

## What drives the use of CDS by EU investment funds?

A high reliance on CDS is seen, in particular, among fixed income funds that invest in less liquid markets, and alternative funds that implement hedge-fund-like strategies. The main driver of net CDS exposures is fund size.

This article also investigates the bond-level drivers of funds' net single-name CDS positions and finds that CDS positions on investment-grade bonds issued by sovereign issuers – most of which are emerging markets – tend to be larger. The analysis also sheds light on tail-risk for funds from the use of CDS: Directional funds that belong to a large group are the most likely to have sell-only CDS exposures, exposing them to significant contingent risk.

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## The EESC backs the Commission's proposals to invest in sustainable, safe and smart mobility, says EESC President Luca Jahier

**EESC President Luca Jahier and European Commissioner for Transport Violeta Bulc engaged in a fruitful debate on mobility at the EESC plenary session on 20 September 2018. An adequate regulatory framework for a well-functioning Single European Transport Area, digitalisation in land transport technology, better interoperability between the various existing electronic road toll systems and investment in clean electricity were at the heart of the debate with EESC members.**

The Third Mobility Package was published in May 2018 and finalises the Commission's ambitious agenda for the modernisation of mobility. The EESC will discuss and adopt its opinions on this subject at the October plenary session.

"The EESC carefully followed all the mobility packages and actively contributed to shaping the new policies," stated **Mr Jahier**. "We are happy to see that the Commission has taken action with the "Europe on the Move" initiatives for a fundamental modernisation of European mobility and transport. We are joining forces to invest in sustainable, safe and smart mobility," he continued.

**Ms Bulc** pointed out that the three mobility packages reflect the vision of the European Commission to focus on decarbonisation, digitalisation,

investment and innovation. “Our objective is to have European mobility that is safe, secure, clean, inclusive and efficient,” said **Ms Bulc**. “In particular, with the Third Mobility Package, our target is safe mobility with 0 fatalities, clean mobility with 0 pollution and autonomous mobility with 0 paper,” she added.

**Mr Jahier** expressed the EESC’s overall support for the Third Mobility Package and made the following points:

- **A regulatory framework matching an ambitious Single European Transport Area**

A well-functioning Single European Transport Area depends on an adequate regulatory framework. The EESC is of the opinion that the proposed legislative changes regarding access to the profession, market access and working conditions mostly fail to resolve the problems they address. Therefore it is vital and urgent to put forward new solutions.

- **Land transport technology**

Land transport technology will most likely be revolutionised by digitalisation and automation. This new technology has the capacity to both improve transport market efficiency but also to provide analytical data to assist in the enforcement of existing legislation and the protection of human and social rights. The EESC thus encourages the Commission to pursue the “Vision Zero by 2050” project further.

- **Improving interoperability between EU electronic road toll systems**

Likewise, the EESC strongly supports the Commission’s proposal to overcome the poor interoperability between the various existing electronic road toll systems in Member States.

- **Focusing on producing clean electricity**

The EESC also emphasises that the production of clean electricity is indispensable for the successful introduction of electric vehicles.

**Mr Jahier** also mentioned the revised regulation on the **Connecting Europe Facility** for the 2021-2027 period. In its opinion, adopted at the plenary session on 19 September 2018, the EESC stresses that this proposal has a strategic importance and calls for a stronger budget post-2020, encourages further synergies between the transport, energy and digital network sectors, and urges the Commission to maintain the commitment to spending most of the energy budget on electricity projects. The current planned budget for transport, as proposed by the Commission, is EUR 30,615 million.

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## [Interview with Fausto Parente, Executive Director of EIOPA on personal pensions conducted by Lukas Blekaitis, the Lithuanian news agency ELTA](#)

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## [European Border and Coast Guard: Agreement reached on operational cooperation with Serbia](#)

The Agency will be able to assist Serbia in border management and carry out joint operations with Serbia, in particular in the event of a sudden change in migratory flows.

Commissioner for Migration, Home Affairs and Citizenship Dimitris **Avramopoulos** said: *“Today is another milestone in our cooperation with Serbia on migration, border management and security. I want to thank the Serbian authorities for their efforts, willingness and commitment to reach this agreement. Step by step, we are better protecting the EU’s external borders, and we are doing so also by cooperating more closely with partner countries in our direct neighbourhood and beyond. I look forward to finalising the agreement soon and hope to also swiftly conclude the ongoing negotiations with other Western Balkan partners.”*

Supporting and cooperating with non-EU countries is essential for the protection of the EU’s external borders. In 2016, the Commission strengthened the European Border and Coast Guard’s mandate to allow for deployments in the EU’s immediate neighbourhood. Last week, following President **Juncker’s** [State of the Union Address 2018](#), the Commission proposed to [further reinforce the European Border and Coast Guard](#), giving it the right level of ambition and

allowing the joint operations and deployments to take place in countries beyond the EU's immediate neighbourhood.

Today's status agreement with Serbia is the third agreement initialled with partner countries from the Western Balkan region, following [Albania](#) in February and [the former Yugoslav Republic of Macedonia](#) in July. Negotiations with Montenegro and with Bosnia and Herzegovina are ongoing.

#### Next Steps

The draft status agreement initialled today with Serbia will be formally signed at a later date, after both sides complete the necessary legal procedures. The European Parliament's consent is also required.

Once the agreement enters into force, the European Border and Coast Guard Agency will be able to carry out operational activities and deploy teams in the regions of Serbia that border the EU, in agreement with both the Serbian authorities and the authorities of the bordering EU Member States.

