Basic information	
2013/2175(INI) INI - Own-initiative procedure	Procedure completed
Long-term financing of the European economy **Subject** 2.50.02 Savings 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments 2.50.04 Banks and credit 2.50.05 Insurance, pension funds 2.50.10 Financial supervision 2.70 Taxation 3.45.03 Financial management of undertakings, business loans, accounting 3.45.08 Business environment, reduction of the administrative burdens 5.05 Economic growth 5.10.01 Convergence of economic policies, public deficit, interest rates 6.20.06 Foreign direct investment (FDI)	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	KLINZ Wolf (ALDE)	18/06/2013
	Shadow rapporteur PALLONE Alfredo (PPE) HOANG NGOC Liem (S&D) EICKHOUT Bas (Verts/ALE) FORD Vicky (ECR)	

Committee for opinion	Rapporteur for opinion	Appointed
EMPL Employment and Social Affairs	GUTIÉRREZ PRIETO Sergio (S&D)	11/09/2013
ENVI Environment, Climate and Food Safety	The committee decided not to give an opinion.	
ITRE Industry, Research and Energy	The committee decided not to give an opinion.	
TRAN Transport and Tourism	The committee decided not to give an opinion.	
REGI Regional Development	ZELLER Joachim (PPE)	11/07/2013

	CULT Culture and Education	The committee decided not to give an opinion.	

	Commission DG	Commissioner
European Commission	Economic and Financial Affairs	REHN Olli

Key events

Date	Event	Reference	Summary
25/03/2013	Non-legislative basic document published	COM(2013)0150	Summary
12/09/2013	Committee referral announced in Parliament		
22/01/2014	Vote in committee		
29/01/2014	Committee report tabled for plenary	A7-0065/2014	Summary
26/02/2014	Decision by Parliament	T7-0161/2014	Summary
26/02/2014	Results of vote in Parliament		
26/02/2014	End of procedure in Parliament		

Technical information

Procedure reference	2013/2175(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	ECON/7/13125

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE519.604	05/11/2013	
Amendments tabled in committee		PE522.886	15/11/2013	
Amendments tabled in committee		PE524.652	28/11/2013	
Amendments tabled in committee		PE523.019	05/12/2013	
Committee opinion	EMPL	PE522.847	11/12/2013	
Committee opinion	REGI	PE522.948	20/12/2013	
Committee report tabled for plenary, single reading		A7-0065/2014	29/01/2014	Summary

Text adopted by Parliament, single reading		T7-0161/2014	26/02/2014	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2013)0150	25/03/2013	Summary
Commission response to text adopted in plenary	SP(2014)447	22/07/2014	

Long-term financing of the European economy

2013/2175(INI) - 25/03/2013 - Non-legislative basic document

PURPOSE: to launch a debate on how to improve the possibilities of long-term financing of the European Union (Commission Green Paper).

BACKGROUND: to return to a path of growth and crating jobs building on its areas of competitive advantage, **Europe faces large-scale, long-term investment needs.** This relates to investment in energy, transport and communication or housing infrastructure, in industrial and service facilities, climate change-related and eco-innovation technologies or in assets, such as education and research and development.

Trends in climate change and the depletion of natural resources further underline the sustainable growth challenge, as they call for more long-term investment in low-carbon energy, energy and resource efficiency and infrastructure.

To fund these long-term investments, **governments and businesses need access to predictable, long-term financing**. The capacity of the economy to make such long-term financing available depends on the **ability of the financial system** to channel the savings of governments, companies and households effectively and efficiently to the right users and uses. This can be carried out indirectly by various intermediaries (e.g. banks, insurers and pension funds) and directly by access to capital markets.

The financial crisis has affected the ability of the financial sector in Europe to channel savings to long-term investment needs. Above all, it has created a climate of uncertainty and risk aversion, particularly in those Member States under financial pressure and for SMEs.

In this context, the Commission considers that it is urgent to give consideration as to how the availability of long-term financing might be improved. That is the purpose of this Green Paper.

CONTENT: by means of this Green Paper, the Commission is seeking to initiate a broad debate about how to foster the supply of long-term financing and how to improve and diversify the system of financial intermediation for long-term investment in Europe by allowing significantly higher shares of direct capital market financing and greater involvement of institutional investors and alternative financial markets.

The focus is on **long-lived capital goods** (such as economic and social infrastructure, buildings and R&D, education and innovation), not because they are more important for growth than shorter-lived capital goods (such as computers, mobile phones and vehicles). Rather, investment volumes for short-lived capital goods are strongly pro-cyclical. These volumes are currently down because of the weak macroeconomic outlook in Europe.

