

**STANDARD FORM OF EXPLANATORY MEMORANDUM FOR EUROPEAN UNION
LEGISLATION AND DOCUMENTS**

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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN CENTRAL BANK, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS: Capital markets Union: time for renewed efforts to deliver for investment, growth, and a stronger role of the euro

ANNEX to the COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN CENTRAL BANK, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS: Capital markets Union: time for renewed efforts to deliver for investment, growth, and a stronger role of the euro

Submitted by HM Treasury on

19 December 2018

SUBJECT MATTER

1. In September 2015, the European Commission published its Action Plan for a Capital Markets Union (CMU). This set out a programme of 33 measures to be implemented by 2019 to achieve the CMU project's primary objectives; to create deeper and more liquid financial markets by better linking savings to investments and providing alternative sources of financing to business. The CMU Mid-Term Review, published by the Commission in June 2017, concluded that 20 of 33 measures had been completed to date, and that progress continued steadily on ongoing objectives. CMU's most recent update was in March 2018, where the Commission published a Communication calling for the accelerated adoption of pending key CMU reforms, complemented by Action Plans on FinTech and Sustainable Finance. These documents set out further proposals on sustainable finance, modernisation of asset management legislation, covered bonds, crowdfunding, and FinTech.
2. This Communication from the Commission recaps the arguments for the CMU and the achievements made on CMU initiatives to date. With European Parliament elections in May 2019 approaching, the Commission calls for the European Parliament (EP) and the Council of the European Union ('the Council') to accelerate work on pending proposals and to show the necessary political ambition to ensure these proposals are completed by the end of the Commission's mandate in October 2019. The Communication notes the need for progress has been made even more urgent by the UK's withdrawal from the EU.
3. Within the Communication, the Commission recaps the arguments for the remaining legislative proposals, framing these into four sections:

- a) Making the most of the Single Market through new Union-wide products and services;
- b) Simpler, clearer and more proportionate rules for businesses;
- c) A more efficient supervision of capital markets; and
- d) Sustainable finance.

The Commission also assesses where normal procedures or a strong political commitment from all EU institutions is needed to progress each remaining legislative proposal within the EP and the Council.

4. The Communication also notes how the CMU's non-legislative initiatives have supported the development of local capital markets and the aims of the CMU more broadly. The support the Commission offers Member States in developing their own capital markets strategies, dedicated schemes to encourage the listing of small and medium enterprises (SMEs), and strengthening their own capital market supervisory capacity is also noted.

5. Alongside this Communication, the Commission has published an Annex. This lists all CMU legislative proposals, including the starting date; the most recent activity occurring in the EP and the Council; and the status of trilogues between the EP, the Commission and the Council of the European Union.

SCRUTINY HISTORY

6. None directly on this Communication.

7. EM 12263/15 on the 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Action plan on building Capital Markets Union' was submitted by HM Treasury on 23 October 2015. It was cleared by the House of Lords European Union Committee on 17 November 2015. The House of Commons cleared it on 7 December 2015.

8. EM 8372/16 and 8371/16 on the Commission Staff Working Document Capital Markets Union: First Status Report and the Commission Staff Working Document: European Financial Stability and Integration Review (EFSIR): A Focus On Capital Markets Union. They were cleared by the House of Commons on 15 June 2016. The House of Lords on 29 June 2016.

9. EM 12302/16 on the Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions: Capital Markets Union - accelerating reform. It was cleared by the House of Lords on 20 December 2016 and the House of Commons on 11 January 2017.

10. EM 10082/17 on the Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions on the Mid-term Review of the Capital Markets Union Action Plan was submitted by HM Treasury on 5 July 2017. It was cleared by the House of Lords on 20 July 2017 and the House of Commons on 13 November 2017.

11. EM 7219/18 on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Completing the Capital Markets Union by 2019 – time to accelerate delivery was submitted by HM Treasury on 28 March 2018. It was cleared by the House of Lords on 19 April 2018 and the House of Commons on 2 May 2018.

MINISTERIAL RESPONSIBILITY

12. The Chancellor of the Exchequer has responsibility for United Kingdom policy on European Union monetary and economic issues. The Foreign and Commonwealth Secretary and the Secretary of State for Exiting the European Union are responsible for overall United Kingdom policy towards the European Union.

