

# Capital Markets Union: EU reaches agreement on reviving securitisation market

Late on Tuesday, the European Parliament, the Council and the Commission agreed on a package that sets out criteria for simple, transparent and standardised securitisation (STS). The deal is one of the cornerstones of the Capital Markets Union (CMU), the Juncker Commission's pivotal project to build a single market for capital in the EU. The swift implementation of the securitisation package could unlock up to EUR 150 billion of additional funding to the real economy.

Securitisation can allow diversification of funding sources and a broader distribution of risk by allowing banks to transfer the risk of some exposures to other institutions or long-term investors, such as insurance companies and asset managers. This allows banks to free the capital they set aside to cover for risks of those exposures, allowing them to generate new lending to households and SMEs. STS securitisations will also provide new investment opportunities for institutional investors such as pension funds and insurance companies.

Valdis **Dombrovskis**, Vice-President responsible for Financial Stability, Financial Services and Capital Markets Union, said: *"This agreement marks another big step towards the creation of a Capital Markets Union. It will help build a sound and safe securitisation market in the EU, bringing real benefits to investment, jobs and growth. It will free up bank lending so that more financing can go towards supporting our companies and households."*

The new regulatory framework agreed by co-legislators sets out a risk-sensitive, transparent and prudential treatment of securitisation. At the same time, the package also ensures an appropriate capital treatment of securitisation instruments in general.

## **Next Steps**

Today's political agreement will be followed by further technical talks to finalise the text. The Permanent Representatives Committee (COREPER) of the Council of Ministers is expected to endorse the agreement ahead of the European Parliament's plenary vote.

## **Background**

In September 2015 the European Commission proposed new rules on securitisation as part of the Capital Markets Union (CMU) action plan ([IP/15/5731](#)). The Commission proposed a regulatory [framework](#) for securitisation which is simple, transparent and standardised and subject to adequate supervisory control. According to the Commission's estimates at the time, if EU securitisation issuance was built up again to the pre-crisis

average, it would generate up to EUR 150bn in additional funding for the economy.

Securitisation is the process where a financial instrument is created, typically by a lender such as a bank, by pooling assets (for example car-loans or SME-loans) for investors to purchase. This facilitates access to a greater range of investors, thereby increasing liquidity and freeing up capital from the banks for new lending.

The new EU legal framework provides a clear set of rules to ensure that STS benefits the real economy. It bears no relation to the securitisation of subprime mortgages created in the US that contributed to the financial crisis. The European Commission does not intend to go back to the days of opaque and complex subprime instruments. Instead, the new rules clearly differentiate between simple and more transparent securitisation products and other products which do not satisfy such criteria. This will restore an important funding channel for the EU economy without endangering financial stability.

More information:

[https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-markets/securities-markets/securitisation\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-markets/securities-markets/securitisation_en)

MEMO: [http://europa.eu/rapid/press-release\\_MEMO-15-5733\\_en.htm](http://europa.eu/rapid/press-release_MEMO-15-5733_en.htm)

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## **Statement by the Spokesperson on Sudanese human rights defender**

*The EU closely follows the human rights situation in Sudan.*

*The recent presidential pardon of two pastors in Sudan is an encouraging step regarding religious freedom in the country. Jan Figel, the Special Envoy for Freedom of Religion or Belief outside the EU, was able to meet with human rights defender Dr Ibrahim Mudawi in his place of detention in March 2017, yet the length of detention and delays in due process remain a source of concern. The EU supports the recent call by UN Independent Expert, Aristide Nononsi, for the immediate release of Dr Mudawi and of Hafiz Idris, another human rights defender.*

*Despite progress in the national dialogue, space for civil society is shrinking in Sudan, as demonstrated by delays in registration of NGOs, and the arrest, detention and court cases of human rights defenders. All human rights defenders need to be able to carry out their legitimate human rights activities openly, free of restrictions and without fear of reprisals.*

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## Capital Markets Union: EU agrees to more support for venture capital and social enterprises

Small and growing companies and social enterprises will enjoy better access to finance, thanks to EU rules agreed today by the European Parliament, the Council and the Commission. The revamped rules are part of the Commission's drive to stimulate venture capital investments in the EU, a core objective of its Capital Markets Union (CMU) project.

The Commission proposed an overhaul of the existing European Venture Capital Funds (EuVECA) and the European Social Entrepreneurship Funds (EuSEF) regulations in 2016 as part of the CMU Action Plan. The objective of these reforms is to improve access to finance for small and growing companies and social enterprises to promote jobs and growth. The rules are also linked to the Investment Plan for Europe, which provides a comprehensive strategy to tackle the lack of finance that is holding back Europe's potential to grow.

Vice-President Valdis **Dombrovskis**, in charge of Financial Stability, Financial Services and Capital Markets Union, said: *"Today's agreement removes another barrier to venture investment at EU level. The reforms we have agreed – expanding investment possibilities for funds, broadening the range of eligible managers and simplifying administration – will help investor capital reach the SMEs that need it."*

Today's agreement will open up EuVECA and EuSEF to fund managers of all sizes and will allow a greater range of companies to benefit from EuVECA investment. It will also improve access of investors to small and growing businesses and social ventures. Finally, it will make the cross border marketing of EuVECA and EuSEF funds less costly and will simplify registration processes.

