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ELTIF and AIFMD reviews: the challenge to meet investors' needs

The 2015 Action Plan on Building a Capital Markets Union was aimed at strengthening the link between savings and growth, with the ultimate goal of promoting a truly single capital market across the EU. The results, however, fell short of expectations, making it crucial that we get the new CMU action plan on track, decisively focusing on a "CMU for people and businesses".

Efficient, stable and participated capital markets provide more options and better returns for savers and investors and offer businesses additional funding choices. This will be decisive for the competitiveness of the EU 27 block and our strategic global agenda.

But the context and the market itself have been through rapid and deep transformations. The pandemic crisis, Brexit, digitalization and ESG, together with the CMU Action Plan, impose policy and regulatory updated responses making the right tools available to achieve the intended results and requiring measures and contributions of varied nature, sectors and wills.

The asset management sector surely plays a critical role in this process.
The new CMU plan includes an innovative proposal that could evolve to banks directing SMEs to providers of alternative funding. Although posing relevant challenges, bridging banking and non-banking financing should be incentivized, as it creates awareness and opportunities to a wider financing market, with benefits for all parties. For countries with lower levels of financial literacy and high levels of corporate indebtedness this could be particularly beneficial, allowing smaller companies to get more visibility on alternative equity funding.

The European long-term investment funds (ELTIFs) and Alternative Investment Fund Managers Directive (AIFMD) reviews, among other measures, should become important pieces of this project. But in both cases, the major challenge is to ensure that the revised frameworks provide flexible solutions for investors and businesses, while ensuring adequate protection for retail investors and financial stability.

The revised ELTIFs regime should design these funds as a true alternative for both retail and professional investors, to accelerate their uptake by investors and channel long-term financing to companies and infrastructure projects, in particular those contributing to the objective of smart, sustainable and inclusive growth.

Despite a strong consensus around its success, the AIFMD requires reflection both on the macroprudential and the investors' perspectives, particularly in the areas of reporting, delegation, risk management, supervision coordination and convergence and proportionality. The new framework must make AIFs resilient to other crises and avoid them spreading or amplifying risks throughout the financial system.

But above all, we need an efficient and coordinated supervisory response, in order to ensure proper risk management and avoid future crises that would be detrimental to investors' interests, for the funds' industry and the society in general. This concern is also extensive to UCITs and particularly to MMFs. Regulatory changes need to be complemented by harmonised and effective supervision to foster more investment and sustainable growth. This also requires asset managers, investment advisers and distributors understanding investors' needs and risk profiles and offering transparent, comparable and suitably designed and marketed products, that offer the expected returns.

Taken together, the envisaged enhancements should indeed increase investment, return and trust in the asset management sector, offering a relevant contribution to our desired Union. Building the CMU is an ambitious, yet not an easy goal to achieve. But capital markets and asset management cannot ignore the call to participate in the European economic recovery. A consistent, persistent and cohesive contribution from EU 27 asset management to the new CMU is critical to returning to long-term growth, to finance the green and digital transition and to a more inclusive and resilient society.