Council of the
European Union

Brussels, 23 March 2017
(OR. en)

7557/17

ECOFIN 226
MDC 1

COVER NOTE

From:	Mr Thomas Wieser, President of EFC
date of receipt:	20 March 2017
To:	Mr Prof. Edward SCICLUNA, President of the ECOFIN Council
Subject:	2016 EFC Report to the Commission and the Council on "The Movement of Capital and the Freedom of Payments"

Delegations will find attached 2016 EFC Report to the Commission and the Council on

"The Movement of Capital and the Freedom of Payments".

ANNEX

ECONOMIC AND FINANCIAL COMMITTEE

THE PRESIDENT

Brussels, 20 March 2017
ecfin.cef.cpe(2017)

Mr Prof. Edward SCICLUNA
President of the ECOFIN Council
Minister of Finance,
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Concerns: 2016 EFC Report to the Commission and the Council on "The Movement of Capital and the Freedom of Payments"

Dear Mr President,

Under Article 134 (2) of the EC Treaty, the Economic and Financial Committee (EFC) is mandated, amongst other things, to:

"*examine, at least once a year, the situation regarding the movement of capital and the freedom of payments, as they result from the application of this Treaty and of measures adopted by the Council;" and "report to the Commission and to the Council on the outcome of this examination*."

Accordingly, I hereby provide you with the annual EFC Report for 2016. Based on the Commission's examination, the Report highlights progress made in improving the access to capital markets in the context of the Capital Markets Union (CMU) and in lifting capital controls introduced as a result of the economic and financial crisis. However, the persistent low levels of intra-EU capital flows are an indication of remaining barriers which need to be tackled and other challenges to be addressed in a number of areas, including macro-prudential, tax and trade.

Particularly in the current challenging times, it is essential to ensure that the free movement of capital is not unduly hampered and can effectively underpin the objective of the CMU initiative to build truly integrated, open, competitive and efficient European capital markets, as a complement to bank financing.

The European Investment Plan and the European Fund for Strategic Investments aim to unlock the substantial savings held in the EU and help channel these towards productive investment. Measures launched under the CMU, notably the identification and removal of unjustified barriers to the free flow of capital, including tax barriers, can contribute to achieving these goals. In this regard, the EFC welcomes the work done by the expert group of Member States' financial experts established by the Commission and supports the preparation of a joint roadmap for the further removal of undue barriers in the coming weeks.

With regard to intra-EU Bilateral Investment Treaties (BITs), contrary to the Commission, some Member States consider them to be compatible with EU law and, in certain circumstances, indispensable to secure legal certainty for intra-EU investors until an alternative mechanism has been found. The EFC will continue to monitor developments and flag the need for any possible additional action to reinforce the single market as an attractive investment destination.

Cross-border flows and financial stability may also be seriously affected by unintended consequences of national measures that aim at strengthening domestic financial stability. This may be the case in respect of foreign-currency loans but also of the use of macro-prudential tools. It is important that the European Commission and the European macro-prudential bodies continue to closely monitor the use of macro-prudential measures and their compatibility with the free movement of capital. As in previous years, the EFC is grateful for the high quality assessments prepared by the Commission services, which greatly benefited our annual examination. In view of the objectives of the CMU, the EFC has invited the Commission to take a forceful approach in respect of unjustified barriers to the free movement of capital.

I have also written in similar terms to the President of the European Commission.

Yours sincerely,

Thomas Wieser
EFC Chairman

ECONOMIC AND FINANCIAL COMMITTEE

14 March 2017
Ares(2017)1498797

Annual EFC Report to the Commission and the Council on the Movement of Capital and the Freedom of Payments

INTRODUCTION

Under Article 134(2) of the Treaty on the Functioning of the European Union (TFEU), the Economic and Financial Committee (EFC) is called upon *"to examine, at least once a year, the situation regarding the movement of capital and the freedom of payments, as they result from the application of the Treaties and of measures adopted by the Council; the examination shall cover all measures relating to capital movements and payments; the Committee shall report to the Commission and to the Council on the outcome of this examination."*

Based on the Commission's examination, the EFC in its 20th Report assesses key developments in global and EU capital markets in 2015-2016, policy initiatives undertaken to enhance capital movements and international cooperation, and assesses remaining barriers and challenges to the movement of capital and the freedom of payments.

