



**Ekonomická
fakulta**
Technická univerzita
v Košiciach



KOŠICKÉ EKONOMICKÉ FÓRUM

Defining the Key Challenges of the Capital Markets Union

Franklin Allen

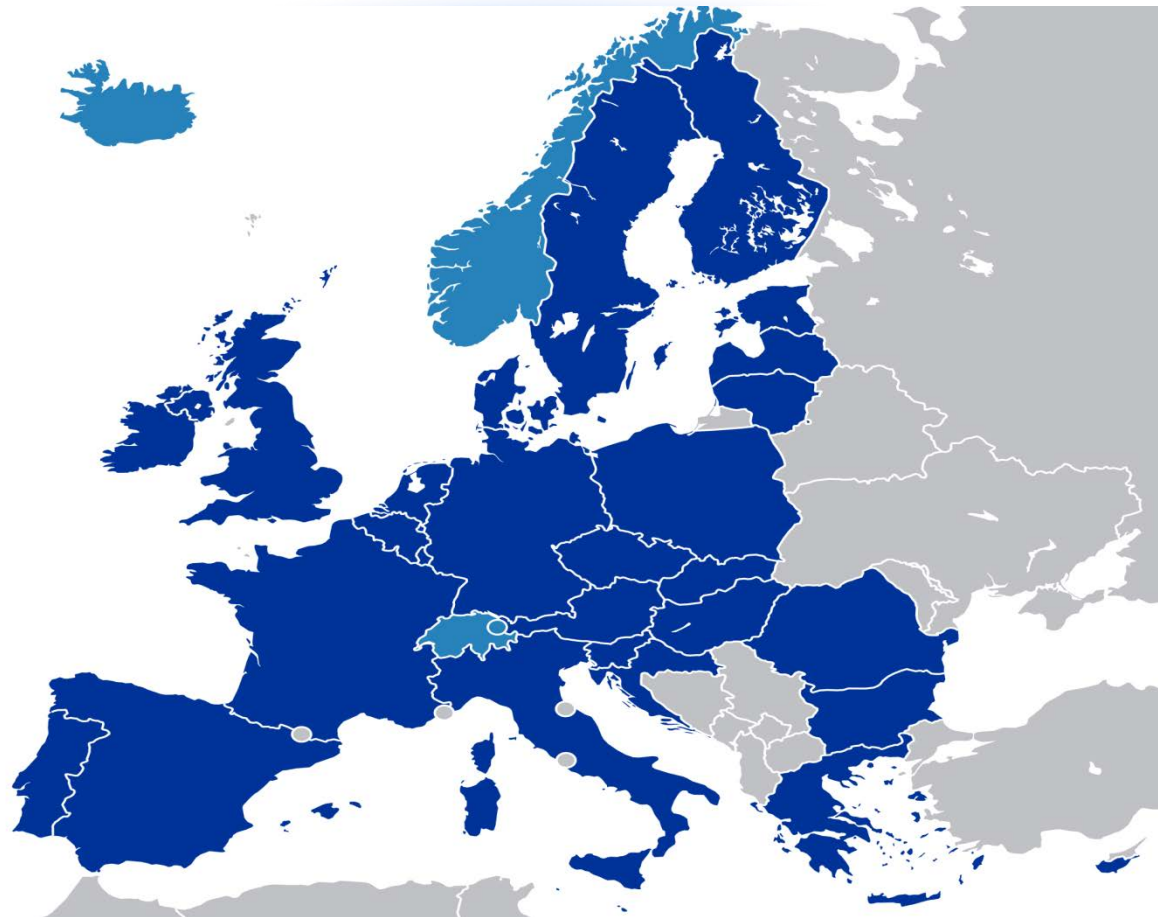
Imperial College London, NBER, and CEPR

Ľuboš Pástor

University of Chicago, National Bank of Slovakia,
NBER, and CEPR

CMU: The Idea

- Next milestone in European integration
 - After monetary union (1999), banking union (2014)
 - Less centralized, more nebulous
- Purpose:
 - Develop and integrate European capital markets
 - Aim for a **single EU market for capital** by 2019
- Process:
 - Gradual, ``**bottom-up**``. No ``big bang`` legislation. No new EU-level institutions, no single regulatory body.
 - Removing obstacles to the single market one by one



