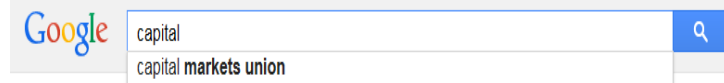

Capital Markets Union

Milan, 21 April 2015

Capital Markets Union – The new buzzword



July 2014: CMU is first mentioned by President-elect Juncker in his Political Guidelines

Nov. 2014: Internal restructuring in the European Commission and new unit established: from DG MARKET to DG FISMA



Feb. 2015: Commission Green Paper «Building a Capital Markets Union» opens the debate
Summer 2015: CMU 5-year Action Plan

Capital Markets Union – Challenges and objectives according to the EC

Challenges

- ❑ Investment in Europe remains heavily reliant on banks
- ❑ Significant differences in financing conditions between Member States exist
- ❑ There are differing rules and market practices for products like securitised instruments or private placements
- ❑ Shareholders and buyers of corporate debt rarely go beyond their national borders when they invest
- ❑ Many SMEs still have limited access to finance

Objectives

-  Help businesses tap into more diverse sources of capital from anywhere within the EU
-  Make markets work more efficiently and offer investors and savers additional opportunities to put their money to work
-  Create a single market for capital for all 28 EU Member States by removing barriers to cross-border investment and to lower costs of funding within the EU.
-  Put in place the building blocks of a well regulated and fully functioning Capital Markets Union in the EU by 2019

Capital Markets Union – Why now?

This time it's different?

- ✓ Many elements of the CMU are not new (Treaty of Rome, Single Market Act, countless reports)
- ✓ Crisis highlighted limits of overreliance on banking sector
- ✓ «last chance Commission» has put investments, growth and jobs at the top of the agenda