1. GENERAL CONTEXT AND DEVELOPMENTS

Against the backdrop of declining oil prices, accommodative monetary policy and a relative weakening of the euro against other international currencies, the economic recovery in 2016 has been resilient and widespread, albeit moderate in most Member States. As a consequence, the recovery in capital flows has been weaker in the EU than in other world regions.

In a context of heightened uncertainty and subdued global growth and trade, all types of EU gross capital flows were lower in the first two quarters of 2016 than in the corresponding quarters of 2015. Although it might not be reasonable to target pre-crisis levels as a benchmark, all types of EU gross capital flows also remained at lower levels compared to the pre-crisis period. This downward adjustment was mostly attributable to portfolio investment outflows, along with a large retrenchment of other investments, while Foreign Direct Investments (FDIs) declined the least, although a slowdown was also here noticeable in the first half of 2016. Eight years after the start of the crisis, it becomes increasingly difficult to see sustained low capital flows as a temporary setback only.

With the exception of bank-related outflows, the picture was quite different across the EU. For the reporting period, Sweden, Denmark and the United Kingdom experienced substantial net capital inflows from 2014 to our most recent observation of 2016Q1. In contrast, the Central and Eastern European Countries (CEE) saw net financial inflows recede considerably since the height of the financial crisis, while the euro area recorded portfolio investment outflows for the first time since 2001.

Overall, the EU has accumulated a negative foreign assets (positive net external liabilities) position, that broadly represents the accumulated deficits that the EU has accrued with the rest of the world. After reaching close to 13 % of the EU's GDP in 2008, the EU's foreign assets position has been shrinking since 2014 and stood at around 5 % of GDP in the second quarter of 2016.

Looking at the level of cross-border capital flows within the EU, there is still less financial integration between EU countries than there was before the crisis. In this context, policy initiatives in support of growth and investment, such as the Capital Markets Union (CMU), which is part of the Investment Plan for Europe, have a major role to play. On 28 June 2016, the European Council called for "swift and determined progress to ensure easier access to finance for businesses and to support investment in the real economy by moving forward with the Capital Markets Union agenda."[1]

[1] EUCO 26/16 of 28 June 2016.

The free movement of capital is fundamental to the functioning of the single market. The TFEU allows capital movements to be restricted only under specific conditions. In the reporting period, the two European Economic Area countries that introduced capital controls as a result of the economic and financial crisis, Iceland and Greece, undertook steps to lift them. Further relaxations could be expected over time, subject to positive financial and economic conditions.

Although a number of initiatives have already been taken to support the free movement of capital, including in the context of the legislative framework, ***a number of barriers remain to be addressed as well as a number of challenges*** (including foreign currency and cross-border mortgage lending, investments in real estate and agricultural land, macro-prudential measures), in particular against the backdrop of recent increased policy uncertainty at the global level.

➔ *Against the background of the crisis, current geopolitical risks and uncertainties, the EFC considers that it is essential to ensure that the free movement of capital is not unduly hampered and effectively underpins the objective of the CMU initiative to build truly integrated, open, competitive and efficient European financial markets. The EFC in this regard looks forward to the Commission's implementation and acceleration of the CMU Action Plan and welcomes the setting up in October 2015 of a Commission Expert Group on national barriers to free movement of capital. The EFC supports the preparation of a roadmap for the removal of the most damaging barriers identified in this process.*

➔ *Especially for the Euro area, the establishment of a more integrated capital market complementing the Banking Union, would allow for a cross-border private sector risk sharing across countries through cross-border capital flows adjustements and contribute to facilitating the swift transmission of monetary policy. By offering more diversified sources of financing to investors, the Euro area could also be more resilient to economic shocks.*

2. RECENT TRENDS IN EU CAPITAL FLOWS

The EU registered lower gross capital flows in the first two quarters of 2016 than in the same period of 2015, with the sharpest decline recorded in portfolio investment and banking flows. Although, FDI flows continued to be the most stable source of cross-border financing, intra-EU FDI remained well below pre-crisis levels.

Foreign Direct Investment (FDI)

Global and European FDI flows registered a slowdown in the last quarter of 2015 and in the first two quarters of 2016.

However, this may in part be base effects as, compared to 2014, global FDI flows rebounded by almost 38% in 2015, approaching the level reached in 2007. In this regard, corporate and financial restructuring played a large role in the 2015 rebound, with the share of merger and acquisition deals (M&As) in global inward FDI increasing to more than 36% (from 21% in 2012). The share of M&As in total FDI flows was even higher for the EU.

