

Capital Markets Union: an EC project to be supported by Financial Advisors

Jobs and growth has an absolute priority of the new European Commission. The Juncker investment package is its main tool to boost growth. But to strengthen investment in the long term, Europe needs a strong single capital market, what is known as the *Capital Markets Union (CMU)*. At present, European companies, especially SME's are relying too much on banks and much less in capital markets for financing funds. To change that, the Commission is envisaging a number of measures such as removing barriers for investors, creating efficient channels of funds, encouraging securitization, improving fiscal treatment of equity which is now heavily penalized in relation to debt, making available credit information, but also generating a better "equity culture" on both SME's and private investors. That is, for SME's to understand that debt should not be the only or mainly source of financing; and for private investor to return to direct equity investment when its risk profile allows it.

Obviously, there is an extremely important role for financial advise and financial advisors here, helping SME's in their understanding of the opportunities of traditional and new capital markets, and to investors, encouraging its use when the risk profile and the time horizon is the right one, while avoiding inadequate allocation in their investment portfolios by taking too much risk.

Accordingly, EFPA was present, Monday June 8th, at the European commission Public Hearing on the CMU project. The Hearing was an opportunity for a number of stakeholders to express their views on the next steps required to implement

CMU. The hearing, opened by Commissioner Jonathan Hill (*Financial Stability, Services and CMU*) dealt with CMU key challenges and priorities, new needed channels of finance, needs of both institutional and retail investors and how to improve the investment environment. Other speakers were Commissioner Katainen (*Jobs, Growth and Competitiveness*); Roberto Gualtieri, EMP, now Chairman of the *European Parliament Economic and Financial Committee*; and Jonathan Fauli, *DG FISMA*, EC.

EFPA had the opportunity to express our idea of the relevancy of financial advise to change the present reluctance to equity in both SME's and retail investors, one of the most important keys to success in this very relevant project