



## Capital Markets Union: breaking down barriers to cross-border investments and accelerating delivery

Brussels, 12 March 2018

**The European Commission is today taking a major step towards the development of a Capital Markets Union (CMU) by promoting alternative sources of financing and removing barriers to cross-border investments.**

While the CMU will benefit all Member States, it will particularly strengthen the Economic and Monetary Union by promoting private risk-sharing.

Building on progress already achieved since the launch of the CMU in 2015, today's proposals will boost the cross-border market for investment funds, promote the EU market for covered bonds as a source of long-term finance and ensure greater certainty for investors in the context of cross-border transactions of securities and claims. The CMU is one of the priorities of the Juncker Commission to strengthen Europe's economy and stimulate investments to create jobs. It aims to mobilise and channel capital to all businesses in the EU, particularly small and medium enterprises (SMEs) that need resources to expand and thrive.

Quick adoption of these proposals by the European Parliament and the Council will enable businesses and investors to benefit more fully from Single Market opportunities. The Commission also calls on the co-legislators to ensure the speedy adoption of pending key reforms for the completion of the CMU, such as proposals to strengthen [capital market supervision](#), [business restructuring](#) and provide new [savings opportunities for consumers](#). Out of the 12 proposals presented by the Commission to establish the building blocks of the CMU, only three have been agreed by the co-legislators at this stage.

Valdis **Dombrovskis**, Vice-President responsible for Financial Stability, Financial Services and Capital Markets Union, said: *"Today's proposals are part of a broader strategy to strengthen capital markets and encourage investments in the EU. To have a genuine Capital Markets Union in Europe by 2019, we need to advance in three directions: European labels and passports for financial products, harmonised and simplified rules to deepen capital markets and more consistent and efficient supervision."*

Jyrki **Katainen**, Vice-President responsible for Jobs, Growth, Investment and Competitiveness said: *"We want to make it easier and cheaper for companies, especially small and medium-sized ones, to get the financing they need. A deepened single market will help companies to do that and will allow them to grow. The Commission is delivering on its commitment to put in place the building blocks of CMU. The European Parliament and Council must now do their part. The Commission stands ready to work with them to adopt all legislative proposals by 2019."*

Vera **Jourová**, Commissioner for Justice, Consumers and Gender Equality said: *"The new rules will facilitate access to credit by SMEs and promote cross-border investment. We want to provide legal certainty and remove legal risks in cross-border assignments of claims as well as in transactions that are important for SME funding."*

### Today's proposals in details

#### - European covered bonds

The Commission is today proposing common rules – consisting of a Directive and a Regulation – for **covered bonds**. With EUR 2.1 trillion in outstanding amounts, they are currently among the largest debt markets in the EU. European banks are global leaders in this market, which represent an important source of long-term financing in many EU Member States.

Covered bonds are financial instruments backed by a segregated group of loans. They are considered beneficial not only because they fund cost-effective lending, but also because they are particularly safe. However, the EU market is currently fragmented along national lines with differences across Member States.

The proposed rules are based on high-quality standards and best practices. They aim to enhance the use of covered bonds as a stable and cost-effective source of funding for credit institutions, especially where markets are less developed. They will also give investors a wider and safer range of investment opportunities.

At the same time, the proposal seeks to reduce borrowing costs for the economy at large. The Commission estimates that the potential overall annual savings for EU borrowers would be between EUR 1.5 billion and EUR 1.9 billion.

#### **- Cross-border distribution of investment funds**

Investment funds are an important tool to channel private savings into the economy and increase funding possibilities for companies. The EU investment funds market amounts to a total of EUR 14.3 trillion. However, this market has not yet achieved its full potential. Just over a third (37%) of UCITS funds and around 3% of alternative investment funds (AIFs) are registered for sale in more than three Member States. This is also due to regulatory barriers that currently hinder the cross-border distribution of investment funds.

Today's proposal aims to remove these barriers for all kinds of investment funds making cross-border distribution simpler, quicker and cheaper. Increased competition will give investors more choice and better value, while safeguarding a high level of investor protection.

#### **- Law applicable to cross-border transactions in claims and securities \* [updated on 14/03/2018 at 17:50]**

The assignment of a claim refers to a situation where a creditor transfers the right to claim a debt to another person. This system is used by companies to obtain liquidity and access credit. At the moment, there is no legal certainty as to which national law applies when determining who owns a claim after it has been assigned in a cross-border case. The new rules proposed today clarify according to which law such disputes are resolved: as a general rule, the law of the country where assignors have their habitual residence would apply, regardless of which Member State's courts or authorities examine the case. This proposal will promote cross-border investment, access to cheaper credit and prevent systemic risks.

The Commission has also adopted a Communication to clarify which country's law applies when determining who owns a security in a cross-border transaction. Enhanced legal certainty will promote cross-border investment, access to cheaper credit and market integration.

The [Mid-Term Review of the Capital Markets Union Action Plan](#) reported in June 2017 on the progress made so far in bringing the Action Plan forward and set the timeline for new action. In this context the Commission announced that it would publish in Q1 2018 several legislative proposals, notably in the areas of investment funds, covered bonds and dispute resolution. Today's package contains these proposals.

#### **Background**

The European Commission launched its [Action Plan for a Capital Markets Union](#) to help build a true single market for capital across the EU in 2015. The Action Plan is a key pillar of the [Investment Plan for Europe](#), the so-called "Juncker Plan". A single capital market will be beneficial for all EU Member States, but will particularly strengthen the Economic and Monetary Union, by fostering cross-border private risk-sharing in the euro area. This is crucial to absorb systemic economic shocks.

It is built around the following key principles:

- Deepening financial integration and increasing competition
- Creating more opportunities for investors
- Connecting finance to the real economy by fostering non-bank funding sources
- Ensuring a stronger and more resilient financial system.

#### **More Information**

[MEMO](#)

[Factsheet](#)

More [information](#) on the proposal

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