EU-targeted corporate restructuring activity has been on the rise in every year since 2012 with the volume of deals almost doubling to EUR 640 billion in 2016 (from EUR 350 in 2012). Extra-EU inward M&As were especially strong, reaching 70% in 2015 (from 14% in 2012). Intra-EU inward M&As were sharply higher in 2016 as a result of some mega deals (i.e. the acquisition of UK's SABMiller by Anheuser-Busch InBev, in the fourth quarter of 2016) growing by almost 50%.

Although in 2015 European FDI investment abroad had the highest increase since 2008, mainly due to a strong increase in cross-border M&A, the trend did not persist throughout the first half of 2016.

Portfolio Investment (PI)

Traditionally the EU has had a positive balance for portfolio investment inflows. However, as of the third quarter of 2015 net portfolio investment into the EU turned negative. This was mainly attributed to a decline in portfolio investment inflows and a reduction in holdings of euro area long-term debt securities by non-residents, a trend that was reinforced by the ECB bond-buying programme in the second half of 2015.

Following the result of the US elections and a raise in the benchmark rate of the Federal Reserve in December, global net investment fund flows fell sharply in the fourth quarter of 2016, with EU-domiciliated funds contributing to almost half of the adjustment.

For the reporting period, portfolio investment inflows in most non-euro-area countries, and especially so in the CEE6[2] who experienced the sharpest upturn, albeit from a very low level in 2014.

3. MAIN DEVELOPMENTS SUPPORTING THE FREE MOVEMENT OF CAPITAL AND FREEDOM OF PAYMENTS

In recent years, a number of policy initiatives have been taken to support investment, growth and jobs, by facilitiating financing and capital movements.

The reinforced Investment Plan for Europe

The Investment Plan for Europe and its European Fund for Strategic Investments (EFSI) have a major role to play in boosting investment and mobilising financing from a variety of sources.

[2] Poland, Czech Republic, Hungary, Slovakia, Romania and Croatia.

Measures launched under the CMU should help to achieve the Investment Plan's ambitious targets. To further facilitate investments in infrastructure assets by institutional investors, the Commission adopted on 30 September 2015 with date of effect on 2 April 2016 an amendment to the Solvency II Delegated Act to reduce the capital charges for investments by insurance companies in infrastructure projects. Further to that and as part of the review of the Capital Requirement Regulation and Directive, the Commission adopted on 23 November 2016 a proposal to reduce capital requirements for loans to SMEs and for investments in infrastructure projects ('qualifying infrastructures'). The co-legislators have also agreed in December 2016 to the revised Prospectus legislation to make it easier to access capital markets for companies.

Synergies between EFSI finance and the CMU measures could be achieved for SME finance. For venture capital, the Ecofin in December 2016 has agreed its negotiating stance on amendments to EU rules aimed at boosting investment in venture capital and social enterprises (European venture capital funds - EuVECA - and European social entrepreneurship funds -EuSEF). Also, a new Pan-European Fund-of-Funds initiative supported by EU budget resources and EFSI finance should attract larger amounts of private capital to the EU venture capital asset class.

EU contribution to global developments on capital movements and payments

The objectives of smart, sustainable and inclusive growth, set out in the Europe 2020 Strategy, aims to provide EU investors and investments with market access, legal certainty and properly regulated business environment. This is worked towards by increasing market access, through Free Trade Agreements (FTAs) with third countries, as well as stand-alone investment agreements. Whereas the EU is currently negotiating stand-alone agreements with China and Myanmar, investment chapters are being negotiated in the context of FTAs with India, Indonesia, Singapore, Japan, the United States, Egypt, Tunisia, Marocco, Mexico, Jordan, Malaysia, the Philippines, Vietnam and Thailand.

In February 2016 an agreement was reached with Canada to include the new approach on investment protection and investment dispute settlement in the EU-Canada Comprehensive Economic and Trade Agreement ('CETA' which was signed at the EU-Canada Summit on 30 October 2016).

➔ *The EFC will continue to monitor developments in this area.*

4. LEGAL FRAMEWORK FOR THE FREE MOVEMENT OF CAPITAL AND PAYMENTS

The free movement of capital is fundamental to the single market. The TFEU allows for restrictions on capital movements only under specific conditions: national measures to prevent infringements of national laws, regulations on taxation and prudential supervision of financial institutions, and measures justified on grounds of public policy or public security (Article 65 1(b)). Measures may also be justified by other overriding reasons in the general interest, as recognised by the Court of Justice. All measures must be suitable and proportionate.

