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Digital age in European Asset Management: a revolution to come?

The Asset Management industry has always taken technological innovations on board. However, for the last decade, the acceleration of FinTech has required to adapt very quickly to this phenomenon to stay ahead of the curve, in order to reduce costs, improve efficiency and possibly explore new fields of investments.

In which areas does the financial framework need adapting to make it fit for leveraging the new opportunities offered by digitalisation in the asset management sector?

What is critical is to avoid keeping an existing set of regulations regarding a fully new area. In particular, the organisation of the Pilot Regime for market infrastructures based on DLT clearly requires the adaptation of the current rules applicable to CSDs and MTFs to facilitate decentralization, competition and lower costs for new infrastructure players. On the other hand, some high-level principles should remain the same, for instance ensuring the digital operational resilience of those new players to preserve the safety of the whole value chain. The Pilot Regime should also allow for a wider range of eligible assets to make that regime develop sufficiently fast and widely, thus facilitating the amortization of entry costs by new market infrastructures - to the ultimate benefit of end-users.

What are the main regulatory obstacles to the further digitalisation of asset management activities?

For AXA IM, digitalization has already started, e.g. making use of Artificial Intelligence and Machine Learning. But to go further, regulatory obstacles remain and currently relate to DLT - while with DLT, we aim to reduce our costs and therefore those of our clients, as well as increase our efficiency, both in the settlement of assets and distribution of funds.

Does the DFS put forward the main regulatory and supervisory changes that are needed for reaping the benefits of digitalisation in the fund management and distribution area?

The DFS is indeed an excellent initiative proposed by the Commission to ensure the EU remains competitive within an adapted regulatory framework and to set a minimum harmonization among Member States in such a fast developing area. For instance, regarding DORA, we support the minimum regulatory framework set around critical ICT service providers, in order for users like us to benefit from

a higher safety on behalf of our end clients.

However, regarding supervision, on DORA we have some concern about the leading authorities which might be the recipients of incident reports: while our natural competent authorities are securities regulators, considering the risks of hacking which currently exist and which recently hit financial regulators such as the US SEC, we would favor giving that role to the dedicated information security agencies, such as ENISA - which would then share reports with securities regulators as a second step.

In terms of EU legislative process, one key challenge remains ahead of us: how to conciliate the usual pace of negotiation, adoption, implementation and review of EU legislation with such a fast developing area? We know that 20 years ago the Lamfalussy process aimed at speeding up that pace to adapt legislation quickly, but will it be sufficient for topics such as DLT and MiCA? It is difficult to say at this stage.