

ASSET MANAGEMENT AND THE SIU



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Time to support European asset management groups

Simplification is the concept *in vogue*, and it is necessary so. I would dare to say, nevertheless, that for asset management, implementation seems also quite appropriate. In April last year, the revised UCITS and AIFM directives entered into force and we are now working on their transposition to be finalised by April 2026. At the same time, we, together with the European Securities Markets Authority (ESMA) and other national competent authorities are finalising the Regulatory Technical Standards (RTS) and Guidelines mandated by the legislators in the directives.

Although the directive reviews were targeted, they introduced important changes for asset managers such as, among others, the obligation to adopt at least two liquidity management tools, a harmonised framework for loan originating funds or a revised AIFMD report and a completely new UCITS report. In parallel, we had the review of the ELTIF Regulation, to

make this vehicle more attractive to retail investors, while financing the development of the European real economies. The ELTIF RTS was just finalised during summer of 2024.

UCITS and ELTIFs are the privileged investment vehicles to support the Savings and Investments Union. The ELTIF market is already increasing and we will, hopefully, see more funds adopting this European label as asset managers rethink their strategies. We believe ELTIFs are sufficient to cater for venture capital managers. In any case, we would not favour the introduction of further regulatory exceptions that could be seen as circumvention of the full AIFM directive.

So what is it left to do? I am of the view that we need to give time to the financial ecosystem to embed the revised rules and develop the consequent products and necessary systems to support the operationalisation of such rules.

Having done the bulk of the work in the last few years, there are, however, certain areas that could be improved, such as the introduction of the notion of “Group” and the consolidated supervision approach for large groups of asset management. With the aim of supporting the competitiveness of European groups, we could simplify the requirements of Management Companies and Alternative Investment Fund Managers in terms of substance and systems and controls. This could be done by adopting a consolidated approach of all the entities within a Group that has an investment management license, instead of supervising in silo each individual entity within the Group.

In addition, work could be done towards the harmonisation of national interpretations of what assets are eligible within a UCITS portfolio. All work that supports supervisory convergence, in particular the eligibility of certain assets in UCITS portfolios, will facilitate cross border distribution while also reducing regulatory arbitrage, which would facilitate National Competent Authorities’ authorisation processes.

Another area in the customer journey that is worth simplifying relates to investors’ sustainability preferences. We have evidence that, in general, investors do not understand the three questions that advisers have to

ask them in relation to Taxonomy, the Sustainable Finance Disclosure Regulation (SFDR) and principal adverse impacts. We have to develop easier questions to understand to ensure that investors have adequate information in regards to sustainable investment products. We have to start though by reviewing SFDR and introducing clear and no misleading product categories. These categories should be linked to marketing rules, product names and the sustainable preference questions to be asked to investors.

The notion of “Group” and the consolidated supervision approach for large groups of asset management.

We understand that the balance between making simple categories that investors can understand and reducing the risk of greenwashing with clear minimum criteria for each category, is a difficult one to strike. Nevertheless, we have to try to work with the current tools that we have and not let the perfect be the enemy of the good. Otherwise, we will not make any progress at all to channel investments towards greener products and to finance the environmental transition.

Lastly, in terms of consolidation, we are seeing some large projects that will give us some first-hand evidence on this aspect. We will have to wait a few years to be able to list the benefits and the more negative side of consolidation. Nonetheless, we will always support regulations that will support the creation of European champions in the asset management space.



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Asset management and the Savings and Investments Union

The asset management sector is a key enabler for the Savings and Investments Union (SIU) ambition to channel savings to productive and strategic investments, offering additional financing options to businesses and contributing to wealth creation.

To date, investment funds were considered as appropriate vehicles not just to finance companies but also to channel resources in favour of start-ups and fast-growing innovative companies, as well as of infrastructures, thus requiring a longer investment time-horizon. The EU harmonisation discipline developed through setting up of different sets of rules on all such sub-categories (EuVECA, EuSEF, ELTIF).

In light of renewed interest in this financing type of vehicle, question arises on whether there are outstanding aspects that could be further boosted, by way of integrating the current asset management framework, to allow a more effective contribution to the SIU.

