

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

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

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.

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.

The assignment of a claim refers to a situation where a creditor transfers the right to claim a debt to another person in exchange of a payment. 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 creditors 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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## [Missing man in Yau Ma Tei located](#)

A man who went missing in Yau Ma Tei was located.

Kwok Wai-hung, aged 64, went missing after he left an elderly home on

Battery Street on March 7 afternoon. Staff of the elderly home made a report to Police on March 8.

The man was located in a shopping mall on Fat Tseung Street, Cheung Sha Wan tonight (March 12). He sustained no injuries and no suspicious circumstances were detected.

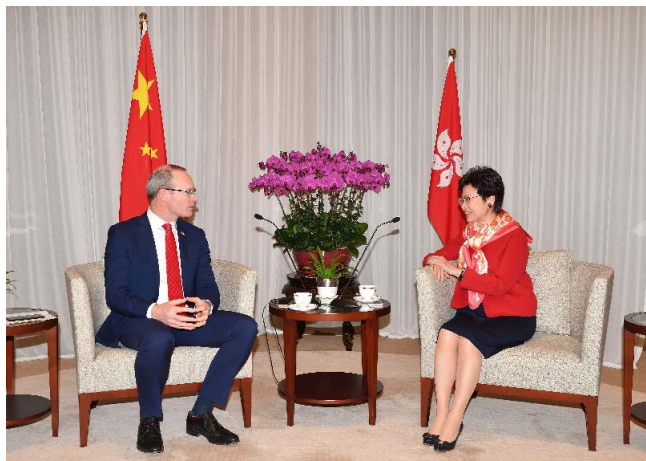
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## **CE meets Deputy Prime Minister and Minister for Foreign Affairs and Trade of Ireland (with photo)**

The Chief Executive, Mrs Carrie Lam, met the visiting Deputy Prime Minister and Minister for Foreign Affairs and Trade of Ireland, Mr Simon Coveney, at the Chief Executive's Office this morning (March 12).

Welcoming Mr Coveney's first visit to Hong Kong, Mrs Lam said she visited Dublin, Ireland, in 2015 in the capacity of the Chief Secretary for Administration and left with a deep impression of the city. Noting that Hong Kong and Ireland have had close relations over the years, she said that with the introduction of direct flights between Dublin and Hong Kong in June this year, the ties of businesses and people in the two places are set to be enhanced.

Mrs Lam said that Hong Kong is presented with tremendous opportunities by participating in the Belt and Road Initiative and the development of the Guangdong-Hong Kong-Macao Bay Area. She encouraged Irish companies and talent to leverage on Hong Kong's unique role to explore business development opportunities in the city and the Mainland. Noting that Ireland is home to the headquarters of many leading multinational corporations in information technology and has vibrant creative industries, she said that Hong Kong is also keen to develop those industries. With the development of the Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop and the launch of the Hong Kong-Shenzhen Design Innovation Hub in Qianhai, she said she looks forward to more collaboration between the two places. She added that small and medium-sized enterprises and start-ups are particularly welcome to set up businesses in Hong Kong, which has rich experience and excellent facilities to help their growth.



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## [LegCo Members visit Hung Shui Kiu New Development Area \(with photos\)](#)

The following is issued on behalf of the Legislative Council Secretariat:

Legislative Council (LegCo) Members conducted a site visit to the Hung Shui Kiu New Development Area (the New Development Area) today (March 12) to follow up on a case about issues relating to compensation offered to the households and farmers affected by the New Development Area project.

Accompanied by representatives of the Development Bureau, the Lands Department, the Planning Department, and the Civil Engineering and Development Department, Members visited Tin Sam San Tsuen, Sun Fung Wai and Yick Yuen Tsuen in the New Development Area to observe the agricultural land and several buildings, including shrine, antique well, pai lau, cottage houses and ancestral houses, in order to understand the impacts of the development project on the local farmers and households.

After the site visit, Members held a closed-door meeting with the Government and the deputation at the Yick Yuen Tsuen Village Office to follow up the case.

Members who participated in the visit were Mr Leung Yiu-chung (Meeting Convenor), Mr Chu Hoi-dick and Mr Kwong Chun-yu.



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## [SARG responds to application for judicial review relating to Legislative Council Hong Kong Island Geographical Constituency By-election](#)

In response to media enquiries on news reports that some members of the public have indicated the intention to apply for judicial review to challenge the decision of the Returning Officer (RO) that Au Lok-hin's nomination as a candidate in the LegCo Hong Kong Island Geographical Constituency was valid, a spokesman for the Hong Kong Special Administrative Region Government said today (March 12) that as legal proceedings will soon commence, the Government will not comment on the case.

The spokesman said, "In fact, resolution of disputes arising from elections through judicial proceedings, including election petitions, is a common occurrence and an integral part of the electoral system in Hong Kong."

"According to section 40(1)(b)(i) of the Legislative Council Ordinance, a person is not validly nominated as a candidate for an election for a constituency unless the nomination form includes or is accompanied by a declaration to the effect that the person will uphold the Basic Law and pledge allegiance to the Hong Kong Special Administrative Region (HKSAR)."

"The HKSAR Government all along respects and safeguards the rights enjoyed by Hong Kong residents according to law, including the rights to vote and to stand for election. At the same time, to uphold the Basic Law and pledge allegiance to the HKSAR are 'requirements to be complied with by persons nominated as candidates' under the Legislative Council Ordinance. 'Independence of the HKSAR', 'self-determination' or changing the HKSAR system by referendum which includes the choice of independence is inconsistent with the constitutional and legal status of the HKSAR as stipulated in the Basic Law, as well as the established basic policies of the

People's Republic of China regarding Hong Kong.”

“Upholding the Basic Law is a basic legal duty of a legislator. If a person advocates or promotes ‘independence of the HKSAR’ or ‘self-determination’, he or she cannot possibly uphold the Basic Law or fulfil his or her duties as a legislator, and cannot possibly comply with the requirement of the Legislative Council Ordinance that requires a candidate to make a declaration to uphold the Basic Law and pledge allegiance to the HKSAR. The HKSAR Government will continue to strictly implement and uphold the Basic Law and ensure that all elections are conducted in accordance with the Basic Law and relevant electoral laws.”