As part of the measures taken in response to the crisis, the Commission considers that the new regulatory and prudential framework must be calibrated, including in the area of taxation, in such a way as to enable and provide an incentive to the financial sector **to support the real economy without jeopardising financial stability**.

On this basis, action to enhance the long-term financing of the European economy should address a **broad range of interconnected factors**:

1. **the capacity of financial institutions to channel long-term finance:** given the evolving nature of the banking sector, the Green Paper asks the question as to what is the role of the banks, national and multilateral development banks and institutional investors (insurance companies, life assurance, pension funds, mutual funds and endowments) going forward in the financing of long-term investments;
2. **the efficiency and effectiveness of financial markets to offer long-term financing instruments:** the questions relate to: (i) the improvement of capital market financing of long-term investment; (ii) the contribution of capital markets to filling the equity gap in Europe; (iii) the pros and cons of developing a more harmonised framework for covered bonds; (iv) ways to revive the securitisation market in the EU;
3. **cross-cutting factors enabling long-term saving and financing:** (i) the setting in place of specific vehicles at EU level, more directly linked to general social objectives with a view to mobilising long-term savings; (ii) identification of the types of corporate tax incentives that are beneficial; (iii) deepening tax coordination in the EU; (iv) what kinds of tax incentives could help to promote better long-term shareholder engagement;
4. **the ease of SMEs to access bank and non-bank financing:** the Commission considers that additional measures could be envisaged, such as: (i) the development of venture capital; (ii) the development of dedicated markets and networks for SMEs; (iii) the development of standards for credit scoring assessments of SMEs; (iv) the development of “non-traditional” sources of finance, such as leasing, supply-chain finance or funding via the internet (e.g. crowdfunding).

On the basis of the outcome of this consultation, the Commission will consider the appropriate actions to pursue further. Stakeholders are invited to send their comments by 25 June 2013.

Long-term financing of the European economy

2013/2175(INI) - 26/02/2014 - Text adopted by Parliament, single reading

The European Parliament adopted by 560 votes to 55 with 19 abstentions a resolution on long-term financing of the European economy in response to the Commission Green Paper on the subject. Members stressed that there was a persistent lack of confidence and a **high level of risk aversion on the part of both private and institutional investors,** and the low-interest environment, low growth projections, and economic uncertainty had significantly decreased the supply of long-term financing and the risk appetite for long-term projects.

Reasoning: Parliament stated that concrete advances needed to be made as a matter of urgency in order to relaunch long-term investment and job creation in the EU. Training and education costs should be treated as long-term investments in this respect. It noted that banks in the EU provided over 75 % of long-term financing, which created significant dependence on this funding source, while in the US less than 20 % of all long-term financing is provided by banks, and a large majority through well-developed capital markets.

Emphasising that fiscal consolidation was the priority for public budgets with a view to restoring compliance with the Stability and Growth Pact and the ‘two-pack’, Parliament supported the initiative aimed at enhancing private investment in long-term financing.

Barriers to growth: the resolution noted that some countries were facing serious obstacles to, or even being denied, access to capital markets because they have contracted excessive levels of debt in recent years, while capital markets were the main cause of the recent crisis. Furthermore, SMEs in many Member States were having great difficulty accessing capital because commercial banks were only prepared to grant loans subject to unduly tough conditions. Parliament pointed to limited public financing and the need for investors in the banking and insurance sectors to adapt their business models to evolving and tightened regulatory requirements. It called on the Commission to **assess systemic risks to capital markets** and society at large owing to the overhang of unburnable carbon assets.

Alternative funding mechanisms: Parliament stressed the need for Member States to establish **new sources** to complement established mechanisms and fill the funding gap, and proposed that consideration be given to the **creation of an investment section in the EU budget**. It emphasised the strengthened role of new, **innovative financial instruments** in all the funding covered by the European Structural and Investment Funds, and the need for legal clarity and transparency of the new off-the-shelf financial instruments.

Parliament also called for:

- an enhanced European framework for less liquid investment funds in order to channel private households’ short-term liquidity into long-term investments and provide an additional retirement solution;
- a harmonised approach to the long-term valuation of **projects of general interest supported with public resources** at the EU and national levels;
- appropriate networks for cooperation and the exchange of information, and **national or regional long-term public investors** which can learn from the best practice of already established institutions;
- ways to support Member States requiring financial and technical assistance to set up their long-term national and regional public investors, and to study the possibility of an **EU guarantee mechanism for long-term national public investors**;
- improved access to capital markets through new sources of funding such as **initial public offerings, crowd funding, peer-to-peer lending and (covered) bonds** or through new market segments;
- strengthening both the banking system, including cooperative and public savings banks, and banks’ ability to access long-term refinancing to cover their long-term investments;
- further assessment of the **role of venture capital and private equity firms** in financing the EU economy.