#### Background

The European Border and Coast Guard Agency can already carry out deployments and joint operations on the territory of neighbouring non-EU countries, subject to the prior conclusion of a status agreement between the European Union and the country concerned. Under the [new proposal](#) to further reinforce the European Border and Coast Guard, such agreements could also be concluded with countries beyond the EU's immediate neighbourhood.

#### For More Information

[Press Release](#): European Border and Coast Guard: agreement on operational cooperation reached with the former Yugoslav Republic of Macedonia

[Press Release](#): Border management: European Border and Coast Guard Agency strengthens operational cooperation with Albania

[Website](#): The European Border and Coast Guard Agency

[Website](#): Directorate-General for Migration and Home Affairs

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## [One year on: EU-Canada trade agreement delivers positive results](#)

Early signs show that the agreement is already starting to deliver for EU exporters. Commissioner Malmström will visit Canada on 26 and 27 September to take stock of progress.

Whilst in Montreal, the Commissioner will meet with Minister of International Trade Diversification, James Gordon Carr. She will attend the first EU-Canada Joint Committee on 26 September, which is the highest body for the two partners to discuss issues of interest related to the agreement. She will also visit several European and Canadian companies, discuss with company representatives who are already making use of the agreement, and speak at the Université de Montréal on 27 September.

Commissioner for Trade Cecilia **Malmström** said: *“The EU-Canada trade agreement has now been in action for a year and I’m pleased with the progress made so far. The preliminary data shows there is plenty to celebrate, even at this stage. Exports are up overall and many sectors have seen impressive increases. This is great news for European businesses, big and small. As ever with these agreements, there are certain areas where we have to make sure that we thoroughly implement what has been agreed, making sure that citizens and companies can fully benefit from the new opportunities. This is something I intend to discuss with my Canadian counterparts at the Joint Committee next week. I’m happy to say that our partnership with Canada is stronger than ever – strategically as well as economically. Together, we are standing up for an open and rules-based international trading order. CETA is a clear demonstration of that.”*

### **Early days but positive trends**

In addition to removing virtually all customs duties, CETA has given a boost to the business climate between the EU and Canada, offering valuable legal certainty for EU companies looking to export. Although it is too early to draw any firm conclusions, the initial trade results are pointing in the right direction. Across the EU, the latest statistics available, covering the October 2017 to June 2018 period, suggest that exports are up by over 7% year on year.

Of these, certain sectors are doing especially well. Machinery and mechanical appliances, which make up one fifth of EU exports to Canada, are up by over 8%. Pharmaceuticals, which account for 10% of the EU exports to Canada and are up by 10%. Other important EU exports are also on the rise: furniture by 10%, perfumes/cosmetics by 11%, footwear by 8% and clothing by 11%.

In terms of agricultural products, there are also some encouraging figures: exports of fruit and nuts increased by 29%, chocolate by 34%, sparkling wine by 11% and whisky by 5%.

Companies that are already benefitting from CETA in different ways include, for example:

- The consortium of Italian San Daniele ham producers increased its sales to Canada by 35%. Exports of Italian agricultural products to Canada are up by 7.4% overall.
- Belgian chocolate company *Smet Chocolaterie* that has just opened their first shop in Ontario, Canada, to cope with extra demand for their products; thanks to scrapping of 15% import duties their sales increased by a fifth compared to year ago. European exports of chocolate to Canada

are up 34% overall.

- Spanish company *Hiperbaric* making innovative machines for preserving food using high pressure. Thanks to CETA, it is easier for their workers to enter Canada temporarily to install and maintain their equipment.

Company examples from **Belgium, Estonia, Finland, France, Ireland, Italy, The Netherlands, Spain, and Sweden** are available [here](#).

## **Background**

CETA offers new opportunities for EU businesses of all sizes to export to Canada. The agreement eliminated tariffs on 98% of products that the EU trades with Canada. This amounts to approximately €590 million in saved duties per year once all the tariff reductions kick in. It also gives EU companies the best access ever offered to companies from outside Canada to bid on the country's public procurement contracts – not just at the federal level but at provincial and municipal levels, too.

CETA creates new opportunities for European farmers and food producers, while fully protecting the EU's sensitive sectors. The agreement now means that 143 EU high quality food and drink products (the "geographical indications") can now be sold under their own name in Canada and are protected from imitation.

The agreement also offers better conditions for services' suppliers, greater mobility for company employees, and a framework to enable the mutual recognition of professional qualifications, from architects to crane operators.

CETA has been provisionally in force since 21 September 2017 following its approval by EU Member States, expressed in the Council, and by the European Parliament. It will only enter into force fully and definitively, however, when all EU Member States have ratified the agreement.

The EU has 39 trade agreements with 69 countries in place. The latest agreement concluded by the EU is with Japan. The EU's trade agreements have been proven to spur European growth and jobs. One example is the EU-South Korea trade deal. Since it entered into force in 2011, EU exports to South Korea have increased by more than 55%, exports of certain agricultural products have risen by 70%, EU car sales in South Korea have tripled and the trade deficit turned into a surplus. 31 million jobs in Europe depend on exports. On average, each additional €1 billion of exports supports 14 000 jobs in the EU.

## **For more information**

[EU exporter stories](#)

[Factsheets](#)

[Town and cities exporting to Canada](#)

[Text of CETA](#)

[More resources on CETA](#)