November 2014: “Juncker Plan”



February 2015: Green Paper



Brussels, 18.2.2015
COM(2015) 63 final

GREEN PAPER

Building a Capital Markets Union

{SWD(2015) 13 final}

September 2015: Action Plan

A graphic with a teal background and a dark teal rectangular box in the center. The box contains the text "ACTION PLAN" in large white letters and "FOR A CAPITAL MARKETS UNION" in smaller white letters below it.

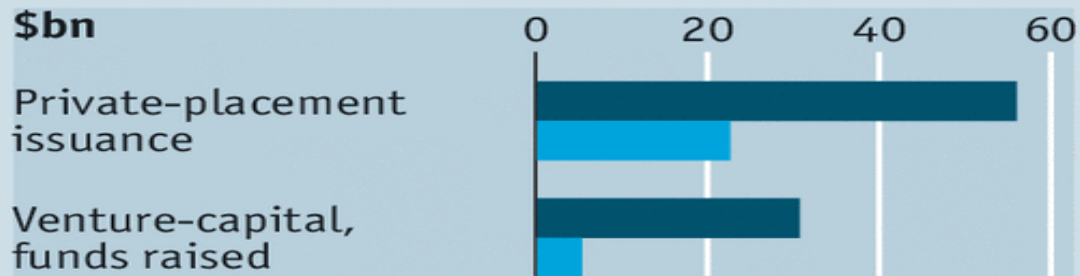
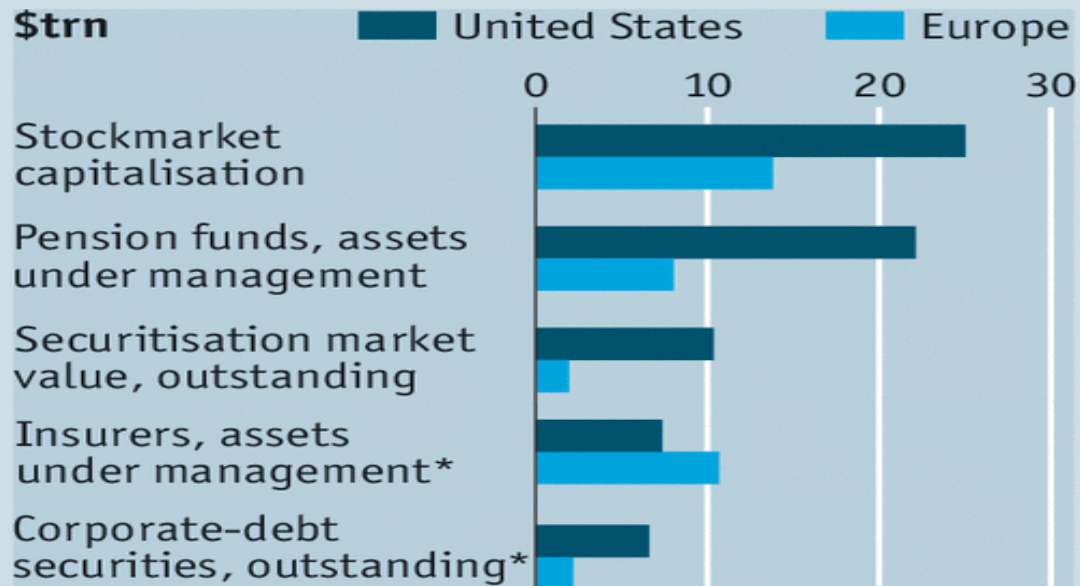
ACTION PLAN
FOR A CAPITAL MARKETS UNION

April 2016: First Status Report



Why CMU?

