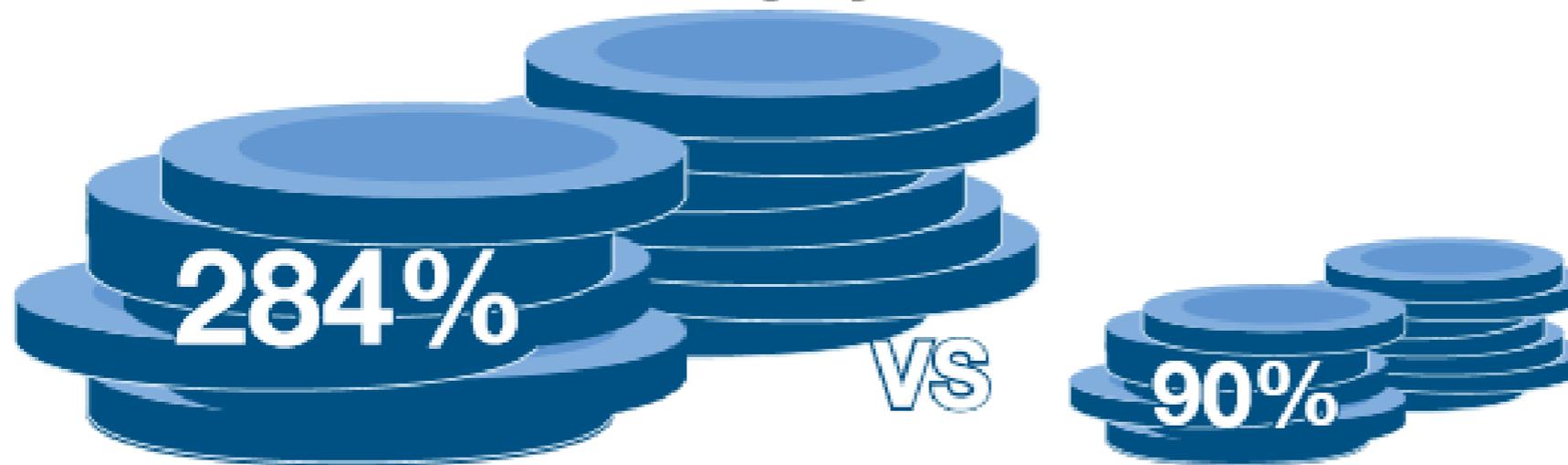
“Capital Markets Union is about unlocking liquidity that is abundant, but currently frozen, and putting it to work in support of Europe’s businesses, and particularly SMEs,”



Capital Markets Union, a necessity for Europe?

1. Growing businesses critical to jobs and economic growth in Europe
2. The tightening of bank lending has reduced financing
3. Opportunity for a bigger range of financing options, particularly for SMEs
4. Can help the financing of the Commission's Investment Plan
5. Free movement of capital: a fundamental Treaty freedom

