

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.

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.

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.

For more information, please contact:

EESC Press Unit – Marco Pezzani

+ 32 (0)2 546 97 93 · Mob. +32 (0)470 881 903

marco [dot] pezzani [img alt="red square icon with a white 'x' inside" data-bbox="285 340 300 355"/> eesc [dot] europa [dot] eu

EESC to advocate for an ambitious EU budget of at least 1.3% of EU GNI

Commissioner Oettinger joined EESC plenary to discuss the Multiannual Financial Framework for 2021-2027

The negotiations for the next Multiannual Financial Framework (MFF) and the European elections come as the European Union finds itself at a crossroads. From growing Euroscepticism to challenges of migration, it faces a wide range of pressing political and socio-economic challenges; some of them are even calling the EU itself into question.

During a plenary **debate with Günther Oettinger** (European Commissioner for Budget and Human Resources) at this crucial juncture, the EESC stressed the need for the future budget to address these challenges, and called for an ambitious commitment from the Member States of **at least 1.3% of Gross National Income (GNI)** for the future financial framework. An agreement on a robust budget for 2021-2027 before the European elections in May 2019 would send an important political message and **ensure that important spending programmes can start without delay.**

At the outset of the debate, EESC President **Luca Jahier** acknowledged the different constraints which the European Commission had to take into account when drawing up the budget proposal. Nevertheless, he felt that it lacked ambition. “We need a very strong budget if we are to send a message of hope, aspiration and optimism with regard to Europe and Europeans’ future before the 2019 elections,” he said. An ambitious budget was needed, now more than

ever.

Javier Doz Orrit, rapporteur of the [EESC opinion](#) on the subject, said: "We support the structure and the priorities of the Commission's proposal as well as the measures for simplification, flexibility and synergies, but cuts are not the way forward. A further decrease in the volume of resources, given the state of the EU economy, is not acceptable." The EESC would advocate, in line with the European Parliament, a budget of at least 1.3% of GNI. This volume would better provide the EU with the tools to tackle current and future challenges and to take the range of various societies' needs on board.

In his speech about the structure and aims of the Commission's proposal, **Günther Oettinger** defended the planned budget decrease from 1.16% to 1.11% of GNI. The backdrop of the upcoming departure of the United Kingdom, the second largest net contributor to the EU, with a resulting shortfall in income of about EUR 84 billion for the next period, together with the unwillingness of some Member States to contribute more, would form the basis for this decision. The Commission's proposal needed to be ambitious but realistic in order to ultimately achieve unanimous agreement. The Commissioner was convinced that a budget of "more than 1.14% of GNI will not be achievable."

Speakers from the three groups, representing employers, workers and various interests in Europe, could by no means accept a severe budget cut for **cohesion policy or the Common Agricultural Policy (CAP)**, in view of the challenges. Nevertheless, they recognised the need to reform these policies. The need for funding for rural development and closing disparities between Member States was underlined.

The EESC rapporteur, **Mr Doz Orrit**, pointed to the social consequences of the crisis and the existing differences between Member States. **Both policies would need to at least maintain their current budget envelope.** On top of that, a specific programme to assist Member States in implementing the **European Pillar of Social Rights** should be established.

"If you cannot avoid cuts, then you also cannot avoid cuts in the two major programmes," responded **Commissioner Oettinger** referring to cuts for cohesion policy and the CAP. He regretted the budget cuts but considered them appropriate. Economic and social cohesion, solidarity between stronger and weaker regions, and sustainability would remain priorities for the Commission. This was also reflected in less important cuts for the ESF+. He emphasised that the cuts would be a logical consequence of Brexit and the necessary introduction of new political priorities, like border protection, migration, development aid and defence. Structural savings and higher contributions by Member States would each make up 50% of the shortfall caused by Brexit.

In its opinion, the EESC supports the introduction of **new own resources** for the budget to raise revenue. It believes that the Commission's proposals in this regard do not go far enough and calls, in line with the proposals of the High-Level Group on Own Resources chaired by Mario Monti, for the introduction of a corporate tax based on the Common Consolidated Corporate Tax Base (CCCTB) and of taxes on financial transactions and carbon emissions.

It draws attention to the complexity of making these resources operational on time.