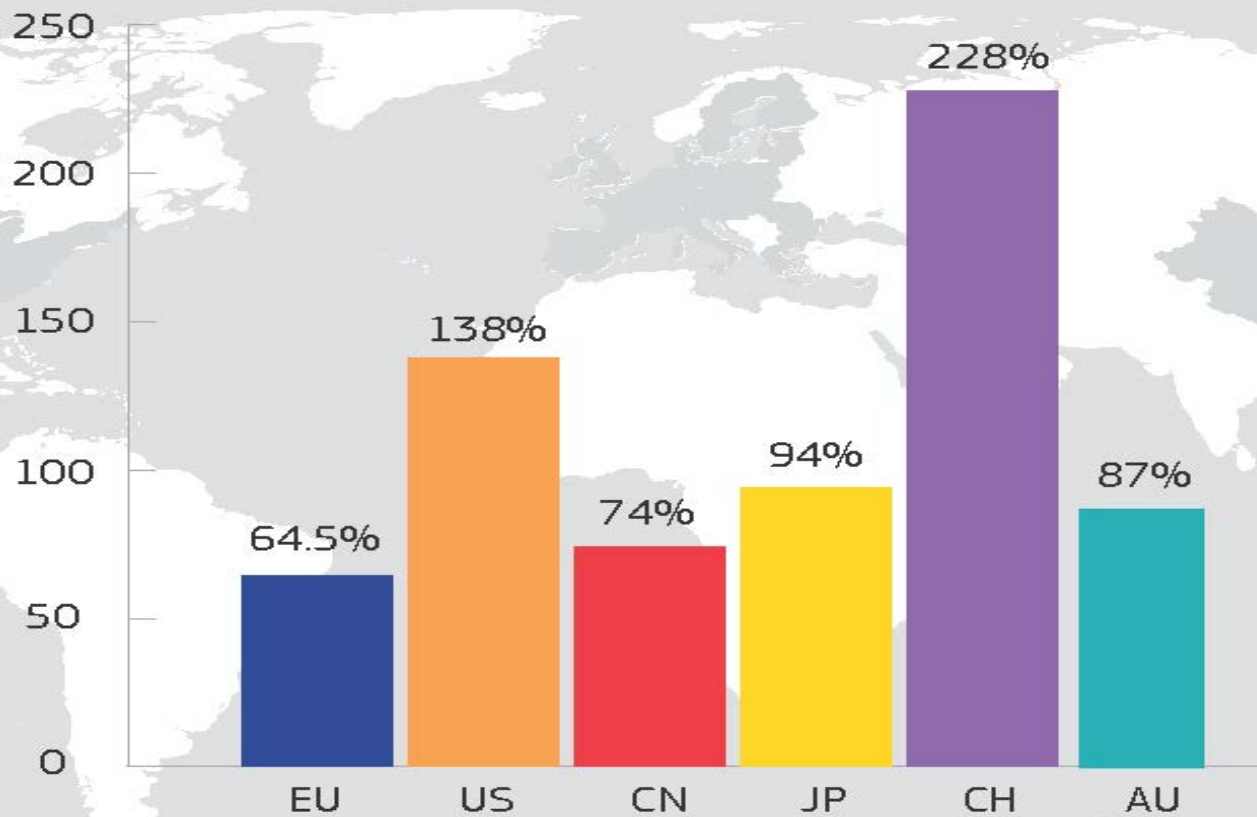
Capital markets, 2014



Sources: EVCA; NVCA; S&P; NAIC; Bloomberg; Towers Watson; AFME; New Financial

