

I

(Legislative acts)

BUDGETS**DEFINITIVE ADOPTION (EU, Euratom) 2020/227****of the European Union's general budget for the financial year 2020**

THE PRESIDENT OF THE EUROPEAN PARLIAMENT,

having regard to the Treaty on the Functioning of the European Union, and in particular Article 314 thereof,

having regard to the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof,

having regard to Council Decision 2014/335/EU, Euratom of 26 May 2014 on the system of own resources of the European Union ⁽¹⁾,

having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014 and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 ⁽²⁾,

having regard to Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020 ⁽³⁾,

having regard to the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management ⁽⁴⁾,

having regard to the draft general budget of the European Union for the financial year 2020, which the Commission adopted on 5 July 2019,

having regard to the position on the draft general budget of the European Union for the financial year 2020, which the Council adopted on 3 September 2019 and forwarded to Parliament on 13 September 2019,

having regard to Letter of Amendment No 1/2020 to the draft general budget of the European Union for the financial year 2020, which the Commission presented on 15 October 2019,

⁽¹⁾ OJ L 168, 7.6.2014, p. 105.

⁽²⁾ OJ L 193, 30.7.2018, p. 1.

⁽³⁾ OJ L 347, 20.12.2013, p. 884.

⁽⁴⁾ OJ C 373, 20.12.2013, p. 1.

CHAPTER 12 02 — FINANCIAL SERVICES AND CAPITAL MARKETS (*cont'd*)12 02 77 (*cont'd*)

12 02 77 10 Preparatory action — Analysing the consequences of common ownership by institutional investors

Figures (Differentiated appropriations)

Appropriations 2020		Appropriations 2019		Outturn 2018	
Commitments	Payments	Commitments	Payments	Commitments	Payments
300 000	75 000				

Remarks

Currently, there is a massive shift of money away from actively managed funds and into index funds that passively track established benchmark indices. There are a number of reasons for this recent development. First, private pensions have become more important and investors are looking for low-cost products as offered by passively managed funds in order to maximise their profits. Second, Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349) has entered into force and introduces stricter governance, accountability and transparency requirements that large investment firms can more easily meet.

Since the index funds industry is highly concentrated in three large investment firms located outside the Union, the high growth of index funds is leading to a concentration of ownership in European publicly listed corporations. Additionally, the shift to passively managed index funds increases the market power of the small group of virtually unstudied index providers setting the criteria for the inclusion of companies in key benchmark indices. This situation first and foremost gives cause for concern for the corporate governance of European firms, including but not limited to codetermination, long-term investments and location choice. Furthermore, 'common ownership' raises competition concerns. Moreover, the ongoing concentration process within the asset management industry may also have potentially negative consequences for financial stability in the Union.

This pilot project will conduct the first analysis of the consequences of common ownership in European publicly listed corporations by institutional investors. The analysis will be three-pronged, combining (1) the first truly comprehensive empirical mapping of common ownership in the Member States of the Union with (2) an analysis of the voting behaviour of the large index investment firms in European companies, (3) expert interviews with market participants and company executives about the influence of both index investment firms and index providers and (4) the impact on corporate governance, competition and financial stability in the Union.

Legal basis

Preparatory action within the meaning of Article 58(2) of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).