Enhancing the role of asset management in the SIU

The chair outlined that the panel discussion would address the key trends shaping the European asset management sector, the issues to address to enhance the sector's competitiveness and capacity to support the Savings and Investments Union (SIU) and how regulation and supervision may support these evolutions.

1. Trends shaping the European asset management sector

1.1 Growth and diversification of the asset management sector

A regulator highlighted that the European asset management industry is continuing to expand in a context of geopolitical uncertainty and rapid technological transformation. In Ireland, home to more than 9,000 authorised funds and €5 trillion in assets, new fund approvals continue to rise. Product innovation remains strong, fuelled by growing demand for private assets and exchange-traded funds (ETFs). Authorisations of active and passive ETFs have risen sharply, alongside growing interest in European Long-Term Investment Funds (ELTIFs) investing in private assets. Sustainable finance remains a major driver, with around 30% of Irish UCITS now classified under Article 8 of the SFDR.

An industry speaker agreed that the European fund industry is expanding rapidly and undergoing significant structural change, with growth increasingly driven by sustainability, ETFs, and access to private markets. The gap between retail and institutional investors is narrowing, as retail clients seek exposure to similar asset classes and investment opportunities, particularly through ETFs and private-market products. The UCITS and AIFMD frameworks provide a solid foundation for these developments. These trends mirror global ones, though Europe retains its own specificities. For example, cryptocurrencies remain less prominent due to investor scepticism and the regulatory environment.

Another industry speaker added that global assets under management have doubled over the past decade to $140 trillion, yet competition has intensified, with European asset managers losing market share. Fees and margins have also declined significantly: the average management fee for UCITS equity funds has fallen by around 20 basis points over the past five years.

1.2 Changes brought by digitalisation

A regulator observed that digital innovation in the asset management industry is accelerating, with firms increasingly experimenting with artificial intelligence (AI) and tokenisation in particular.

An industry speaker underlined that digital platforms are becoming key distribution channels, expanding accessibility for investors. They also allow for more personalised portfolios that reflect individual values and preferences, while increasing transparency. Technology further helps asset managers strengthen their competitiveness by improving operational efficiency and scale in an environment of fee pressure. Remaining at the technological forefront is therefore essential for the European fund industry.

Another industry speaker added that new investment solutions supported by digitalisation and partnerships with online platforms are creating new opportunities particularly for retail investors and the younger generations that are increasingly digital-native. In the near term, digital tools are expected to complement rather than replace human advice, giving rise to hybrid advisory models.

1.3 Evolution from a product-centric to a client-centric approach

An industry speaker noted that the asset management model is evolving towards a more client-centred approach that prioritises investors' life objectives, including retirement planning. In the case of investment products that can help investors meet their life-long investment goals, the aim is to help savers build long-term wealth. That can be achieved with more targeted strategies such as lifecycle investment strategies that align portfolios with each investor's stage of life and risk tolerance, offering solutions tailored to their personal and professional circumstances.

Another industry speaker noted that digitalisation supports this transition, enabling more personalised and adaptable solutions that place investors' objectives at the centre of the asset management value proposition.

2. The contribution of asset management to the SIU

Several panellists underlined that asset management plays an important role in supporting the SIU, acting both as a source of financing for the economy and a channel for long-term investment.

An industry speaker stated that asset managers serve as a vital link between retail investors and capital markets. Through their professional expertise and fiduciary duty to act in clients' best interests, they guide savers towards appropriate long-term investment strategies while supporting the financing of European companies, including those in strategic sectors such as defence.

Another industry speaker stressed that asset managers play a key role in channelling Europe's large pool of household savings towards productive investment. In the EU the average saving rate is around 14%, rising to approximately 18% in France. By directing capital to priority sectors such as defence, AI, and the green transition, asset management can also contribute to Europe's strategic autonomy and competitiveness. In parallel, the sector can support the development of supplementary pensions, one of the SIU's key objectives. In this context, the ongoing "retailisation" of private asset funds such as ELTIFs is expected to drive further growth in long term investment and pension products with approximately half of the increase in private assets over the next five years projected to come from these funds. Although they are typically illiquid and long term in nature, well-adapted frameworks can ensure strong investor protection and appropriate distribution conditions, enabling them to serve as effective vehicles for long-term investment.

A regulator noted that ELTIFs in particular align closely with the objectives of the SIU by channelling capital into long-term projects and smaller companies. The introduction of open-ended ELTIFs can broaden retail access to private assets but also raises important questions about liquidity management. These challenges should be addressed pragmatically to allow the framework to develop successfully and give promising products time to mature rather than constraining them through premature regulation.

