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Putting customers first means cooperation over competition

The UK's departure from the EU remains a source of political tension. It also comes with an economic price for business large and small. On a personal note, I have a French mother and a British father. I served for five years in the British armed forces and my first J.P. Morgan project was based in Paris, so I have been lucky to work in both the UK and EU and understand the myriad opportunities for growth. But political or personal, we cannot afford to dwell on what has come to pass. COVID-19 and other challenges facing the EU and UK collectively – the region of Europe – are too significant and too urgent. Equally, there are huge opportunities to be gained by working together, especially when it comes to supporting a thriving investment culture in Europe and promoting the sustainability agenda. Intense and constructive cooperation must be our North Star moving forward.

Debating about financial market access has been constant over the past few years. The reason is obvious: the UK hosts a large amount of our region's capital markets. And the EU has a strategic interest in housing financial markets more in line with its geopolitical weight. This view is understandable and rational, but, importantly, this is not a zero-sum game.

In the political heat, it has, at times, seemed like the impact on clients has been secondary to which jurisdiction will 'win' more business. This is regrettable. Ultimately the success or failure of the EU and the UK should be judged on the impact on clients and the economy, rather than the relative size of financial sectors. We need to continue putting customers and the economy at the heart of everything we do.

Recent years have seen increased geopolitical tensions. Logically, the EU wants to look after its strategic interests in a more uncertain geopolitical landscape. However, as a global firm with an almost-200-year history in Europe, we are concerned when we hear concepts like 'strategic autonomy' and 'financial sovereignty' voiced as tenets for policy. The openness of financial markets has long been a source of their strength. Due to its nature as a supranational organisation, the EU has a natural knack for cross-border financial services. My sector, investment management, is a perfect example of this.
EU lawmakers' vision to create a pan-EU fund product, UCITS, in the early 1980s, remains commendable. Forty years later, UCITS have become an international gold standard, marketed in Europe, Asia and Latin America. J.P. Morgan Asset Management Europe, established in Luxembourg in 1988, was an early adopter of UCITS. Today we have branches in Austria, France, Germany, Italy, Netherlands, Spain, Sweden, and a subsidiary in Switzerland, 330 staff and nearly €390 billion in AUM. We distribute across thirty-six countries worldwide. Our European funds are sold in, for example, Croatia, Korea, Poland and Peru. We are just one of many firms enthusiastically embracing the global success story that is UCITS, and increasingly AIFs. The European funds market is almost €19 trillion.

And yet recently, we have faced a debate about the global supply chains of European funds. Third country delegation, a key pillar of the global success of UCITS has come under constant supervisory and regulatory scrutiny since 2016. Delegation allows global investors in UCITS funds access to the benefits of talent and expertise across the globe with robust investor protection.

Some policymakers have asserted that third country delegation presents supervisory risk. We have not seen evidence of any inefficiencies or risks in this model, nor have these policymakers raised any concrete or specific issues. Customers recognise the delegation model as a good one; a model that has enhanced the attractiveness and competitiveness of Europe. Why tamper with this model now or, needlessly, put investors' trust in UCITS into question?

Investors will be better served by investing time and energy into the many positive areas that will, collectively, drive our economies forward. The UK has left the EU, but it has not turned its back on the sustainability agenda. The UK has doubled down on helping make finance flows consistent with a pathway to net-zero. Whether we are promoting corporate governance toward a carbon-free future, or fine-tuning climate-related financial reporting, getting the balance between consistency and flexibility is key. So is striving for global consistency. The EU is charting new courses and leading the way with the ESG agenda. The US, with a new administration, is starting to engage. The UK has a leadership role to play, alongside the EU, in fostering global partnerships especially with the US. In my view, the UK is showing genuine eagerness to be a world leader, not least with its ambitious net zero targets and its role in co-hosting COP26.

But the sustainability agenda is just one of many examples where the UK and EU can thrive together, putting differences aside. Together, we can support financial technology and lead policy on cyber resilience. Together, we can tackle issues related to gender, sexual orientation and ethnic diversity and promote a more diverse and inclusive financial services sector. Last but not least, together, we can support the development of the Capital Markets Union, especially through increasing the level of retail participation in Europe's capital markets, supporting greater financial literacy, pension initiatives and helping more Europeans make the jump from saver to investor. In other words, how can we better help European individuals and families achieve their life goals through investing, while channelling more money into companies, transport networks, hospitals, schools and housing?

We need concerted cooperation to achieve the best outcomes for investors and our economies. The agreed Memorandum of Understanding between the EU and the UK gives us hope. It formalises a technical dialogue, helps to park the politics and fosters trust. But this is just a starting point and frankly, the minimum we would expect between partners. There is an opportunity here to make the next chapter a positive and constructive one. As we write this next chapter, let us never lose sight of the end-users of financial services – businesses, investors, savers. They must be prioritised. The notion that 'cooperation is a higher moral principle than competition' feels particularly pertinent here. Constructive cooperation must be our North Star moving forward.