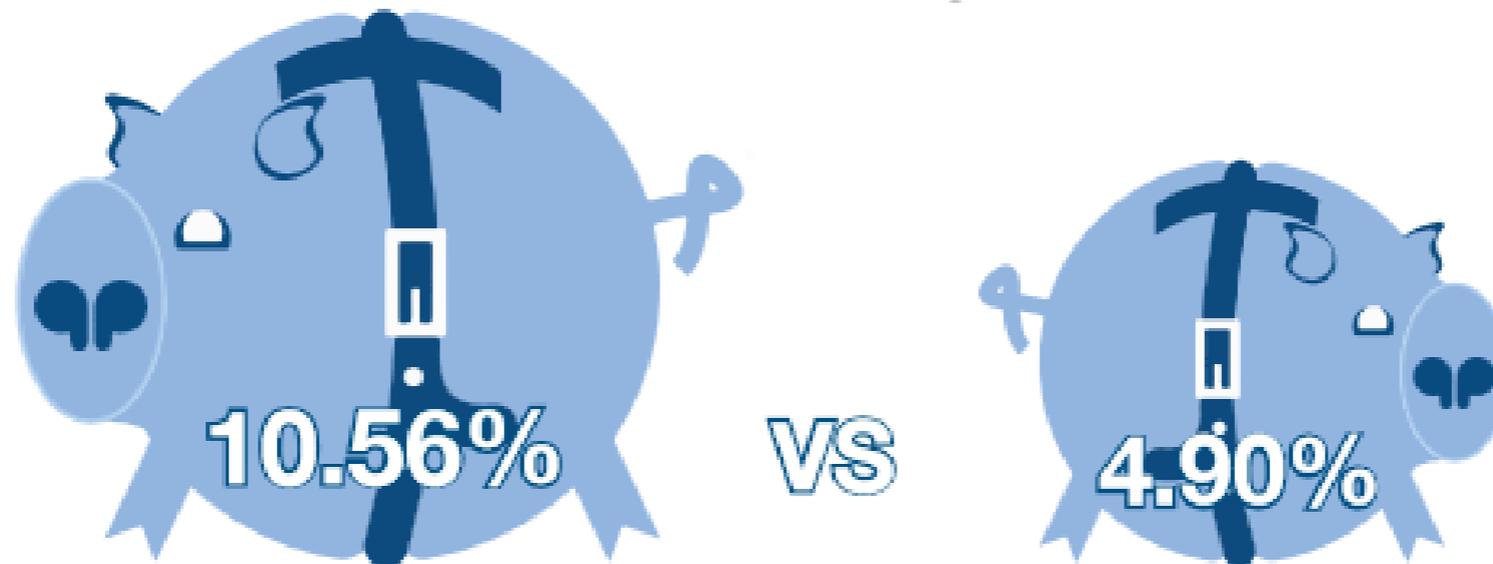
Banking system assets



EU 300% of GDP vs US 70% of GDP

Source: EBF, 2014, International Comparison of Banking Sectors

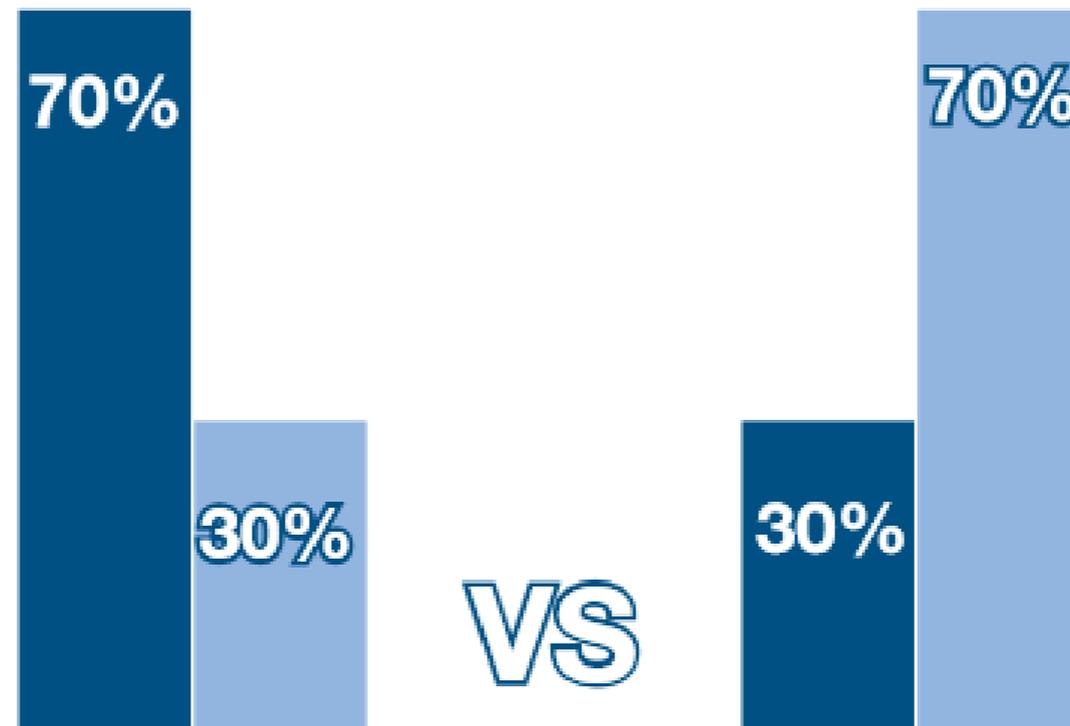
Personal savings rates



EU 10.56% vs US 4.90%

Source: Trading Economics, 2015, European Union Personal Savings

Bank vs Market based financing



EU 70% Bank loans & 30% Market financing vs US 30% Bank loans & 70% Market financing
Source: EBF, 2014, Capital Markets Union: what is at stake?