Over the past few years the EU asset management legal framework has been already affected by targeted initiatives, driven by the need to: (i) extend the use of the designations 'EuVECA' and

'EuSEF' to sub-threshold managers, (ii) incentivise the collection of savings and investment on a cross-border basis (Cross-Border Distribution of Funds package); (iii) allow retail investors to more easily entail in long-term investment projects, although keeping adequate safeguards, by easing their access and exit from ELTIF type of funds; (iv) create a harmonised regime for funds providing loans, recognising their critical role for funding EU small and medium-sized enterprises; (v) prompt an extensive recourse to liquidity management tools by asset managers, as a way to mitigate and manage risks linked to the maturity transformation (to avoid potential problems with redemptions – and their potential to diminish market confidence - in extreme circumstances which were actually experienced in some recent episodes).

Even if the impact of these reviews is not yet clear due to the short period of time elapsed from their implementation, it remains that the size of EU funds is still small, especially when compared to non-EU funds. Also, financial vehicles (such as EUVECA), that are inherently dedicated to finance the economy, have not reached the expected success, since they represent only a limited experience in the EU context.

Asset management is a key enabler for the SIUs ambition to channel savings to investments.

Obstacles preventing EU investment funds from emerging and scaling up are still existent; accordingly there is still room for improvement in the asset management legal framework, substantially identifiable in the lack of real and effective level playing field, in connection with a fragmented regulatory approach (addressed either to the management companies or to different sub-categories of UCITs and AIFs) which was often seen as creating inconsistencies and overlaps and, more than this, an overload in terms of reporting requirements.

Both the demand and the supply side need being educated to a better conduct. In that respect, while retail investors are to be targeted by considerable private-public efforts of financial education, management companies should become aware that investment funds are not seen as a viable alternative to other direct investment due to high cost and questionable value for money.

Beyond rationalisation of the asset management's legal framework and corrective measures to address the shortcomings just highlighted, further interventions could also be considered: (i) public funding programmes aimed at mobilising institutional investments into start-ups and scale-ups (e.g., European Tech Champions Initiative - ETICI); (ii) the removal of barriers, within the prudential discipline, preventing institutional investors (e.g. insurance companies and pension funds) from investing in EU funds; (iii) the taxation tool to direct retail investors towards investment funds, but in a consistent and fully harmonised way. This could be done by the definition of a European wrapper, featured with easiness of access, taxation reliefs and an investment policy constrained to investment in European assets, while still pursuing suitable forms of diversification.

Finally, the review of the eligible assets (second level) directive should not be missed as a chance, in combination with a targeted review of the UCITs directive, to clearly differentiate between a sub-category of UCITs less complex and costly - to go under a possible unified label, to be worked out at central level, for immediate reference by retail investors - and other more complex UCITs for which, although preserving their basic difference with respect to alternative investment funds, some riskier assets to invest in are admitted (e.g. with an opening also to new regulated digital products).



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Collective Investment Schemes (CISs) to revitalize the capital markets ecosystem

Collective Investment Schemes (CISs) can play a key role to revitalize the capital markets ecosystem. This article explores how CISs can serve as a cornerstone to empower retail investors by enabling them to access capital markets and more sophisticated investment opportunities. These products present significant advantages and, when leveraged effectively, they can be pivotal to the success of the Saving and Investment Union (SIU).

One of the primary benefits of CISs is that they offer retail investors access to a **broad range of investment opportunities** that would typically be out of reach. Unlike traditional savings instruments, such as deposits or short-term bills, CISs enable individual investors to diversify their portfolios and access more complex and potentially higher-return assets. This is crucial for those retail investors who wish to increase their returns on savings assuming a degree of risk profile of their portfolios.

Retail investors often lack the expertise and resources to invest

in corporate bonds, equities, or derivatives. With CISs, the latter may benefit from **professional fund management** provided by experienced portfolio managers. CISs can also offer appropriate liquidity through redemption opportunities, depending on the type and the underlying assets of the fund. Investors can also benefit from a diversified investment strategy, with a more balanced and resilient portfolio.

Additionally, CISs are among the most **regulated and supervised** financial products available. They are governed by strict rules that ensure they are operated fairly and transparently, and investors are well informed about the risks involved. Recent amendments to the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive aim to enhance the regulatory framework governing UCITS funds within the European Union.

Nevertheless, in order for CISs to make the most significant contribution to the SIU, **several conditions must be met to ensure** their effectiveness and last overtime.