*2013

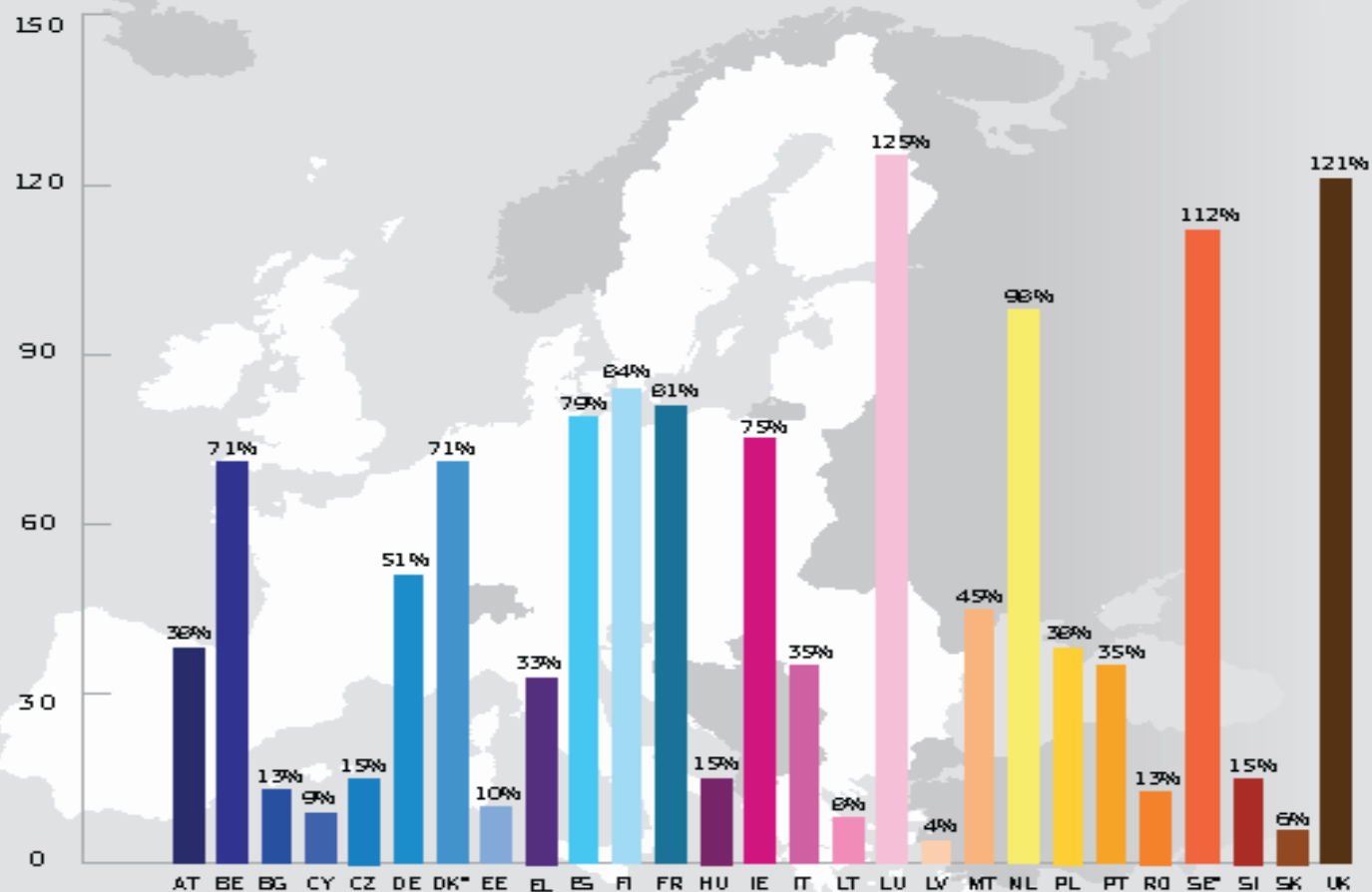
Stock market capitalisation (2013)*



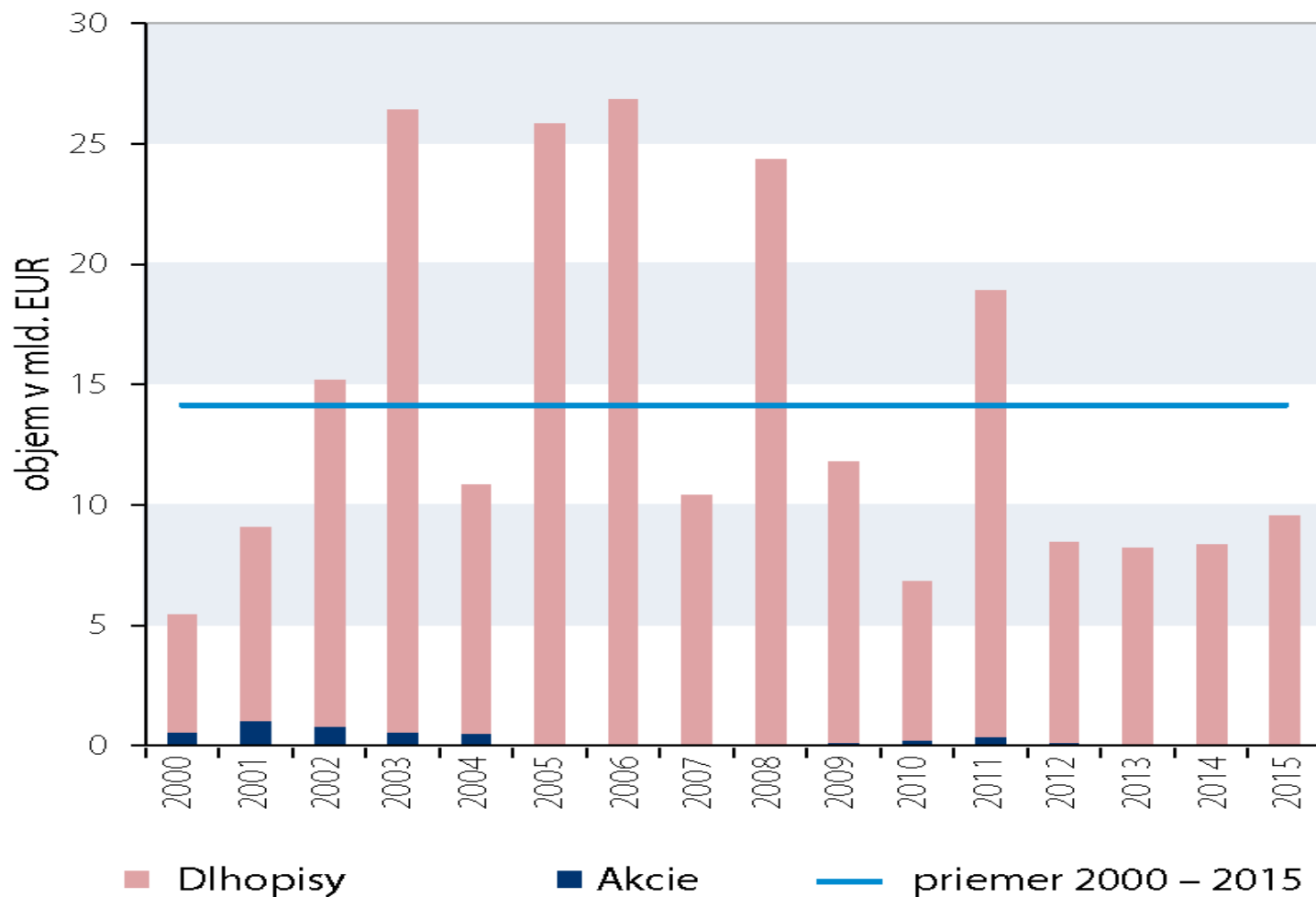
