



JOINT DECLARATION ON THE CAPITAL MARKETS UNION

Bridging the financial gap for European SMEs

The signatories of this paper wanted to speak with one voice to support the European Commission's initiative on creating a Capital Market Union (CMU).

Eight years on from the global financial crisis, Europe's economy is still recovering. However, economic uncertainty has led to a great number of entrepreneurial initiatives and has provoked the establishment of new, innovative, collaborative methods supported by digital evolution.

With open borders between Member States and the spread of technology, Europe's citizens are more connected than ever. However, in order to remain a competitive and attractive place for investment, Europe has to look at new ways to deliver growth and jobs, including supporting companies' access to capital market finance to grow their businesses.

As representatives of capital market participants and SMEs, we encourage the European Commission to give priority to the following aspects, while implementing a pragmatic approach to build a Capital Markets Union by 2019:

- **Develop innovative, diverse and resilient capital markets to stimulate growth**
- **Diversify funding sources by fostering an equity culture in Europe**
- **Support the development of a healthy pan-European financial ecosystem and better awareness of companies on financing distribution networks across Europe**

The undersigned organizations are ready and willing to collaborate with the Commission services and to participate actively in the consultation process, in order to help provide the relevant data for analysis and impact assessments, that will allow EU policymakers to design, adopt and implement the key measures, which will constitute the pillars of the Capital Market Union for Europe.

Develop innovative, diverse and resilient capital markets to stimulate growth

EU capital markets (both debt and equity) are complementary to a strong and stable banking sector. Only together they can create flexible and fast access to funds by European start-ups and SMEs. This includes making investments also more accessible to retail investors, business angels, seed funds, venture capital funds, alternative funds, MTF, growth markets, main markets of stock exchanges among others.

An efficient capital market union must remove cross-border barriers for Europe's entrepreneurs and investors and reinforce incentives. This means also reviewing – simplifying – financial regulations in order to create optimal framework conditions for businesses. Without lifting restrictions and a substantial pick-up in private investment activity, the economic recovery will not be on a solid footing.

Diversification of funding sources by fostering an equity culture in Europe

There is a need to further develop and recognize the importance of private sources of funding, especially equity, and to promote an investment risk culture in order to fund SMEs, notably start-ups, scale-ups and emerging and high growth companies. Crowdfunding, business angels, early stage investors (including families and individuals), venture capitalists contribute to the creation and growth of companies at different stages of their lifecycle and accept a level of risk that the re-regulated banking sector is prevented to consider for a variety of reasons. The CMU should aim to harness the pool of capital sitting with institutional investors, the corporate sector and international investors to channel funding to entrepreneurs and businesses with high growth potential.

SMEs should be able and knowledgeable to access funding through the channels that are most appropriate for them – including through loans, bonds, various forms of equity investment, and through improved access to initial public offerings.

Support the development of a healthy pan-European financial ecosystem and the better awareness of companies on financing distribution networks across Europe

EU capital market regulation needs to start from the principle of: “Think Small First”. A comparison among European Member States with different degrees of financial integration shows that the more advanced the financial ecosystem, the better companies can scale up – which in turn generates job creation and economic growth.

It is therefore important that all members of the ecosystem at all stages of the funding escalator for companies are given the right European capital market framework, respecting their unique values, and can successfully operate across borders. The CMU should ensure a transparent and fair market including proportionate access for issuers, lenders and investors.

Measures to improve a pan-European funding ecosystem should include facilitation of cross-border investments by developing a common accreditation system and passports for business angels, promoting new co-investment schemes (based on existing good practices), enhancing flexibility for SMEs quoted on growth markets, reducing regulation for Emerging Growth Companies quoted on the stock exchange, and creating a truly pan-European crowdfunding market to unlock private savings as relevant source of alternative finance.

In order to provide long term financing to SMEs, a number of logistical barriers need also to be addressed. More awareness is needed on capital markets for borrowers, investors and SMEs, via better access to information and education initiatives, to help them understand the different options and corresponding risk levels available.

Association for Financial Markets in Europe (AFME)

AFME is the voice of Europe's wholesale financial markets. We represent the leading global and European banks and other significant capital market players. We focus on a wide range of market, business and prudential issues and offer a pan-European perspective, bringing to bear deep policy and technical expertise and constructive influence with European and global policymakers. Website: www.afme.eu

Business Angels Europe (BAE)

Business Angels Europe represents at European level the national Business Angels' Federations and Trade associations in Europe. BAE brings together the most active and developed countries operating in the angel market in Europe and works for expanding and reinforcing the business angels financing in the European Union. Website: www.businessangelseurope.com

The European Trade Association for Business Angels, Seed Funds and Early Stage Market Players. (EBAN)

EBAN is the pan-European representative for the early stage investor gathering over 150 member organizations more than 50 countries. EBAN represents a sector estimated to invest 7.5 billion Euros a year and playing a vital role in Europe's future, notably in the funding of SMEs. Members are Business Angels, BA Networks and BA Federations, there are also early-stage Venture Capital, business accelerators, electronic funding platforms, associate or other early-stage market players. Website: www.eban.org

European Banking Federation (EBF)

The European Banking Federation is the voice of the European banking sector, uniting 32 national banking associations in Europe that together represent some 4,500 banks - large and small, wholesale and retail, local and international - employing about 2.5 million people. EBF members represent banks that make available loans to the European economy in excess of €20 trillion and that securely handle more than 300 million payment transactions per day. Launched in 1960, the EBF is committed to creating a single market for financial services in the European Union and to supporting policies that foster economic growth. Website: www.ebf-fbe.eu

EBN Innovation Network (EBN)

EBN Network is international community of smart and specialized organizations, that connect and coach innovators, entrepreneurs and SMEs to start, grow and transform our economies. EBN is a network of 160+ quality-certified EU|BICs (business and innovation centers, incubators, accelerators and other support organizations) and 100 Associate Members that support the development and growth of innovative entrepreneurs, start-ups and SMEs. Website: www.ebn.eu

European Crowdfunding Network (ECN)

The European Crowdfunding Network AISBL (ECN) is a professional network promoting adequate transparency, (self) regulation and governance while offering a combined voice in policy discussion and public opinion building. ECN support its members in carrying initiatives aimed at innovating, representing, promoting and protecting the European crowdfunding industry. Website: www.eurocrowd.org

EUROCHAMBRES

EUROCHAMBRES represents over 20 million businesses in Europe through 45 members (43 national associations of chambers of commerce and industry and two transnational chamber organizations) and a European network of 1700 regional and local chambers. More than 93% of these businesses are small and medium sized enterprises (SMEs). Chambers' member businesses employ over 120 million. EUROCHAMBRES strives to improve the general conditions in which businesses operate, to facilitate access to markets within and beyond the EU and to ensure the availability of human, financial and natural resources. Website: www.eurochambres.eu

EuropeanIssuers

EuropeanIssuers is a pan-European organization representing the interests of publicly quotes companies to the EU Institutions. As at 31 December 2014, there were 13.225 such companies on both the main markets and the exchange-regulates (growth) markets. Our members include both national associations and companies from all sectors, covering markets worth €7.2 billion market capitalization with approximately 8000 companies. We aim to ensure that EU policy creates an environment in which companies can raise capital through the public markets and can deliver growth over the longer-term. We seek capital markets that serve the interests of their end users, including issuers. Website: www.europeanissuers.eu