One of the primary ways to increase the impact of CISs is by ensuring they are **marketed appropriately to retail investors**. While there have been no major issues in promoting CISs to retail investors thus far, it is essential for them to be marketed in such a manner that highlights their risks (not only benefits) and aligns with investors' needs. It is crucial for investors to make well informed decisions.

Collective Investment Schemes can serve as a cornerstone to empower retail investors.

Financial education is also crucial in helping investors to understand how CISs can fit into their overall investment strategies. Financial education can encourage participation in capital markets by providing individuals the knowledge and confidence they need. Understanding key concepts empowers investors to make informed decisions. In addition, properly executed marketing campaigns and tailored information can ensure that retail investors fully understand the potential benefits and risks of CISs.

The costs associated to investing in CISs must be **fair and aligned with the value the investor receives**. Transparent cost structures are essential to building long-

term investor confidence. Investors should have a clear understanding of the fees, including management fees, entry and exit charges and any performance-related costs, ensuring there are no hidden surprises.

There has been an increasing effort in Europe to align the cost structures of CIS with the more competitive and cost-effective models of other jurisdictions. This includes regulatory initiatives to enhance transparency and reduce unnecessary burdens. Despite these efforts, the gap in cost structures remains hence more steps should be taken to make European funds more competitive.

The design of CISs products is also critical to ensure they meet retail investors' needs, particularly **liquidity of the assets** within the fund must align with the frequency of redemption rights granted to investors.

Finally, **taxation** should also be considered a key element to foster retail investors' participation in the capital markets. The possibility of establishing a favourable taxation (tax incentives) at EU level to certain financial products could be explored. Tax benefits should be designed in such a way that there is competition between products, not making it possible for promoters to appropriate part of the incentives.

The potential of Asset Management through CISs offers a promising route for retail investors to access more diverse, potentially higher-return products, although of greater risk.

With their professional management, diversification benefits, liquidity when applicable, and strong regulatory framework, CISs can play a pivotal role in shaping the future of the SIU. However, to maximise their impact, it is essential to ensure fair costs, transparency, and appropriate product design, along with the continued promotion and education of retail investors. By addressing these areas, CISs will contribute significantly to fostering an investment ecosystem in Europe.



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Unlocking the full potential of Europe's economy through asset management

As European policymakers, market participants and investors alike contend with a rapidly evolving economic landscape, the role of the asset management industry is taking on ever greater importance. With the EU seeking to forge a new path forward with the Savings and Investments Union (SIU), which seeks to address some of the challenges facing the region, including changing demographics, asset managers play a crucial part in mobilising private capital to enhance the competitiveness of European capital markets, drive economic growth and help deliver better long-term investor outcomes. We have a unique opportunity to help unlock the economy's full potential for European companies and investors, and we must act now.

The backdrop of ongoing geopolitical tensions, persistent market volatility, and the rising cost of living underscores the need for strong political leadership. With ambitious, thoughtful, and well-designed policymaking, EU citizens and companies can be set on a prosperous path. The SIU aims to improve the financial well-being of EU citizens by making the capital markets more attractive. As of today, many Europeans, despite their commendable savings

habits, miss out on the higher returns on offer through long-term capital market investments. This results into a level of deposits held by Europeans far too high, representing significant untapped potential. By reallocating some of this capital, household wealth can be enhanced and contribute to a more robust economic landscape.

Central to this vision, and any policy initiatives introduced under the SIU, is to ensure the interests of EU investors and citizens are promoted, serving as the SIU's north star. A key element of this will include empowering citizens to take an active role in their financial futures. This requires strong financial literacy and a culture that embraces calculated risk. Improving financial education and providing high-quality financial advice are key to shifting from saving to investing, maximising financial potential, and supporting economic growth.

As citizens become more engaged investors, they need access to products and strategies that help to realise their objectives and align with their risk appetite. For example, allowing access to active asset managers can potentially offer better results, helping to shift the focus away from merely the cost of investment products to long-term risk-adjusted returns. We must also embrace innovation. The asset management industry is at the forefront in this regard, with innovative products such as active ETFs offering significant opportunities, helping investors benefit from effective financial solutions. This should not come at the expense of transparency or investor protection, and ensuring an appropriate balance in this regard will be an important challenge for policymakers.

Asset management is key for SIU's success, boosting EU growth and empowering citizen as investors.