Capital controls

While capital controls are one of the most serious exceptions to the free-movement-of-capital principle, they are sometimes needed to prevent disorderly outflows from causing a financial and economic meltdown.

The restrictions that have been in force in Greece since 28 June 2015 are examples of temporary restrictions on the free movement of capital within the EU/EEA, which the Commission judged justified by the need to ensure the stability of the financial and banking system in Greece. While in the reporting period the Greek authorities took some measures to alleviate the impact of the controls, further relaxations will depend on positive financial and economic conditions as well as progress on the adjustment programme review.

Following the capital and foreign exchange controls introduced in Iceland in the aftermath of the severe banking crisis of 2008, pursuant to Article 43 of the EEA Agreement (permitting an EEA member to take 'protective measures' in case of capital markets disturbance or difficulties regarding balance of payments), the Icelandic Parliament adopted on 11 October 2016 a law to ease capital controls in two stages. As from September 2016, outward FDI became unrestricted subject to confirmation by the Central Bank. As a second stage, from January 2017, transfers of deposits abroad will be permissible, subject to certain restrictions.

➔ *The EFC welcomes the alleviation of capital control as appropriate and invites the Commission to continue to monitor developments related to capital controls in Greece and Iceland.*

Other measures

12 Member States have set up mechanisms to review investment in order to safeguard public security or public policy interests, and/or exercise special powers over companies operating in strategic sectors. Most of these mechanisms apply to both intra-EU/EEA and extra-EU/EEA investors; however, some distinguish between these categories and treat them differently.

In the absence of secondary EU legislation harmonising the general rules on free movement of capital, the principles are mainly enforced by the Commission by monitoring their application in Member States. Whilst most unjustified barriers are solved through dialogue, in some cases formal infringement proceedings are launched to safeguard the integrity of the single market. During the reporting period the Commission:

- Engaged in an informal dialogue with the Polish authorities to receive clarifications on the practical implementation of the 'Act on the control of certain investments' of 2015, which stipulates that on the basis of notifications of all direct and indirect investments amounting to over 20% of the capital of pre-identified companies, the competent authority may oppose investment on specific public interest grounds, in line with Article 65 TFEU.

- Opened one infringement case against Croatia concerning the amendments to the Consumer Credit Act and Credit Institution Act on the conversion of foreign exchange loans.

- Decided to refer Hungary to the Court of Justice of the European Union (CJEU) for failure to bring national rules terminating certain usufruct rights on agricultural land in line with EU law;

- Brought a case against Greece to the CJEU because of a lower tax rate for bequests of which the beneficiaries are non-profit-making legal persons resident in Greece.

The CJEU in 2016 ruled that enacting and maintaining in force legislation providing for an exception from inheritance tax, applicable solely to nationals of EU MS who are residents in Greece, fails to fulfil the obligations under Article 63 TFEU and Article 40 of the EEA Agreement.

In order to avoid sudden disturbances in land markets, specific derogations from the right to acquire, use or dispose of real estate on the territory of another Member State have been granted to Denmark, Finland, and Malta (secondary residences) and Poland and Croatia (agricultural land; until 30 April 2016 and 30 June 2020, respectively). All other temporary derogations granted on the acquisition of secondary residences and agricultural real estate have expired.

- Infringement procedures were started in 2015 against five Member States. In May 2016, the Commission requested these five Member States (Bulgaria, Hungary, Lithuania, Slovakia and Latvia) to take the necessary measures to eliminate restrictions to the rights of cross-border investors acquiring agricultural and forestry land.

- In June 2016, the Commission decided to refer Hungary to the Court of Justice for failure to bring national rules terminating certain usufruct rights on agricultural land in line with EU law. The contested law had the effect of terminating certain usufruct rights .

➔ *The EFC underscores the importance of measures affecting cross-border investment to fully comply with the rules on the free movement of capital and supports in this regard the measures taken by the EU in the past years to enhance the attractiveness of the EU as an investment destination. The EFC welcomes the ongoing work done by the European Supervisory Authorities (ESAs) in order to improve the supervisory convergence, as mentioned in the Commission Communication of September 2016, as it should ensure that regulatory and supervisory rules are implemented equally across all Member States. thus further improving cross-border capital movements.*

BARRIERS TO CROSS-BORDER CAPITAL FLOWS

Lacklustre investment growth and financial fragmentation in the EU to a certain extent reflect the presence of a number of remaining barriers to cross-border flows that come in different forms, and which need to be addressed as appropriate.