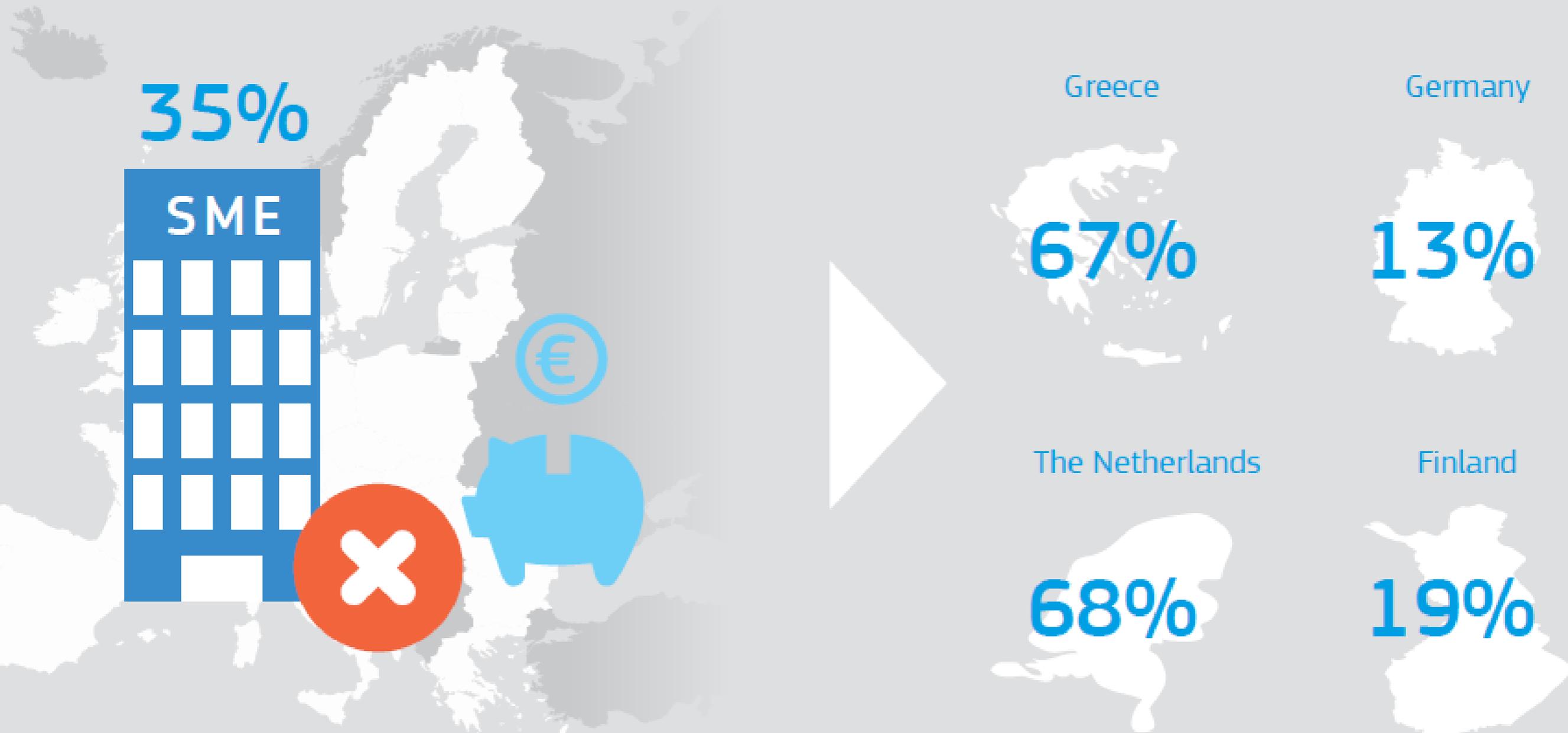
Venture capital market



EU \$7.4bn (15% of global market) vs US \$33.1bn (68% of global market)
Source: EY, 2014, Adapting and evolving

