

## **Council Conclusions on Finance for Growth and the Long-term Financing of the European Economy**

**ECOFIN Council meeting**  
**Brussels, 9 December 2014**

The Council adopted the following conclusions:

"The Council:

1. SUPPORTS the emphasis on the need to create productive jobs and sustainable growth in the EU economy, and AGREES that the supporting role of Finance for Growth in this direction is one determinant building block;
2. RECALLS prior work, which ultimately fed into the Commission package adopted on 27 March 2014 and centred on the Communication on Long-Term Financing of the European Economy;
3. HIGHLIGHTS that in the aftermath of the recent economic and financial crisis and the ensuing deleveraging processes, funding to the real economy has fallen dramatically in several EU Member States and has exposed the limits related to the dependence on bank intermediation for channelling funds in the EU economy, especially as regards long-term investment and SME financing;
4. AGREES with the need expressed by the Commission in its Communication to stimulate new and different ways of unlocking long-term financing and to reduce existing impediments to access to finance for firms, in particular SMEs;
5. AGREES that, while national-level policy actions remain essential in order to create new financing opportunities and incentives to support long-term investments, a coordinated initiative at EU level would bring considerable benefits;
6. RECALLS the importance of following in particular the principles set out below:
  - One of the overarching goals should be to reduce barriers to the effective allocation of savings to investments while ensuring financial stability is maintained and that resilience to shocks is preserved;
  - In the pursuit of greater efficiency and competitiveness, high standards of market integrity and consumer as well as investor protection, should be maintained, in particular in retail markets, where financial literacy is also important;
  - Policy actions should be developed according to better regulation principles, following sound analyses. Prudential policy should ensure that sufficient resilience is maintained, as well-capitalised entities are in the best position to provide stable long-term financing;

- An ambitious and systematic policy approach should be adopted, ensuring in particular horizontal consistency in policy measures across Member States, across sectors and across the regulatory regimes of the relevant financial instruments and transaction channels;
  - Facilitating the access to finance by SMEs should receive particular priority;
7. AGREES in this perspective that strengthening the single market for capital and ensuring the free flow of capital across the European economy would bring significant benefits, particularly in terms of:
- Broadening and diversifying EU financial markets, thus also bringing about benefits in terms of economies of scale and underpinning their resilience, efficiency and competitiveness;
  - Contributing to the provision of greater long term financing;
  - Enhancing the supply of equity in addition to debt financing;
8. Without prejudice to further areas of work, including the establishment of ELTIFs as a key short-term priority, HIGHLIGHTS some areas where work should start soon , in particular:
- Revitalising the market for simple and transparent securitisations, including those products suitable for SMEs, based on a dedicated European securitisation framework addressing the inherent risks associated with securitisations;
  - Enhancing private placement markets in a European perspective;
  - Moving towards convergence in the regulatory approaches to covered bonds, in particular through enhanced transparency and data disclosure requirements, whilst preserving the efficiency and quality reached in relevant national markets;
  - Further assessing the distinctive features and possible obstacles to the sustainable development of crowdfunding markets thus preparing the ground for possible future policy intervention where necessary and appropriate;
9. RECOGNISES that a holistic and ambitious approach to enhancing access to finance for all firms may require exploring key cross-cutting issues, that pertain to:
- In the shorter term, the improvement of the breadth, quality and comparability of business, financial and credit information that investors need to have available EU-wide in order to exercise proper due diligence, in particular when assessing SME financing;
  - In the longer term, potential implications in respect of the way property rights are protected, for instance through company and insolvency laws, and of the way taxation impacts financial markets in order to boost cross-border credit and investment flows in the EU.<sup>1</sup>

**With regard to the revitalisation of the market for simple and transparent securitisations, the Council:**

10. RECOGNISES the need to foster an appropriately structured and regulated European securitisation market: with adequate safeguards and high underwriting standards, securitisation instruments can combine the benefits of sound origination, with a wider dissemination of credit risk across the financial sector and are therefore instrumental in diversifying sources of funding to the EU economy, thereby helping to enhance long term growth;

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<sup>1</sup> Having regard to the subsidiarity principle in light of Member States' competencies in the relevant areas, the examination should carefully consider what elements may adequately contribute to enhancing the effectiveness and stability of market-based financing.

