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Key priorities and opportunities ahead for the European asset managers

While representing the second largest region in terms of assets under management, the EU still substantially lags behind the US. In 2020, the American asset management market size is expected to be roughly 52 US\$ trillions, outperforming that of Europe¹, that barely exceed 29 US\$ trillions². Certainly, the mere quantitative comparison has its limits, as it does not take into account structural differences (notably the importance of pension funds in the US). This being said, a number of well-known reasons including the absence of a fully integrated market, the lack of supervisory convergence along with a burdensome regulatory environment, are some of the challenges to the development of asset management in Europe.

Proportionality, stability and predictability should then definitely inspire the EU regulation applied to the asset management industry. We need European players able to compete with the rest of the world in order to fully address the funding needs across the single market. Together with a strong focus on the importance of preserving a real level playing field with other jurisdictions, it is essential to ensure that we are properly mitigating market fragmentation and avoid as much as possible supervisory divergences orchestrated by various NCAs. In this respect, the forthcoming AIFMD review should be the opportunity to recognize the notion of EU group as a way to strengthen European asset managers' competitiveness and take the full benefit of the single market. This would definitely facilitate the exercise of the delegation or outsourcing of management between two entities belonging to the same group - provided that they are both subject to EU legislation. The AIFMD review could also allow for a clear recognition of AIFs that are UCITS-like and only address material shortcomings without reopening the directive's overall framework. Furthermore, great attention should be paid on the suitability of the current reporting framework.

The needs in terms of retirement savings and preference for the long term can also make the difference in the future. There is a tremendous opportunity to channel EU citizens' savings into long-term investment products. To achieve this goal, a balance has to be reached between risk-mitigation techniques and the need to invest in illiquid assets in order to achieve returns. Our industry together with policy makers must find solutions that certainly include a better consideration of the time horizon of investors.

Having all this in mind, the EU asset managers should be able to seize decisive

opportunities in order to play their cards right. In this respect, sustainable investing has become a must-have for the asset management industry. The regulatory framework is evolving quickly, with the European Action Plan launched in March 2018 already taking effect, notably through the taxonomy, disclosures and benchmarks regulation. In parallel to the upcoming NFRD review, that should extend access to more comparable and reliable data, it is also essential to provide a European Ecolabel based on a scientific based taxonomy that properly includes transition activities. ●

1. Europe refers to the EEA + the UK + Switzerland.

2. The Cerulli Report, Global Markets 2019, p 40.