Specifically, the agreement reached today:

- extends the range of managers eligible to market and manage EuVECA and EuSEF funds to larger fund managers, i.e. those with assets under management of more than €500 million. Large managers can provide economies of scale, passing benefits on to investors;
- expands the ability of EuVECA funds to invest in small mid-caps and SMEs listed on SME growth markets. This should increase the diversification possibilities offered by EuVECA and EuSEF funds and, therefore, make them more attractive to investors;
- decreases the costs by explicitly prohibiting fees imposed by competent authorities of host Member States where no supervisory activity is performed. It also simplifies the registration processes and determines the minimum capital necessary to become a manager.

The agreed text now follows ordinary legislative procedure before the final endorsements by the European Parliament and the Council of the EU.

## **Background**

The European Venture Capital Funds (EuVECA) and European Social Entrepreneurship Funds (EuSEF) regulations set up two new types of collective investment funds to make it easier and more attractive for investors to invest in unlisted SMEs. Both regulations were adopted on 17 April 2013 and came into force on 22 July 2013.

The EuVECA and EuSEF label allows fund managers to market these funds across the EU to professional and non-professional investors able to commit a minimum of €100,000.

Given the importance of making progress towards the Capital Markets Union, the Commission decided to bring forward the general review originally planned for July 2017. It launched a consultation on 30 September 2015 to ask whether targeted changes to the regulations could boost the take-up of these investment funds. The review identified a number of factors holding back the development of these funds.

These reforms are a part of a range of measures the European Commission is taking to stimulate venture capital in Europe. They include the use of EU budgetary support to attract capital from major institutional investors through a pan-European venture capital fund of funds, as well as promoting best practices in national tax incentives for venture capital to foster investment in SMEs and start-ups. The Commission will also provide technical assistance to those Member States who wish to develop market-based finance, such as venture capital.

As part of the wider CMU package to stimulate venture capital investments in the EU, a pan-European venture capital fund of funds will combine EU financial sources with greater volumes of private capital. This pan-European fund of funds should help to overcome market fragmentation and attract private investors to the EU venture capital asset class.

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## **Statement by the HR/VP Federica Mogherini on the terrorist attac**

Our thoughts are with all Iraqis, as Baghdad has been hit by two terrorist attacks between Monday night and Tuesday morning, resulting in a large number of civilian casualties. Families breaking fast together in the holy month of Ramadan were among the victims. We extend our condolences to the families and friends of the victims and wish a full recovery to those injured in the attacks.

At this critical political juncture in Iraqi history, the European Union reaffirms its continuous commitment to support politically and financially the Iraqi people and authorities in their quest to fight all forms of terrorism in the country and build a peaceful, democratic, prosperous and inclusive Iraq.

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## **Press Release: 8th Human Rights Dialogue between the European Un**

The European Union and Armenia held the eighth round of the annual Human Rights Dialogue in Brussels on 29 May 2017.

The European Union and Armenia welcomed the continued progress on human rights in Armenia. The EU concurred with the Venice Commission that the new Constitution represented a positive development and underlined the importance of its prompt and effective implementation.

The EU took note of the ODIHR Electoral Observation Mission's report on the April 2017 parliamentary elections and stressed the need for a proper investigation and follow-up of all alleged (pre-)electoral violations, and to ensure a level playing field for all candidates.

The Dialogue highlighted the importance of a free and pluralistic media environment, and political pluralism as a prerequisite for the conduct of democratic elections. The EU encouraged Armenia to increase participation of women and national minority representatives in politics.

The EU called on Armenia to adopt a standalone law against domestic violence and to operate a multi-referral mechanism to support victims (in line with UN CEDAW Concluding Observations) as well as a standalone law against discrimination; stressing its commitment to the universality of human rights for all.

The parties will continue to cooperate to improve national institutional capacities in support of equality between men and women. The EU encouraged Armenia to sign and ratify the Istanbul Convention on preventing and combating violence against women and domestic violence.

The EU noted the progress in legislation made by Armenia in preventing torture and ill-treatment, and stressed the need for it to be further consolidated, in particular the need to implement the UN CAT Concluding Observations, including an independent and impartial mechanism for effective investigation and prosecution of certain crimes against human rights and freedoms committed by representative of law enforcement agencies.

The dialogue allowed for an open, constructive exchange on the human rights

situation in Armenia. In line with its policy, the EU had prior to the dialogue met and consulted representatives of Armenian and international civil society.

The EU delegation was led by Mr Dirk Schuebel, Head of Division in the European External Action Service (EEAS), while the Armenian delegation was headed by Mr Garen Nazarian, Deputy Minister of Foreign Affairs; Armenia's Human Rights Defender, Mr Arman Tatoyan and Ms Mara Marinaki, the Principal Advisor for gender issues and UNSCR 1325 at the EEAS, also took part in the Dialogue.