* as % of GDP

And the situation in EU Member States varies greatly

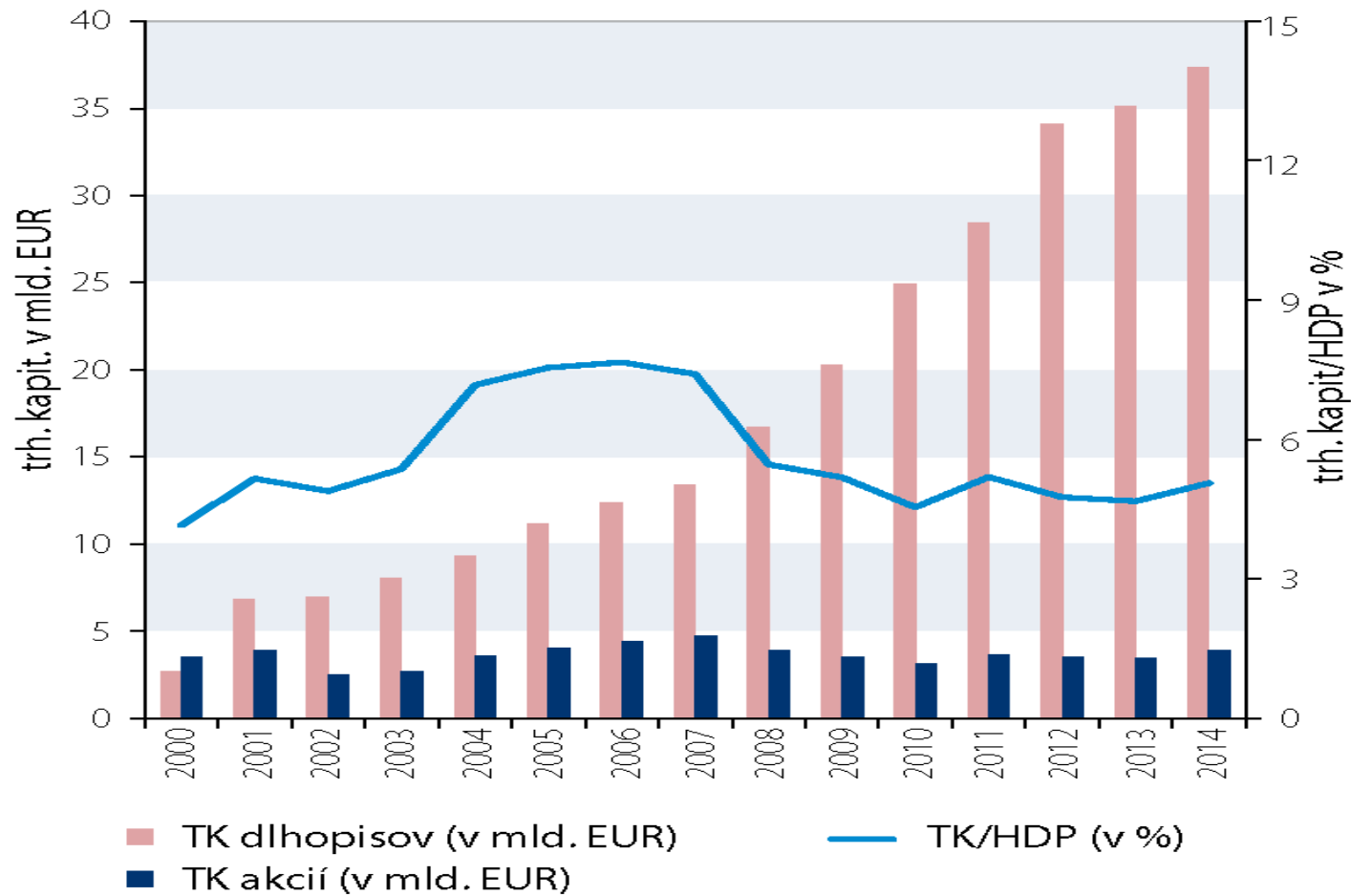
*Stock market capitalisation (as % of GDP) in 2013 in each EU28 country (*2012)*



Graf 2 Vývoj objemu obchodov na BCPB (v mld. EUR)



