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I believe that the European experience with a long-term lack of good balance between bank and capital funding is undermining European global competitiveness. Today, uncertainties linked to geopolitics make this challenge even more urgent. Big capital market is leaving the Union. Building a competitive and sustainable capital market takes time. Now is the moment when Europe should and can move forward reshaping its financial infrastructure. Massive and diversified investment needs require access to liquidity and capital.

I would like to look first at new environment in which the Capital Market Union will be developed and which provides new arguments in favour of a fully-fledged robust CMU. Challenges inherited from the pre-Covid time are well-known, we want to invest in a climate-friendly Europe and technologically globally competitive Europe. With the recent addition of Covid and the related crisis, and without well-functioning, robust, stable, financial ,and capital market, the EU will have limited capabilities to implement its recovery programme. In this new context, for the time being we are strongly focused on public funding but the need to work hand in hand with private sector is more than obvious. Jobs come from private investment and from market based funding. EU, national decision makers and market participants have to work together on this.

Not everything is urgent but there are many important longer-term issues to handle. But there is political will to build capital market that will fit future needs. As of March, many decisions have been made leading to major increase in public debt, adjustment to rules facilitating the spending of the European budget, state aid rules have been

temporarily relaxed, as well as the rules for fiscal discipline, revolutionary changes to the long-term European budget are under discussion. But public financing at the European level to move forward requires a series of difficult decisions by member states. Even if we find consensus, this is a small part of longer-term solution. The ECB continues backing public debt. Here, the challenge is also the responsiveness of the markets to collective EU borrowing. It is going to be a test for capital market. We hear that pension funds have already expressed their interest. But of course for borrowing to safe assets from the European Commission is still a long way to go. How all that will work in mid- and long-term it is still hard to see.

Recovery challenge clearly shows that there is a role for market based funding. Over the last months the EP as legislators worked on a series of quick fixes in existing legislation to facilitate liquidity flows but the real challenge is to move forward with building capital market. Jobs creation, which is already and will be even more critical will not come without private investment that has to be financed.

There are also geopolitical challenges we have to face. We try to minimize disruptions related to Brexit, we talk to US supervisors and regulators, a big elephant in the room is China. We try to reduce damaging elements in the global environment but even if the world around becomes a better place than it is today, with less protectionist responses, it will not replace our need to have a strong European domestic market, stronger banks, stronger capital market, internationally important euro and all that based as much as we can on a long-term cooperative approach with the UK. Doing otherwise would be short-sighted. Here, unfortunately, the financial sector has to be prepared for the no passporting-based future or maybe even no equivalence-based future. Preparedness, even for a scenario with an agreement on the structured future relationship with UK, remains a must for industry because UK in any case will become on the 1st of January a third country.

CMU is a relatively young project, but we will not be starting from scratch. It has been already for a while the EU goal. Let me tell you that I do not agree with those who claim that nothing or not much has been done. What was put forward in 2015 and 2017 has been largely implemented. There is a rather long list of Commission's legislative initiatives that entered into effect. If we cannot claim full success this is due

to the fact that some regulations came short on initial ambitions. But what is important today is what is ahead of us to do.

I would say that at the European level, there is a strong commitment to restart building the CMU in the three institutions. We all know the report by the High Level Forum, chaired by Thomas Wieser. It started with an initiative of a few member states. That allows me to trust that there is commitment among the states. The reflection and proposals in this report start with the assumption that regarding financial needs for recovery, mostly green and digital, our banking system is not sufficiently well placed to deliver fully the needed funding. Diversified investment opportunities brought by recovery are important but access to liquidity and capital is and will be fundamental.

The report is about how to put in place and in action an effective CMU, truly integrated, liquid and internationally competitive. It confirms commitments shared between the Commission and Parliament to build the CMU with a new focus on SME-funding, retail savers, removal of still doing well barriers to capital flows of legal and structural nature, but also those between national markets.

If we take seriously the pre-Covid goals of green economy, technological modernisation, and digitalisation stay valid, we will need additional capital - actually massive funding. But Europe has to act now to make itself more attractive to the global capital. The next edition of the CMU has to mean both integrated and internationally competitive capital market. So we need not only a mobilised Europe but also Europe open to link globally.

Recovery investment will be most likely long term one. We will need a good balance of equity and debt. Taking into account also the current level of private debt I would see the investment gap filled by equity rather than debt. This might be a bigger challenge. If we look through the 100 detailed pages of technical paths on how to get to a fully-fledged CMU, we can see that there are tasks for all of us: legislators, regulators, supervisors and businesses. We need a rather “short road” map to take us there. We do not have all the time we might need. We need progress on common European standards, which would allow to avoid CMU fragmentation.

Smart implementation of Basel IV, reducing as much as possible competitive disadvantages through respecting EU specificities, amending Solvency II are needed, as barriers are also outside the financial and capital market regulations. I think we should be incentivised in our work as legislators by the need to avoid fragmentation through moving with more courage to European supervision, to European standards, away from national options and discretions.

Covid has brought new concepts and words to our thinking on CMU. I think of resilience, connectivity and competitiveness. Our capital market will not be a replica of one big global centre, which is just about to leave the EU. It will be a decentralised CMU. And we will have to make sure that regulatory arbitrage will not be the game in town.