Introduction

Ladies and gentlemen,

It is pleasure to be with you at this year's ECMI conference, even if – as with so many other conferences this year – we must be content with a virtual format.

The conference topic is very timely. It follows nicely on the launch of the Commission's latest attempt to build a single EU market for capital in the form of the second Capital Markets Union Action Plan.

This morning, our panel will discuss a specific aspect of CMU. That is: how capital market development can contribute to mobilise funding for a sustainable recovery.

This topic is even more timely, as it links CMU to probably the greatest short-term economic policy challenge of our time. That is: how to navigate and exit the Covid-19 crisis!

CMU Action Plan

Let me start by saying a few words about the new CMU Action Plan.

Between 2015 and 2019, the Commission delivered fully on the first CMU Action Plan. But, there can be no illusion that the integration of capital markets in the EU is even near complete.

We clearly have a long way ahead of us towards a genuine single EU market for capital. Hence, the need to build on the progress made in the first CMU action plan-with a second CMU Action Plan.

We have based the second CMU Action Plan on output from a High-Level Forum of relevant – and very qualified - stakeholders. The Forum delivered a set of 17 recommendations and 60+ sub-recommendations to the Commission.

We have built on those recommendations faithfully in proposing 16 policy actions with clear objectives and specified timelines. There is a mixture of rather technical and targeted actions with actions of a more fundamental nature. All the actions, however, are ambitious in their own way and are likely to deliver concrete benefits once implemented.

We believe that the adoption of new Action Plan is a signal that this Commission is as serious as its predecessor was about advancing EU capital market development and integration. To this end, the Plan has three core objectives:

- To make financing more accessible to European companies; here the main focus is on sell-side conditions;
- To make the EU an even safer and more attractive place for individuals to save and invest long-term; here the focus is on the demand-side conditions; and

- To integrate national capital markets into a genuine single market – which, of course, has been the classical objective of such initiatives since the mid-1980s.

To deliver on these core objectives, the Plan identifies both legislative and non-legislative actions. Examples include:

- The creation of a single access point for investors to company data. Providing investors with seamless access to financial and sustainability-related company information will reduce information search costs, widen the investor base for companies, help to integrate smaller local capital markets and support recovery.

- Incentives for insurers and banks to invest more in EU businesses, and invest long-term. This will contribute to the re-equitisation of companies – something, which will be essential after the COVID crisis when corporate debt levels will have risen to even higher levels.

- A reduction in “informational overload” for retail investors and an accompanying increase in the quality of advice. Retail investors must receive simple and easily comparable information on financial products and sound advice, so they can take the right decisions.

- An effort to increase pension adequacy across Europe. This would help people invest long-term, so they get higher sustainable returns and a suitable complementary income for their retirement.

- A simplification of withholding tax procedures. This will make it less costly for investors to invest across borders and prevent tax fraud.

- Greater convergence in insolvency rules. Making the outcomes of insolvency proceedings more predictable will support cross-border investment.

- Efforts to facilitate shareholder engagement and so make it easier for shareholders to have a say in how companies are being managed, notably as regards sustainability issues; and

- Stronger rules protecting cross-border investments.

All of these actions - and others - will help to deliver CMU. Of course, delivering CMU is not a goal in itself. But, it is a MUST if we want to address the economic challenges ahead – both short and longer term.

Which brings me back to the topic of our panel discussion.

The fact is we need CMU more than ever in view of the ongoing Covid crisis. CMU is needed to fund recovery. This recovery must not only be a robust near-term response to the crisis. It must also be sustainable in a longer-term perspective.

Much attention has been focused on public sector efforts to stimulate a post- Covid recovery. Rightly, the Next Generation EU programme and the associated Recovery and Resilience Fund has attracted most of that attention.

This EU-level public-funding initiative – complementing similar efforts at Member State level - is historically significant. For the first time, the EU will raise funding collectively to invest in its economy.

The RRF will be important engine of economic growth in the years to come. It will underpin economic recovery and also preserve economic cohesion in the Union. RRF funding will target a recovery – based on increased productivity – but also encompassing the transition to a greener and more digitalised economy.