In the debate following the Commissioner's speech, speakers from the Committee's three groups recognised the general consensus with the Commission regarding the aim of ensuring that the EU has sufficient financial resources. The Commissioner's willingness to take ideas for further simplification and flexibility on board, as well as the Commission's aim to increase **spending on policies with high European added value** (research and innovation, Trans-European Networks, Erasmus), were welcomed.

For some programmes, the **allocation of resources was criticised**. Members wanted a higher budget for the ESF+ and even more flexibility for cohesion funding. The need for adequate resources to fulfil international climate agreements and to tackle the challenges of digitalisation was highlighted. Therefore, the funding for the Globalisation Fund should be further expanded. It was also mentioned that interconnecting programmes could make funding more efficient.

Speakers welcomed the Commissioner's final encouragement to advocate for a **timely agreement** of a more ambitious budget. Together with the European Parliament and the Committee of the Regions, they want to advocate for a more ambitious budget whilst supporting the positive aspects of the Commission's proposal. Communication with the Member States would be crucial so as to enhance not only the European project itself but also the required ambitious budget.

After the debate with the Commissioner, the EESC plenary session adopted its opinion on the subject almost unanimously. **During forthcoming plenary sessions, several other opinions on the Commission's sectorial proposals for spending programmes in the 2021-2027 MFF will be debated and voted on.**

Read the statement on the European Commission's MFF proposal for 2021-2027 by EESC President [Luca Jahier](#) and watch the video statement by EESC rapporteur [Javier Doz Orrit](#).

[Remarks by President Donald Tusk after the Salzburg informal summit](#)

Press contacts

[Preben Aamann](#)

European Council President Spokesperson

+32 2 281 51 50

+32 476 85 05 43

Let me start by thanking the beautiful city of Salzburg, the Austrian EU Presidency and you personally, Sebastian, for hosting this remarkable summit. It is a truly impressive; the hospitality, the logistics, and it is not an empty compliment. It is one of the best political performances I ever experienced. Congratulations.

As you mentioned, we have discussed migration, internal security and Brexit here in Salzburg.

The migration debate showed that we may not agree on everything but we agree on the main goal, which is stemming illegal migration to Europe. There was a constructive debate and good atmosphere and we decided to continue our focus on what unites us and what has already brought results. This means strengthening our external borders as well as strengthening cooperation with third countries. Such cooperation should not be just on migration or fighting smugglers and traffickers. It should be about a much broader vision of partnership.

Together with Chancellor Kurz we have started a dialogue with the Egyptian President and now we can say that there is a backing from the European Council for this and similar dialogues. I will meet President Al Sisi on Sunday to take this forward. And we will be reaching out to other African partners in the coming weeks, with Chancellor Kurz, the Commission and also with a group of member states. In this context we also agreed to organise a summit with the League of Arab States in February next year, in Egypt.

On internal security we agreed priorities for immediate actions. That's why there is a shared determination to take forward the Commission's proposal for a strengthened European Border and Coast Guard as a priority. At the same time, as the Chancellor underlined, it is also clear that there are issues regarding sovereignty and the size of Frontex that will have to be further discussed. In addition, we agreed to step up the fight against all forms of cyber crime, manipulations and disinformation.

Fires this summer demonstrated the importance of the European cooperation and it is an example of concrete European solidarity. It is also in this context that we decided to speed up work on the Civil Protection Mechanism.

At our EU27 working lunch today we had a good discussion on Brexit, which once again reconfirmed our full unity. Let me highlight three points.

First, we reconfirmed that there will be no Withdrawal Agreement without a solid, operational and legally binding Irish backstop. And we continue to fully support Michel Barnier in his efforts to find such a model.

Second, we agreed to have a joint political declaration that provides as much clarity as possible on the future relations. Everybody shared the view that while there are positive elements in the Chequers proposal, the suggested framework for economic cooperation will not work. Not least because it risks undermining the Single Market.

Third, we also discussed the timetable for further negotiations. The moment

of truth for Brexit negotiations will be the October European Council. In October we expect maximum progress and results in the Brexit talks. Then we will decide whether conditions are there to call an extraordinary summit in November to finalise and formalise the deal.

Thank you.

[Visit the meeting page](#) [Download as pdf](#)

[Home Affairs](#) [Brexit](#) [Security & defence](#)