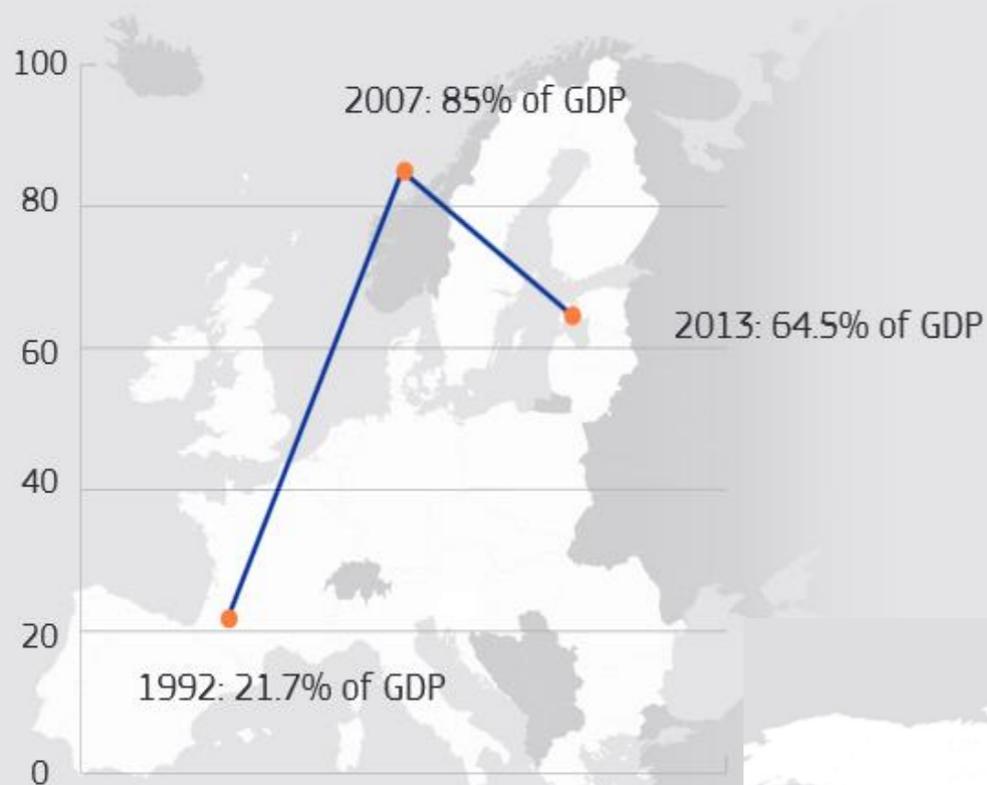
A lot of SMEs don't get all the financing they ask from banks in Europe

In the euro area, 35% of SMEs didn't get the complete financing they asked their banks for in 2013