5. BARRIERS TO CROSS-BORDER INVESTMENTS

Capital markets in most European countries are still relatively underdeveloped and fragmented when compared to the US.

Eliminating unjustified barriers to the free movement of capital within the EU is essential to build a genuine CMU and increase cross-border investment in Europe. Following up on an EFC request, confirmed by the June 2015 Ecofin, the Commission established an expert group of Member States's financial experts. The work of the group produced a non-exhaustive list of national barriers, including: burdensome withholding tax relief ('WHT') procedures; barriers to cross-border distribution of investment funds; residence requirements for the managers of financial institutions; limitation to cross-border investment by pension funds; and the lack of financial literacy of consumer and SMEs.

➔ *The EFC welcomes this work and supports the preparation of a roadmap for the further removal of undue barriers.*

Tax barriers

Aggressive tax-planning by multinationals has been addressed by the Anti-Tax Avoidance Package of 28 January 2016 and the Directive 2014/107/EU. Protocols with non-EU neighbour European countries have been signed and concluded by the Commission. The revised agreements have already entered into force, with Liechtenstein and San Marino as of 1 January 2016 and Switzerland, Monaco and Andorra as of 1 January 2017. Moreover, on 21 February 2017, the Ecofin agreed its position on rules aimed at closing down 'hybrid mismatches' with the tax systems of third countries, in line with the 2015 OECD recommendations addressing corporate tax base erosion and profit shifting.

In the context of the CMU, the Commission launched in January 2016, a study on tax incentives for venture capital and business angels. Member States exchanged best practices on the issue in October 2016 with a view to removing withholding tax barriers and encouraging best tax practices in promoting venture capital, such as increasing equity financing over debt, as drawn from the action plan issued by the Commision on 14th September 2016 "Completing the Capital Markets Union – Commission accelerates reform". The Commission issued a proposal on the debt-equity bias on 25 October 2016, in the context of its proposal on the Common Consolidated Corporate Tax Base, and also issued a proposal for improved system to resolve double taxation disputes in the EU, which will be considered in the appropriate fora.

Bilateral Investment Treaties (BITs) between EU Member States

The Commission and some Member States consider intra-EU BITs to infringe EU law by violating the EU rules on free movement of capital, thus keeping the legal framework for treatment of investment in the single market fragmented. In September 2016 the Commission sent formal requests to Austria, the Netherlands, Romania, Slovakia and Sweden to terminate their intra-EU BITs. However, a number of other Member States considers intra-EU BITs compatible with EU law and, in certain circumstances, indispensable to secure legal certainty for intra-EU investors until an alternative mechanism has been found.

➔ *EFC reports in previous years referred to the issue of intra-EU BITs and the need for a pragmatic and efficient solution, compatible with EU law. The EFC will continue to monitor developments in this area and flag the need for additional action, if needed, to reinforce the single market as an investment destination within the CMU context.*

6. CHALLENGES TO CROSS-BORDER CAPITAL FLOWS

Cross-border capital flows and financial stability may also be seriously affected by unintended consequences of national measures that aim at strengthening financial stability.

Foreign currency loans

Lending in foreign currencies is considered as capital movements thus falling under the scope of the free movement of capital and the freedom of establishment. National measures interfering with outstanding foreign-currency loans may be regarded as restrictions to the freedom of capital movements. When assessing whether a particular measure can be regarded as proportionate to its objective, it has to be analysed whether other, less restrictive measures could achieve the same results, taking into consideration aspects such as the extent of burden sharing among the parties involved, the potential impact on financial and macroeconomic stability as well as the impact on legal certainty, aiming at ensuring that measures taken respect EU law and avoid moral hazard

Lending in foreign currencies to unhedged borrowers (RO, PL, HR) has proven to bear important risks in the aftermath of the financial crisis in several Member States, where Swiss franc (CHF) denominated loans were very popular until the beginning of 2008. The sharp Swiss franc appreciation in September 2011 and in January 2015 made it more difficult for borrowers to pay back these loans, however the situation in particular Member States differed , as well as features of the loans themselves (especially fixed vs. floating interest rate). In certain Member States the risk assessment resulted in adopting or envisaging measures to ease the increased financial burden for borrowers (HU, HR, RO).

