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## European Commission's Green Paper on Building a Capital Markets Union: A New Era for European Infrastructure

By [Orestis Omran](#), [Nora Wouters](#) on April 2, 2015

On February 18, 2015 the European Commission released its Green Paper on Building a Capital Markets Union ("the Green Paper"). By acknowledging the need for the establishment of unified capital markets and assessing the status of capital markets in the EU, while setting out specific policy priorities, the Green Paper constitutes a tremendous opportunity for international infrastructure companies to secure the financial viability of their projects in Europe.

The Green Paper identifies certain key principles on which the Capital Markets Union shall be based: (i) maximization of the benefits of capital markets for the economy, jobs and growth; (ii) creation of a single market for capital for all 28 Member States by removing barriers to cross-border investment within the EU and fostering stronger connections with global capital markets; (iii) building on the firm foundations of financial stability, with a single rulebook for financial services which is effectively and consistently enforced; (iv) establishment of an effective level of consumer and investor protection; and (v) attracting investment from all over the world and increase EU competitiveness.

The Paper refers to the expansion of capital markets in Europe over the past decades but acknowledges that such markets are still underdeveloped compared to other jurisdictions such as the US. In this regard specific data is provided, which demonstrates the need for further integration and development of the EU capital markets. The latter in turn require creation of synergies on both ends of the demand/supply equilibrium. Improving access to finance is an important priority on the demand side while on the supply, boosting the flow of institutional and retail investment into capital markets would promote the diversification of funding sources.

The increased availability of funds in what would be a unified EU capitals market is expected to substantially increase the number of infrastructure projects at both the EU and Member State level, "opening the door to US" and other third country companies that were burdened so far by the complexities of securing adequate funds in the EU and had often to resort to capital markets outside the EU to secure financing, often not achieving satisfactory terms.

In addition, one of the Commission's fundamental goals is to build sustainable securitization via the introduction of high standards, legal certainty and comparability across securitization instruments. This initiative should also promote infrastructure in Europe by allowing interested parties to work together with credit institutions and secure financing, while minimizing risks and benefited from common market practices and a standardized regulatory regime.

The creation of a Capital Markets Union is an arduous task. It requires extensive coordinated efforts at both the institutional and market levels to achieve market growth and efficiency within a unified regulatory framework. The Commission's initiative to open the dialogue via the Green Paper comes as a natural consequence of the globalization of capital markets and the increased needs in capital of EU enterprises and is only the first in a number of steps that will further materialize the efforts towards a Capital Markets Union. It is further expected to benefit different sectors of the economy, including infrastructure and promoting the involvement of leading US infrastructure companies in new projects that will naturally be developed in Europe.

US infrastructure companies need to closely observe the developments and benefit from the opportunities that such unification would definitely entail. A complete understanding of the new multi-level regulatory framework will be essential to fully benefit from what seems to be a new era for European infrastructure.

In this regard, the Brussels Office of McKenna Long and Aldridge LLP will be preparing a response to the

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Commission's consultation call prior to the expiry of the applicable deadline on May 13, 2015 and we would be interested in hearing from any interested party their views and receive potential contributions to such response.



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