Press release | 30.09.2015

Capital Markets Union

Crucial project cannot be smokescreen for financial deregulation

The European Commission today presented an action plan on creating the much-anticipated Capital Markets Union, setting out measures it intends to propose to this end. Commenting on the action plan, Green economic and finance spokesperson **Sven Giegold** said:

"Creating a Capital Markets Union is a crucial initiative for Europe but the project cannot be a smokescreen for a wave of deregulation for finance markets.

“Stimulating access to capital across Europe by promoting a more integrated capital market can support financial stability as well as small and medium sized enterprises. It is in the interest of consumers for Europe to develop transparent, cost-effective financial products. Creating a common framework for insolvency across member states is also essential.

"However, to deliver on this promise, the Capital Markets Union must also set out common rules for capital markets oversight, taxation, contract and accounting law. Unfortunately, commissioner Hill has shied off doing so in this action plan.”

Green economic and finance spokesperson **Molly Scott Cato** added:

"Europe's Capital Markets Union must work for the people rather than financiers. To do this, it must aim at closing loopholes, stopping unfair competition between financial institutions and dismantling over-complex regulation.

"The proposals to reduce capital requirements for insurance companies and banks for infrastructure investments and securitisation products go in the wrong direction. Capital requirements must be linked to risk. Institutions should be required to hold a minimum of 10% capital in these complex products to ensure they have an interest in the quality of the product and managing the risk. The proposal to further reduce the level of capital requirements for shareholdings in the framework of the Insolvency II law is an unacceptable gift to the French insurance industry."

Sven Giegold continued:

"The Commission is proposing to assess the development of the 'green bonds' market and strengthen transparency. This can help the emerging market segment but it is important that social and environmental

factors are taken into account through the capital market and not just in a few specific products.

"Promoting banks and credit institutions that are focused on goals other than share price and have strong local and regional connections is important for stimulating credit to small and medium-sized enterprises in the real economy. The Commission needs to do more to strengthen this sector and to encourage the creation of new development banks. Proposals to this end are totally absent. Small and sustainable credit institutions need to be exempt from complex financial rules and instead subject to strict but non-bureaucratic rules. We welcome that this is being considered but unfortunately there is no firm commitment."

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