➔ *The EFC has been discussing and monitoring national measures regarding foreign-currency loans on the basis of reporting by the Commission and the ESRB*[3] *and will continue to closely monitor further developments in this area.*

[3] The ESRB issued in 2011 an ESRB Recommendation on lending in foreign currencies (ESRB/2011/1) and it also published a follow-up Report of this recommendation in November 2013 and May 2015

At EU level, the Mortgage Credit Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property - which obliges Member States either to grant consumers a right to convert their foreign currency loan to an alternative currency under specified conditions or to put in place other arrangements to reduce the foreign currency risk – has become applicable on 21 March 2016 to loan agreements concluded after that date. While the Directive can serve as a comparative benchmark for the protection of borrowers, it is only applicable prospectively, so the Swiss-franc loans concluded before are out of its scope. Therefore, it does not address the legacy issues, which need to be monitored and addressed as appropriate by measures ensuring a fair burden sharing among all stakeholders.

The prudential framework and cross-border banking services

The banking reforms achieved to date imply important steps towards the improvement of the level playing field for cross-border groups both at international level and within the internal market and the completion of the Banking Union with an integrated supervisory and resolution framework. The recent Commission proposals of further risk reduction measures, of which several are included in the reviews of the CRR/CRD and of the BRRD/SRMR, would also help setting the grounds for a more stable, integrated and resilient cross-border financial sector and preventing volatile capital flows. In this context, it is also important to continue, in line with the roadmap of 17 June 2016, work to complete the Banking Union with regard to risk reduction and risk sharing, including a European deposit insurance scheme (EDIS) and making the common backstop for the Single Resolution Fund operational at the latest by the end of the Fund's transitional period.

However, a close monitoring of the implementation of the framework by Member States will be needed, as well as measures in targeted areas, in particular to ensure the smooth functioning of cross-border banking services, including in view that cross-border M&A initiatives may not be hampered.

Moreover, even if decisive progress has been made to set up stronger and more consistent prudential requirements and a resolution framework further work to identify legal and material practical impediments to enhance the cross-border integration within the Banking Union is needed.

➔ *The EFC aknowledges the importance of the Banking Union for the development of cross-border banking services.*

The macro-prudential framework

The European Commission and the European macro-prudential bodies (ECB FSC, and the ESRB) continuously monitor the use of macro-prudential measures and their compatibility with the free movement of capital, especially in respect of restrictions in foreign currency lending but also on the possible cross border effects of the use of macro prudential capital buffers.

Since the establishment of the ESRB and the introduction of macro-prudential tools in the CRD IV/CRR, the framework for macro-prudential policy has become more complex, notably following the creation of the Banking Union. A review of the current macro-prudential framework has been on-going since the autumn 2016, with the aim of maintaining the right balance between national flexibility and the smooth functioning of the single market, while improving the overall efficiency of the framework. This may lead to changes in the institutional setting, in the instruments toolset and to clarification of the SSM's role in this framework.

Moreover, in the context of the low interest rate environment since the financial crisis, market based financial actors have stepped in the areas where banks would not make enough profit. The increasing role of these market based actors calls for a close monitoring in terms of movement of capital and to explore whether the macro-prudential framework should be extended beyond banking, as well as to setting up system-wide stress tests.

➔ *The EFC has discussed the need for a review of the macro-prudential framework to adjust for the new supervisory framework and for extending it to non-banks and will keep monitoring the developments in this area, including on the basis of the Commissions' upcoming review.*

7. CONCLUSION

The recovery of capital flows in the EU is still weaker than in other world regions and by looking at the overall level of cross-border capital flows, there is still less financial integration between EU

countries than there was before the crisis. This economic context strengthens the need for continued implementation of the Investment Plan for Europe.

Flagship policies such as the Capital Markets Union aim to unlock the substantial savings held in the EU and help channel these towards the most productive investment. The Green Paper on retail financial services should lead to a stronger single market for consumers and for payments, as should the adoption of the legislative package for an EU-wide market for electronic payments.

A range of new legislation is being introduced that will promote responsible lending practices, reinforce freedom of payments, improve security for payments, fight aggressive tax-planning, and protect borrowers against foreign currency risk.

➔ *The EFC supports further developing these policies, in line with relevant Council conclusions on these policies, notably on the CMU, the Investment Plan and the completion of the Banking Union. The need to uphold the Single Market as a place for investment and the need to boost cross-border investments call for a more stable, transparent and predictable framework for investors, which will contribute to building confidence and enhancing the attractiveness of the EU Single Market as a place to invest for the long term.*