Regulatory environment: Parliament emphasised that an investor-friendly business climate with a strong drive for technological progress is a prerequisite for making the EU an attractive destination for foreign direct investment. Such an environment would feature initiatives aimed at pooling financial resources, a sound taxation system, appropriate accounting principles, effective corporate governance and efficient prudential regulation - all embedded in a functioning single market. Parliament believed that a specific impact assessment of long-term financing should be included in any legislative proposals for relevant financial services regulation. It encouraged the Commission to follow closely the G20's work on proposals to create a multilateral investment framework that set minimum standards and modified certain long-term investment regulations and fair value accounting rules. The Commission was also asked to assess the impact of Member States’ tax incentives on long-term finance and the energy transition.

Parliament asked for SMEs to be given priority access to European long-term investment funds (ELTIFs), since they constituted the backbone of growth and job creation in the EU.

Lastly, Parliament stressed the need for a reliable tax environment that prevented impediments to long-term investment, and encouraged Member States and the Commission to assess the possibility of granting tax-advantageous yields on sustainable infrastructure projects or other tax incentives and concessions to promote long-term investment.

Long-term financing of the European economy

2013/2175(INI) - 29/01/2014 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted the own-initiative report by Wolf Klinz (ALDE, DE) on long-term financing of the European economy in response to the Commission Green Paper on the subject. It noted that banks in the EU provided over 75 % of long-term financing, which created significant dependence on this funding source, while in the US less than 20 % of all long-term financing is provided by banks, and a large majority through well-developed capital markets. Members stressed that there was a persistent lack of confidence and a **high level of risk aversion on the part of both private and institutional investors,** and the low-interest environment, low growth projections, and economic uncertainty had significantly decreased the supply of long-term financing and the risk appetite for long-term projects.

Barriers to growth: the report points to limited public financing and the need for investors in the banking and insurance sectors to adapt their business models to evolving and tightened regulatory requirements. It called on the Commission, in cooperation with the European Systemic Risk Board, to **assess systemic risks to capital markets** and society at large owing to the overhang of unburnable carbon assets.

Alternative funding mechanisms: Members stressed the need for Member States to establish **new sources** to complement established mechanisms and fill the funding gap, and proposed that consideration be given to the **creation of an investment section in the EU budget**. They emphasised the strengthened role of new, **innovative financial instruments** in all the funding covered by the European Structural and Investment Funds, and the need for legal clarity and transparency of the new off-the-shelf financial instruments.

The report also called for:

- an enhanced European framework for less liquid investment funds in order to channel private households' short-term liquidity into long-term investments and provide an additional retirement solution;
- a harmonised approach to the long-term valuation of **projects of general interest supported with public resources** at the EU and national levels;
- appropriate networks for cooperation and the exchange of information, and **national or regional long-term public investors** which can learn from the best practice of already established institutions;
- ways to support Member States requiring financial and technical assistance to set up their long-term national and regional public investors, and to study the possibility of an **EU guarantee mechanism for long-term national public investors**;
- improved access to capital markets through new sources of funding such as **initial public offerings, crowd funding, peer-to-peer lending and (covered) bonds** or through new market segments;
- strengthening both the banking system, including cooperative and public savings banks, and banks' ability to access long-term refinancing to cover their long-term investments;
- further assessment of the **role of venture capital and private equity firms** in financing the EU economy.

Regulatory environment: Members emphasised that an investor-friendly business climate with a strong drive for technological progress is a prerequisite for making the EU an attractive destination for foreign direct investment. Such an environment would feature initiatives aimed at pooling financial resources, a sound taxation system, appropriate accounting principles, effective corporate governance and efficient prudential regulation - all embedded in a functioning single market. Members believed that a specific impact assessment of long-term financing should be included in any legislative proposals for relevant financial services regulation.

They encouraged the Commission to follow closely the G20's work on proposals to create a multilateral investment framework that set minimum standards and modified certain long-term investment regulations and fair value accounting rules. The Commission was also asked to assess the impact of Member States' tax incentives on long-term finance and the energy transition.

Lastly, the committee asked for SMEs to be given priority access to European long-term investment funds (ELTIFs), since they constituted the backbone of growth and job creation in the EU.