11. STRESSES that sustainable securitisation markets relying on appropriately defined and regulated instruments could contribute to alleviating the financing situation including for SMEs by freeing-up capital in banks and strengthening investors' confidence. Therefore, the Council ENCOURAGES the Commission to develop, a dedicated EU framework for simple and transparent securitisations designed to further maximise consistency, transparency and legal certainty for all stakeholders in the market; building on the numerous ongoing initiatives at European and international levels on securitisation;
12. HIGHLIGHTS the need for swift action, careful coordination and sequencing of work streams at EU level and at an international level, in order to achieve a consistent framework, avoid regulatory arbitrage across sectors and financial instruments, ensure adequate transparency thereby also safeguarding European interests in global discussions;
13. WELCOMES the roadmap elaborated by the FSC and EFC already discussed informally in Milan and INVITES the Commission to develop a proposal for a dedicated EU framework for securitisation as a matter of priority, in dialogue with Member States and with the support of the ESAs, the ECB and other interested stakeholders, like national central banks of Member States. The Council CALLS ON the Commission to develop such a proposal by summer 2015;

**With regard to a European private placement framework, the Council:**

14. RECOGNISES that the development of a specific private placement framework with guidelines for issuers and professional investors represents one possibility for the long term financing of the economy which can complement other financing sources;
15. NOTES that such a private placement framework would be mostly beneficial for medium-sized enterprises with currently limited access to or presence in capital markets;
16. CONSIDERS that the lack of harmonisation of processes, credit information and documentation as well as the need for sound credit analysis addressing information asymmetries are among the challenges facing cross-border private placements;
17. WELCOMES the potential benefits presented by market-led initiatives, with a view to establishing reference standards underpinning a common framework for private placements;
18. TAKES NOTE of the Commission's planned mapping of national private placement regimes and of the FSC's work in sharing information on Member States' best practices;
19. INVITES accordingly the Commission, with the involvement of the FSC and the EFC to take stock of the outcome of market-led initiatives, in the course of 2015, and consider at the same time whether and how possible policy actions, incl. the development of a comprehensive but flexible regulatory framework, could play a supportive role in the development of a sustainable private placement market in the EU;

**With regard to covered bonds, the Council:**

20. HIGHLIGHTS that a number of Member States have established very successful regulated covered bond markets, and CONSIDERS that further progress is possible with regard to EU-wide market integration, cross-border issuance and holding of covered bonds, as supported by the convergence of relevant rules,
21. WELCOMES the Commission's intention to examine the feasibility, costs and benefits of harmonised EU covered bonds framework; however, STRESSES that such a framework should not come at the detriment of the already thriving covered bond markets, but should rather build on those experiences and preserve and promote high standards and best practices;

22. FINDS that consideration of the pros and cons of a possible covered bonds framework could be launched in parallel to the ongoing work on securitisation markets, with a view to ensuring proper coordination and consistency with the future regulatory framework, without prejudice to the higher priority attached to the securitisation framework; and STRESSES that the outcome should ensure that the resulting regulatory regimes appropriately reflect the risk-return profiles of these instruments;

**With regard to crowd funding, the Council:**

23. TAKES NOTE of the Commission's communication on crowdfunding of 27 March 2014, in which the Commission proposes to:
- promote industry best practices, raise awareness and facilitate the development of a transparency label;
  - closely monitor the development of crowdfunding markets and national legal frameworks; and
  - regularly assess whether any form of further EU action – including legislative action – is necessary,

with the aim of identifying the issues that may need to be addressed in order to support the safe development of crowdfunding and to maintain high levels of investor protection;