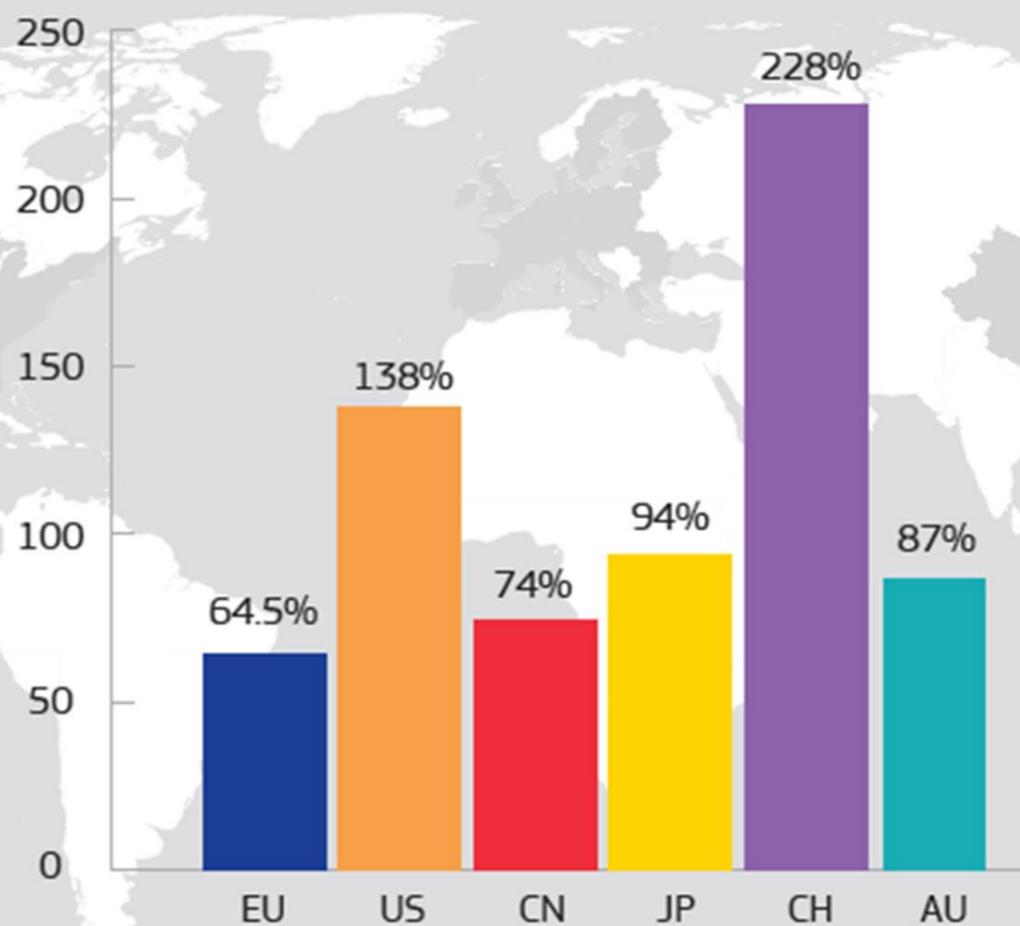


Capital markets in the EU have decreased since the financial crisis

Stock market capitalisation



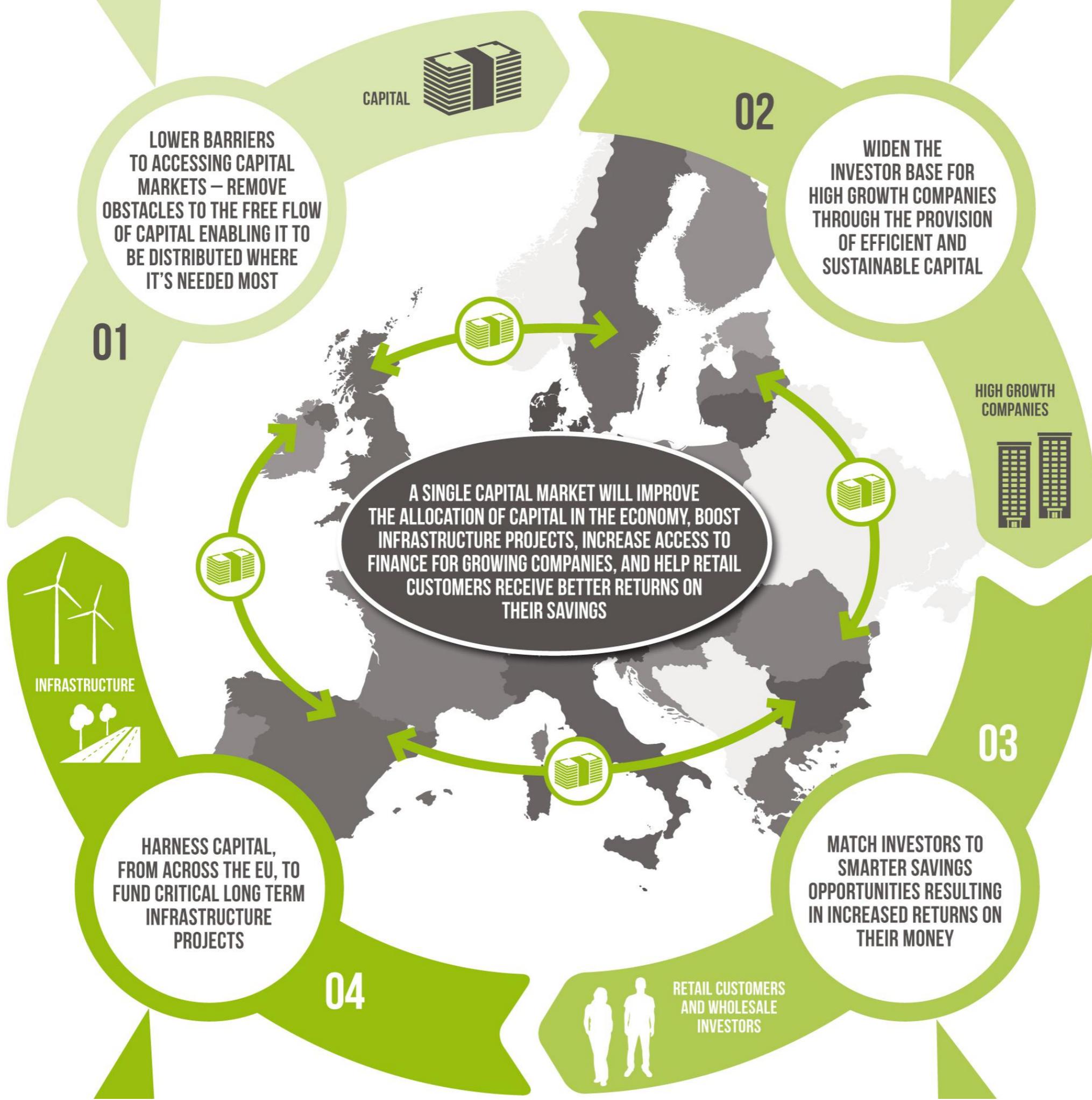
They are still smaller than in other major economies
(stock market capitalisation, 2013)



* as % of GDP

Timeline





EBF key recommendations

1. Ensure a level playing-field between markets and between EU and non-EU actors
2. Define a more tailored approach
3. Involve a more systematic and detailed review of the financial markets regulatory framework, across all different regulations and regulatory authorities
4. Promote market-led standards and best practices
5. Emphasise the importance of liquidity and market-making
6. Revised rules for Securitisation
7. Review of the Prospectus Directive
8. Removal of existing tax barriers
9. Cross-border shareholder tax transparency
10. Improvement of financial education and knowledge

Thank you for your attention