An additional, yet crucial, determinant of success will be the regulatory framework. We welcome the European Commission's efforts toward regulatory simplification and its renewed focus on competitiveness. Measures to facilitate the scaling up of asset management activities, such as harmonising regulations and reducing market fragmentation, would further enhance the SIU's success. However, in doing so, we would also caution against resource

intensive initiatives that fail to target the real causes of market fragmentation. For example, a sufficiently strong case has not been made to justify the overhaul of the EU's supervisory architecture and it is not clear how this would result into an increased investor participation. Similarly, alterations to fund rules or the introduction of another investment vehicle may add complexity, and inadvertently undermine the success of existing products, including UCITS.

Policymakers should prioritise creating an environment that encourages growth and innovation in the asset management sector. Efficient capital flow is vital for a unified single market. The asset management industry currently faces challenges from uncoordinated regulation and gold-plating, leading to market fragmentation. Overcoming these barriers is essential for scaling investment funds and increasing retail investor participation. Openness and the combination of global expertise with the EU's highly-regarded approach to investor protection have been crucial for capital market growth. As we address the many challenges ahead of us, and develop Europe's capital markets, we must highlight the strengths of the European economy and foster an environment that attracts both international and domestic investment. By showcasing the EU's economic strengths and opportunities, we can position the region as a premier destination for global investment.

To conclude, asset management will be a cornerstone in the future success of the SIU. A conducive and well-calibrated policy framework, with the interests of European investors and companies at its centre, can help fully unlock its potential, creating a more inclusive and prosperous financial ecosystem.



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Enabling asset managers to create sustainable growth for investors and companies

The EU is currently dealing with critical challenges in terms of its real economy and citizens' prosperity. In this regard, there is an urgent call embedded in Mario Draghi's and Enrico Letta's reports for prioritising the Savings and Investments Union (SIU), i.e., a truly single market for financial services to mobilise Europeans' savings towards investments for growth and increase Europe's attractiveness among global investors.

As EU's flagship project, the SIU is called to continue the unfinished business of the Capital Markets Union, bridge several important gaps – in capital markets, pensions, investments and financial literacy – and find the best landing zone towards financing growth, innovation and the digital and sustainable transitions. This is already a big ask with much at stake that requires critical partners among financial and market participants.

Asset managers have a decisive role to play offering investment solutions that link investors' needs to the financing needs of companies and governments. They enable investors across Europe to access capital markets, optimise returns and diversify financial risks in the short-, medium- and long-term.

To do so they channel investments into debt securities, listed shares and private equity, and in that way allocate capital back to the real economy. In addition, a significant part of their role is encouraging sound capital allocation and corporate governance practices, helping companies navigate challenges and create long-term and sustainable value for share- and bondholders. In this capacity they become enablers of innovation and growth.

Empowering asset managers in this critical role needs to be embedded across the main SIU policies via:

- ensuring a wide range of appropriate investment solutions, targeting diversification and longer-term investment needs,
- enabling asset managers to exercise their in-depth expertise when assessing investment opportunities both for investors and investee companies
- safeguarding an open architecture that facilitates investments in European companies.

In terms of appropriate investment solutions, the global success of the UCITS brand is the best testimony of how an EU investment framework enables cross-border distribution and benefits investors building on economies of scale. Our focus should now be on expanding the range of investment solutions and facilitating the investor journey to capital markets.

Investment solutions that link investors' needs to the financing needs of companies and governments.

UCITS' success is built on liquid investment strategies, but there are still significant hurdles when it comes to strategies offering exposures also to private assets. Meanwhile, investors are looking today to further diversify risks and optimise returns via private assets, and the EU economy would benefit from additional investments in private markets, as companies generally remain private longer than in the past. It is important to enable cross border distribution for retail investments strategies that can offer greater access to private markets while preserving enhanced liquidity and a design appropriate for retail investors. This will further empower investors in their journey into capital markets via a wider

set of vehicles, more representative of their divergent investment needs, objectives and investment horizons.

When it comes to Europe's key priority of financing transition and allowing companies to meet their objectives, active managers can play an important role in identifying and supporting transitioning companies. This requires a framework able to support investments in nascent technology and reflect the long investment cycles of the industries that need to transition. Having the right data is a key tool in their assessment of transitioners, while it remains important that the data are focused on what is material from an investor perspective, avoiding overprescribing reporting for investee companies. To this direction, the ISSB standards designed to meet investor needs can be a helpful tool to streamline disclosure and reduce the reporting burden on all companies.