24. RECOGNISES the potential of crowdfunding as an alternative source of financing, in particular for SMEs, and HIGHLIGHTS in this regard the versatility of crowdfunding in channelling both equity and debt to SMEs, in particular to start-ups, and at the same time the need to ensure the adequate protection of retail investors;
25. WELCOMES further work by the Commission in order to develop a common understanding of crowdfunding at EU level and prepare the ground for possible future actions, taking into account the special characteristics of this new form of financing and the need for adequate investor protection. The Commission should in particular analyse, with the support of EBA, ESMA and Member States, and other relevant stakeholders, the factors underlying the current fragmentation of European crowdfunding markets, thereby identifying relevant differences across national legislations and supervisory approaches, and assess the potential benefits of a possible future policy intervention on crowdfunding at EU level, also in relation to the competitive edge towards third-country crowdfunding service providers and platforms;

**With regard to the enhancement of small-scale corporate bond markets via mini-bonds, the Council:**

26. RECOGNISES the need to explore the potential opportunities and risks of mini-bonds as a means of expanding the financing available to SMEs beyond bank credit, and their market visibility in terms of credit track record, creating new investment opportunities for qualified and professional investors;
27. INVITES a further analysis by the Commission of existing practices, potential related risks and an assessment of possible future actions in this field.

**With regard to issues related to the disclosure and transparency of credit information, in particular concerning SMEs, the Council:**

28. CONSIDERS that the provision of a relevant set of high-quality and comparable information, so as to allow and reward proper due diligence by financial market investors, thus also avoiding excessive reliance on credit rating agencies' ratings, is a crucial objective which cuts across the different market segments and types of instruments which may be required to enhance the single market for capital, Therefore SUPPORTS actions to standardise and simplify the availability of business, financial and credit information in particular on SMEs, noting that the scarcity of such comparable information is a further deterrent to cross-border financing;
29. As an initial step, ENCOURAGES further measures to ensure that sufficient credit information is available to lenders, also in a cross-border context, and INVITES the Commission to:
  - Map the existing credit assessment landscape across Member States and identify the key set of variables which are necessary to assess the credit worthiness of an SME, as a first step. This mapping exercise should be based on private and public information gathered from different sources, such as credit registers (often at the national central banks), credit bureaus, and referencing the experience of the ECB in this area;
  - Explore, in cooperation with the FSC, the ECB, the ESAs, national central banks and regulators, and other interested stakeholders, what are the best policy options, to facilitate the availability and to enable access to credit information data for all lenders to facilitate cross-border lending and investing;
  - Take forward its work including taking into consideration the existing accounting standards for SMEs, subject to an assessment of the balance to be struck between enhancing transparency to investors and limiting the administrative burden on data collectors and firms;

**With regard to framework legislation having a bearing on the proper functioning of company law and insolvency law, the Council:**

30. NOTES that further analysis should be undertaken as to the impact that different rules across national jurisdictions have on cross-border investment and the integration of capital markets;
31. AGREES that for the single market of capital to function properly and deliver in full its benefits in the long run areas such as company law and insolvency law should be examined, whilst also having regard to the respective tax treatments of equity and debt financing;
32. UNDERLINES the importance of national competences in these areas, having regard to the subsidiarity principle;

**With regard to the next steps, the Council:**

33. NOTES the Commission's intention to consult with a view to an Action Plan on Capital Markets Union by summer 2015;
34. ENCOURAGES the Commission to actively involve Member States and relevant stakeholders in the consultation, bringing out their specific experiences, contributing with best practices, stressing the existing obstacles to capital market finance and putting forward suggestions to build a fully integrated Capital Markets Union;
35. CONSIDERS that the policy course to be pursued will significantly benefit from a fruitful interaction between Member States, the Commission, the ESAs, the ECB and other relevant institutional stakeholders, having full regard to their respective prerogatives; and
36. INVITES further work by the FSC and the EFC, with a view to providing further input, as appropriate, to the Commission over the next months."