Graf 3 Trhová kapitalizácia akcií a dlhopisov



% Households Owning Given Assets (Cupak, NBS, 2016)

| Krajina | Depozity | Dôchodkové sporenie | Akcie | Dlhopisy | Podielové fondy | Ostatné finančné aktíva | Hlavné bývanie |
|------------|----------------|---------------------|--------------|--------------|-----------------|-------------------------|----------------|
| USA | 92,60 | 57,6 | 15,1 | 13,2 | 8,7 | 13,4 | 67,2 |
| Kanada | 93,6 | 70,5 | 10 | 7,4 | 11,6 | 20,1 | 62,5 |
| UK | 97,4 | 76,1 | 17,5 | 28,2 | 5,4 | 31,9 | 68 |
| Francúzsko | 99,6 | 37,5 | 14,7 | 1,7 | 10,7 | 10,2 | 55,3 |
| Nemecko | 99 | 46,5 | 10,6 | 5,2 | 16,9 | 22 | 44,2 |
| Taliansko | 91,8 | 18 | 4,6 | 14,6 | 6,3 | 4,2 | 68,7 |
| Holandsko | 94,2 | 49,8 | 10,4 | 6 | 17,7 | 10,7 | 57,1 |
| Španielsko | 98,1 | 23,6 | 10,4 | 1,4 | 5,6 | 6,8 | 82,7 |
| Slovinsko | 93,6 | 18,3 | 10 | 0,7 | 12 | 1 | 81,8 |
| Poľsko | 81,9 | 51,3 | 3,5 | 1 | 4,2 | 2,2 | 77,4 |
| Slovensko | 88,2 (97,7) | 15,5 (23,6) | 2,1 (4,3) | 0,3 (1,2) | 1,2 (3,4) | 3,6 (6,6) | 85,4 (99,3) |

Slovak Mutual Funds Offered by Brokers

| Typ fondu | Majetok vo fonde (EUR) | Výkonnosť fondu za 1 rok (medián v %) | Minimálna výška prvej investície (medián v EUR) | Vstupné poplatky (medián v %) | Výstupné poplatky (medián v %) | Poplatok za správu depozitára p.a. (medián v %) |
|---------------------------------|------------------------|---------------------------------------|---|-------------------------------|--------------------------------|---|
| Fondy peňažného trhu | 5,4 mld. | -0,18 | 150 | 0,10 | 0,00 | 0,42 |
| Fondy krátkodobých investícií | 5,3 mld. | 0,18 | 500 | 0,38 | 0,00 | 0,42 |
| Dlhopisové fondy | 115,3 mld. | 1,89 | 500 | 2,00 | 0,00 | 0,96 |
| Akciové fondy | 117,3 mld. | -11,32 | 350 | 4,00 | 0,00 | 1,60 |
| Zmiešané fondy | 42,8 mld. | -5,66 | 200 | 2,50 | 0,00 | 1,50 |
| Štruktúrované fondy | 0,6 mld. | 1,37 | 150 | 3,00 | 1,00 | 1,07 |
| Realitné fondy | 1,0 mld. | -0,42 | 1000 | 2,50 | 0,00 | 1,70 |
| Fondy alternatívnych investícií | 1,5 mld. | -2,90 | 500 | 3,38 | 0,00 | 1,60 |
| Fondy spolu | 289,2 mld. | -3,78 | 250 | 3,00 | 0,00 | 1,43 |

Source: Cupak, NBS, 2016. Secondary source: Slovak Association of Asset Managers.

Benefits of Stronger Capital Markets



CMU: Benefits to Firms



CMU: Benefits to Firms



CMU: Benefits to Households



CMU: Benefits to Society as a Whole



CMU: Benefits to Society as a Whole



CMU: Benefits to Society as a Whole



Bottom Up or Top Down?



Bottom Up or Top Down?