In their role as investors in companies, asset managers need to be empowered to assess investment opportunities with long-term value for their clients. This means being able to tap into best-class expertise beyond operational restrictions in terms of the expertise's location. Finally, it calls for continuous open architecture of the EU single market in terms of attracting capital for EU companies from global market participants, in particular the ones that act with a fiduciary duty and focus on creating sustainable value for their investors.



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Asset managers play a central role in supporting citizens' financial security

The Savings and Investments Union (SIU) agenda has rightly been identified by the European Commission as a key driver of the EU's competitiveness¹.

As set out in the Draghi report², in order to deliver on its already-agreed digital and climate transition objectives, the EU faces a yawning investment gap of up to €800bn per year until 2030. That is equivalent to a 5% increase in investment spending, relative to GDP, across Europe at a time when many Member States' fiscal positions are coming under increasing pressure.

It is critical, therefore, that EU policymakers are successful in encouraging greater private financing in the region and mobilising the bloc's outsized savings towards investments. According to Eurostat³, the rate at which households in the euro area are saving has increased by over 2% in the last two and a half years to 15.3% (for comparison the rate in the US is 4.6%⁴), while the investment rate has fallen from a high of 10.3% to a low of 9.1% in the same period.

Despite previous efforts to foster a more vibrant investment culture through the EU's Capital Markets Union agenda, more remains to be done. The European

Commission's intention to bring forward proposals incentivising greater retail participation in capital markets, both through general investment accounts as well as retirement savings plans, is therefore welcome.

In particular, I am hopeful that the European Commission can deliver on establishing a truly pan-EU framework for the roll-out and uptake of investment accounts at Member State level. To ensure the greatest chance of success and to achieve the scale required to respond to the EU's investment needs, in my view the framework will need to be as harmonised as possible, focusing on:

Ease of access, for example through the use of a streamlined suitability assessment;

Broad range of investment opportunities, across asset class, geography, investment vehicle etc.; and

Efficient tax administration, acknowledging that tax treatment or incentives may vary across Member States.

In addition to this, it is becoming increasingly clear that, with an ageing population, public pension expenditure expected to rise in the vast majority of Member States in the next 20 years⁵, and fiscal pressures showing no signs of abating⁶, further action is needed to support citizens in planning for life beyond work.

It is therefore welcome that the European Commission, in its Competitiveness Compass for the EU, outlines its intention to develop "the potential of private and occupational pensions to help EU citizens plan for their retirement".

In this regard, the European Commission would be advised to revisit and further develop its work on auto-enrolment⁷ and, as far as possible, encourage Member States to implement such mechanisms where they do not currently exist. This should be accompanied by proposals relating to the adoption of default or lifecycle strategies in both accumulation and decumulation phases of retirement planning, with a focus on ensuring financial security in the long-term.

Pursuing the adoption of policy measures supporting long-term savings and investments in this way would also provide an opportunity to increase allocations, as appropriate, to private market assets, such as real estate and private credit, given the longer time horizons of such investors. Not only would this enhance savers' portfolio diversification and potential investment returns, it would respond to the Draghi report's call for more

"productive investment" in the real economy.

In each of these areas, the asset management sector has a central role to play, alongside distribution partners, in delivering suitable investment opportunities – whether via individual funds such as UCITS, ETFs, or ELTIFS, or model portfolios and solutions offerings – that respond to the long-term needs of investors while also delivering value for money.

It is clear that further action is needed to support citizens in planning for retirement.

In this regard, I look forward to engaging constructively with policymakers and industry partners to ensure that the SIU agenda is a success and that, through the measures discussed in this article, EU citizens' ability to create wealth and ensure their long-term financial security is enhanced.

1. *European Commission, Communication on a Competitiveness Compass for the EU, January 2025*
2. *Mario Draghi, The Future of EU Competitiveness, September 2024*
3. *Eurostat, Non-Financial Sector Accounts (Q2 2022–Q3 2024), January 2025*
4. *Federal Reserve Economic Data (FRED), Personal Saving Rate, January 2025*
5. *European Commission, 2024 Ageing Report: Economic & Budgetary Projections for the EU Member States (2022–2070), April 2024*
6. *European Central Bank, Longer-term challenges for fiscal policy in the euro area, June 2024*
7. *European Commission, Best practices and performance of auto-enrolment mechanisms for pension savings, November 2021*