INTEREST OF THE DEVOLVED ADMINISTRATIONS

13. Financial Services regulation is a reserved matter under the UK's devolution settlements and no devolved administrations interests arise., The devolved administrations have therefore not been consulted in the preparation of this EM.

LEGAL AND PROCEDURAL ISSUES

i. Legal basis

14. Not applicable as this is a Commission Communication, not proposals or legislation.

ii. European Parliament Procedure

15. Not applicable as this is a Commission Communication, not proposals or legislation.

iii. Voting procedure

16. Not applicable as this is a Commission Communication, not proposals or legislation.

iv. Impact on United Kingdom Law

17. Not applicable as this is a Commission Communication, not proposals or legislation.

v. Application to Gibraltar

18. Not applicable as this is a Commission Communication, not proposals or legislation.

vi. Fundamental rights analysis

19. Not applicable as this is a Commission Communication, not proposals or legislation.

APPLICATION TO THE EUROPEAN ECONOMIC AREA

20. The Communication is not a legislative proposal; therefore it has no direct application to members of the EEA. The legislative proposals referenced within the Communication will have an impact on EEA members. Separate explanatory memoranda for existing documents related to each legislative proposal have been published. The government will provide further explanatory memoranda on these legislative proposals as they are published.

SUBSIDIARITY

21. The government is satisfied that no subsidiarity concerns arise as a consequence of this Communication. The government has, and will continue to, consider whether any legislative proposals referenced within the Communication have subsidiarity concerns, which have been, and will continue to be set out in the relevant explanatory memoranda.

POLICY IMPLICATIONS (including exit implications where appropriate)

22. On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until 29 March 2019, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation.

23. The UK supports the CMU project. CMU has the potential to increase the efficiency of financial markets and support jobs and growth by diversifying the sources of finance available to business. It has also helped move the Commission's narrative on financial services from crisis mediation to supporting jobs and growth.

24. Overall, we consider that the actions identified in the CMU Action Plan and subsequent publications were appropriate to delivering tangible reform. We have particularly welcomed the focus on SMEs and the Commission's approach to reform, which reflects its better regulation agenda. However, we have always called for full assessment of the need for further legislation prior to committing to legislative proposals.

25. The UK will continue to engage closely with the Commission as well as other stakeholders to shape the debate and contribute to creating a successful CMU that delivers on its objectives for business.

CONSULTATION

26. The government has undertaken extensive bilateral and multilateral consultation with regulatory authorities, other member states, EU institutions and industry stakeholders on CMU initiatives. No formal domestic consultation was launched, but the Commission has undertaken a number of full public consultations as appropriate for some of the specific CMU measures.

IMPACT ASSESSMENT

27. As this communication is not a legislative proposal, it does not require an impact assessment.

28. Impact assessment have been undertaken by the EU as appropriate on specific CMU measures. Further detail on the impact assessment undertaken on these specific measures have been published in the relevant explanatory memoranda.

FINANCIAL IMPLICATIONS

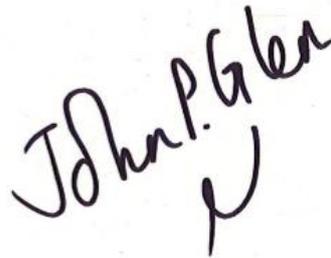
29. As this CMU Communication is not a legislative proposal, there is no assessment of financial implications. Further detail on the financial implications of specific CMU measures have been published in the relevant explanatory memoranda.

TIMETABLE

30. The CMU Action Plan and Mid-Term Review contained a large set of actions with varying deadlines. The annex to this Communication provides an update on proposed deadlines for ongoing measures and encourages greater acceleration of the CMU timeline. However, the overall deadline for achieving the objectives of the CMU Action Plan is the end of the current Commission's mandate in October 2019.

OTHER OBSERVATIONS

31. Not applicable.

A handwritten signature in black ink that reads "John P. Glen" with a stylized flourish underneath.

**JOHN GLEN MP
ECONOMIC SECRETARY TO THE TREASURY**