Juncker Plan and CMU
as the Commission's
flagship initiatives

Capital Markets Union – EC priorities: short-term vs long-term

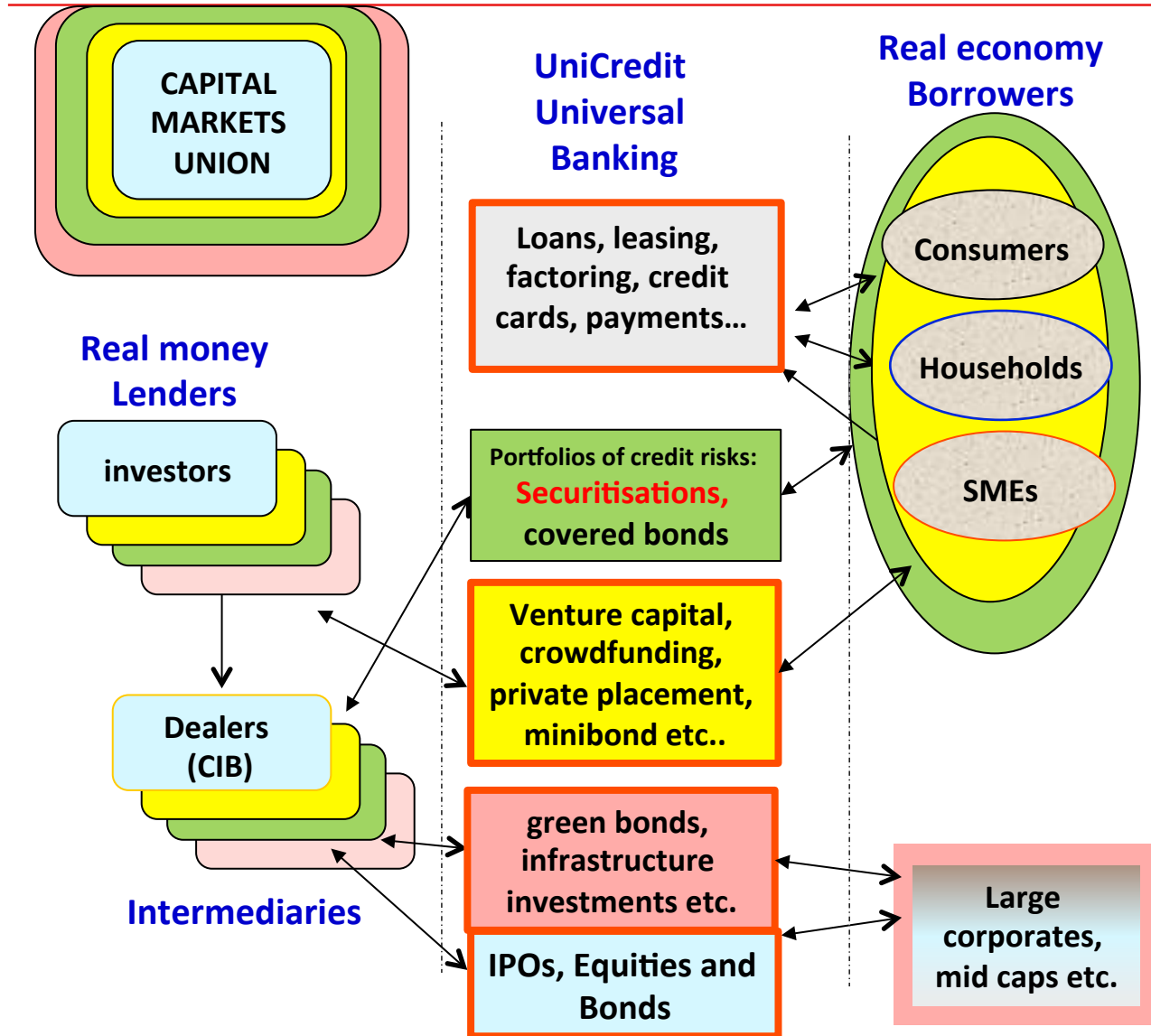
SHORT-TERM PRIORITIES

- ✓ Encourage 'high-quality' securitisation
- ✓ Widening the investor base for SMEs by improving credit information
- ✓ Lowering barriers to access capital markets (review Prospectus Directive)
- ✓ Boosting long-term investment
- ✓ Develop European private placement markets

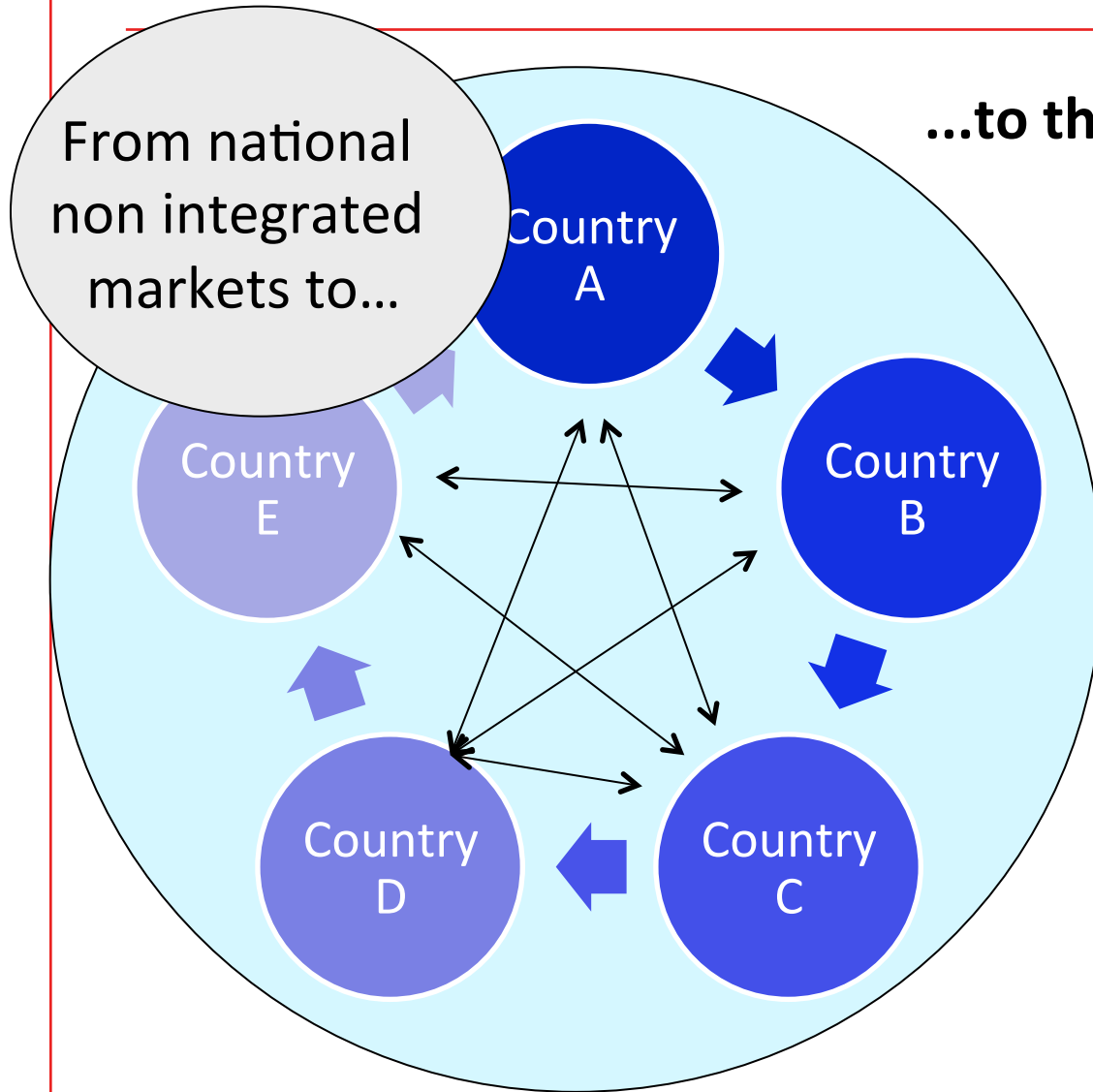
AREAS FOR LONG-TERM ACTION

- ✓ Harmonisation of company law and corporate governance rules
- ✓ Harmonisation of insolvency laws and standardise enforcement of contracts
- ✓ Addressing tax barriers and debt bias
- ✓ Overcoming cultural barriers

UniCredit role in the Capital Markets Union?