But, meeting these interlinked objectives requires truly massive amounts of investment – investment on a scale that public funding alone cannot deliver. Private funding must be mobilised also. And building a larger, well-functioning and integrated capital market – CMU - will be key part in this mobilisation effort.

But, let me zoom in a bit on **sustainable finance and digital finance –** which are those elements of the green and digital transitions that are most relevant for the panel discussion this morning.

Sustainable Finance

The sustainable finance agenda and the digital finance agenda are both “children” of the initial CMU project. Now, they are self-standing and rapidly expanding work strands – albeit retaining clear synergies with CMU.

Sustainable finance aims at ensuring that the financial sector reorients capital flows from projects that are harming the climate and environment towards projects that would bring a substantial positive impact. The objective is that the financial sector should play its role in delivering the targets embedded in the European Green Deal.

To this end, the Commission will soon bring forward a renewed sustainable finance strategy early next year. This strategy will build on measures taken so far, notably the development of the EU Taxonomy, the disclosure regulation and regulation on benchmarks.

In the next steps, we will revise the Non-Financial Reporting Directive (proposal in Q1 2021). The idea will be to strengthen ESG disclosures by corporates. This will include reporting on Taxonomy alignment of their revenues and capital/operating expenditures as mandated.

We are also working on developing EU standards (such as an EU Green Bond Standard – with a proposal in 1H 2021) and labels for sustainable financial products (via Ecolabel) to protect integrity and trust of the sustainable finance market. They will all make use of EU Taxonomy.

The potential of green bonds to finance the green transition and support the European Green Deal is enormous, and Europe is already leading the way in the issuance of green bonds globally.

All of these actions are designed to allow investors to identify what is a green activity and to invest in that activity on a sound and profitable basis. They are creating a toolbox that will allow private-sector funding to play its essential role in the transition to a sustainable economic growth path in the EU.

But, what is the connection to funding the post-Covid recovery?

Some have argued that there is no connection. Moreover, there are concerned that there may be a trade-off between speed and sustainability in funding the economic recovery.

I do not see such a trade-off as being real. If we fund a recovery that is rapid but ultimately ends up stranding lots of investment as not sustainable, we will not only have wasted a golden opportunity to transform the economy. We will also have saddled future generations with a deadweight of public and private debt.

Digital Finance

Turning to digital finance, it is clear that consumers and businesses have been increasingly accessing financial services in digital form, while innovative market participants are deploying new technologies and challenging traditional business models. This trend has only been reinforced by the consequences of the pandemic.

Digital finance has helped citizens and businesses tackle the unprecedented situation created by the COVID 19 pandemic. If there was still any doubt, it is now clear: digital finance has much to offer, and we saw that citizens and businesses in Europe are ready for it.

So, we have presented a Digital Finance Strategy to set out how Europe can take advantage of this in its recovery strategy, with digital technologies being key to relaunching and modernising the European economy across sectors and to moving Europe forward as a global digital player.

Embracing digital finance can unleash European innovation and create opportunities to develop better financial products for consumers, including for people currently unable to access financial services. It also unlocks new ways of channelling funding to EU businesses, in particular SMEs.

Boosting digital finance can therefore support both the near-term economic recovery and a longer-term economic transformation. It can open up new channels to mobilise funding in support of the Green Deal and the New Industrial Strategy for Europe. As digital finance accelerates cross-border operations, it also has the potential to enhance financial market integration in banking and capital markets – in a mutually reinforcing way.

Conclusion

Let me conclude by just recalling that the Covid-19 crisis has made CMU even more relevant than before. It is hard not to feel that the EU economy would be better placed to weather and exit this crisis, if we already had a deep and liquid EU capital market. Unfortunately, we do not.

But, even if we do not have such a market in place, we can continue the process of building it in a way that funds a robust recovery in the short term, while also ensuring that the economy transitions to a more sustainable and digitalised growth model in the longer term.

The CMU action plan – in conjunction with the sustainable finance and digital finance agenda – are key elements of the Commission’s contribution to this effort. In this way, we recognise that funding a sustainable economic recovery cannot be left to the public sector alone and that private finance has an even more important role to play.

Thank you for your attention.