Challenge: Home Bias



Challenge: Venture Capital



Challenge: Financial Transactions Tax



Challenge: Financial Transactions Tax

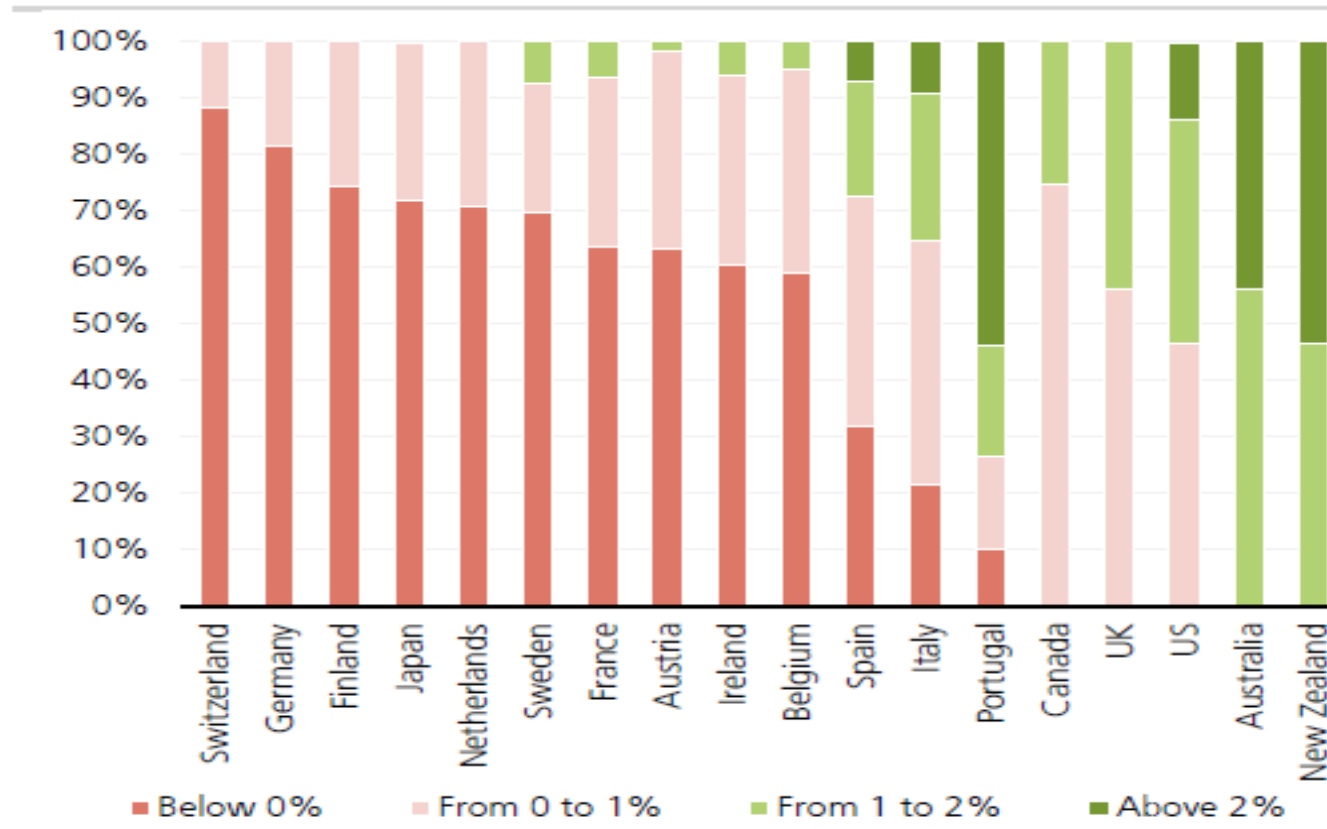


Challenge: EU Fiscal Rules

3%

Challenge: Negative Interest Rates

Proportion of various global developed bond markets by yield segment



Source: Bloomberg, UBS. Conventional sovereign bonds. As at 15-Sep-16

Challenge: Political Support



Conclusion



If better is possible, good is not
enough

~ Benjamin Franklin

AZ QUOTES