From national financial markets to CMU?



...to the Capital Markets Union

A coherent regulatory framework with:

Harmonization of national insolvency regimes

Fiscal level playing field

Common institutions

Single supervisory mechanism for markets and securities (ESMA?)

The direction: long-term priorities

A roadmap towards the CMU?

Obstacles **Accelerators**



Capital Markets Union

Convergence of accounting standards

WHAT to do? Legislators should mandate ESMA to enforce **IFRS**

Recognise market liquidity and SROs

WHAT to do? Recognise European Self-Regulatory Organisations. Add the safeguard of market liquidity as policy objective

Ill-designed prudential requirements

WHAT to do? it is necessary to **review the prudential regulation** not to discourage private investment in credit risk-sharing financial instruments. Otherwise public investment are ^{needed}

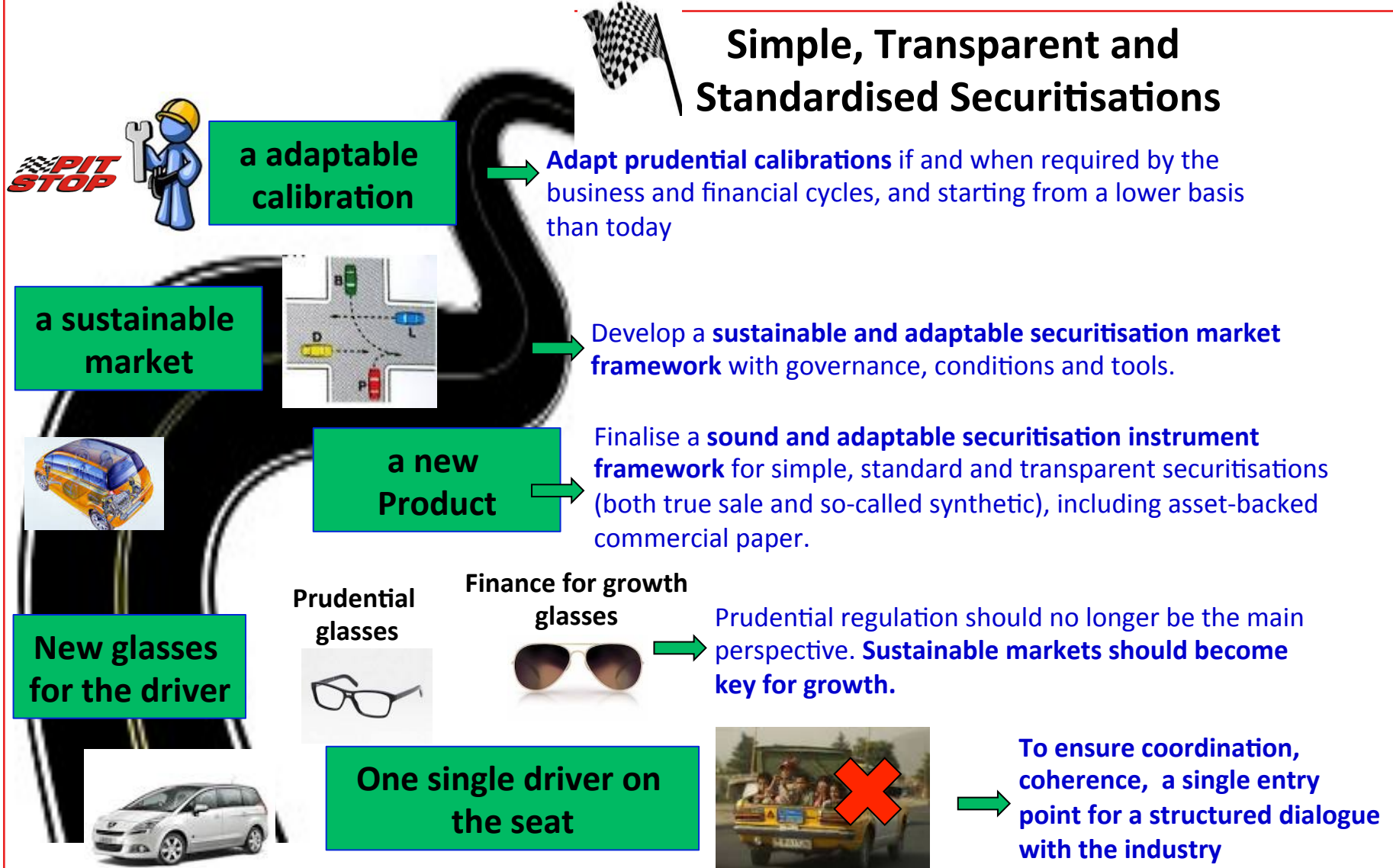
Promote market-led initiatives

WHAT to do? authorities to support or catalyse the development of best market practices and standards

Ill-designed regulatory and fiscal measures

WHAT to do? it is necessary to freeze the Banking Structural Reform dossier and the FTT, as they will dramatically penalise the European banking sector, thereby hampering the market making function. Address the fiscal bias to channel savings to real economy borrowers.

The CMU could offer a path...



...towards the Securitisation framework