3. Strengthening and adapting EU fund frameworks

3.1 Consolidation of existing product frameworks

Several speakers emphasised that the regulatory priority should be to implement the reviews of existing product frameworks already agreed.

A regulator underlined that following the substantial AIFMD and UCITS reviews, the priority should be to implement these revised frameworks rather than introducing new rules. UCITS in particular has proven resilient through multiple crises thanks to its robust asset and risk-diversification features and should not be altered without clear justification. Successive reviews have strengthened governance and investor protection, making UCITS it a trusted product in Europe and beyond. Zwick added that regulators and firms should periodically assess the impact of new rules, conducting "back-testing" to evaluate what has worked and what has not, before embarking on further legislative changes. The chair agreed that careful impact assessment should precede any new regulatory measures and that new initiatives must build on lessons learned from existing frameworks.

An industry speaker likewise cautioned against undermining the success of UCITS through unnecessary reforms. Policymaking must target specific problems and investor needs. UCITS remains the EU's most successful financial product and a symbol of the single market's credibility, with features (e.g. for liquidity risk management) that remain ahead of global standards. While fine-tuning can be justified to address emerging risks or market trends, the recent ESMA technical advice on the UCITS Eligible Assets Directive risks altering a well-functioning framework without clear benefit.

Another industry speaker agreed that UCITS should not be modified unless specific issues are clearly identified, sharing the view that ESMA's advice on changes to the Eligible Assets Directive is not warranted.

A second regulator considered that the recent reviews of UCITS, AIFMD, and ELTIFs have already brought meaningful progress—particularly through liquidity-management tools—and the focus should now be on effective implementation rather than reopening these directives. Overall, pragmatism is needed. The rules agreed must be implemented and their results assessed, while avoiding a cycle of constant legislative revision that prevents frameworks from maturing.

A third regulator agreed that further progress in adapting fund frameworks to market developments should come from improving existing rules and how they are applied and supervised rather than introducing new regulation. In Ireland, for example, consultations have recently been held on updating the AIF national framework to reflect evolving product trends, alongside a revision of portfolio transparency rules to allow for active ETFs.

3.2 Adapting products to evolving investor needs

An industry speaker noted that the shift toward more client-centred lifecycle investment strategies may require rethinking the scope of the existing product frameworks in order to offer a balance between the liquidity of UCITS and the mostly illiquid assets of ELTIFs. ELTIFs, investing in inherently illiquid assets, have so far struggled to attract retail investors, as they may not always meet their objectives in terms of the liquidity of their portfolio. Therefore, there is a need to evolve product frameworks to allow retail investors' access to private assets while maintaining appropriate safeguards for liquidity management and investor protection. This could further improve retail access to diversified investments. Sustainability preferences are also part of this evolution: investment strategies should reflect individual values and be clearly communicated, avoiding one-size-fits-all approaches.

Another industry speaker noted that product innovation must continue, but it should build on existing regulatory frameworks to achieve scale and efficiency, rather than multiplying new regimes that would add complexity.

4. Overcoming fragmentation in the EU fund market

4.1 The need for a greater regulatory convergence across the EU

Several panellists highlighted that the current fragmentation of rules across Member States continues to hinder the development and competitiveness of the

European asset management industry, calling for greater convergence in the implementation of EU requirements.

A regulator stressed that inconsistent product and distribution rules stemming from divergent applications of the fund single rulebook across the EU, create inefficiencies and hinder the development of a truly integrated market. The growing presence of pan-European and international digital distribution platforms increases the importance of tackling this issue.

A second regulator agreed that developing the European asset-management sector at scale and supporting the objectives of the SIU requires greater regulatory convergence across the EU. Fragmented rules hinder cross-border fund distribution and prevent institutional investors from increasing their engagement in the EU fund market, limiting the scaling of the European fund market. All Member States, including smaller ones, would benefit from a more integrated market capable of competing globally, particularly with the US. Regulators must avoid "gold-plating" national rules, striking the right balance between investor protection and market development. The trend toward replacing directives with directly applicable regulations is therefore welcome, and the recent revisions of the UCITS, AIFMD, and ELTIF frameworks are steps in the right direction, providing effective tools to channel savings into long-term investments aligned with the SIU's goals. AIFMD however does not impose common products, but rules that require close alignment, such as liquidity-management tools, supervisory-reporting standards, delegation and depository arrangements, and loan-origination frameworks, all of which are essential for both investor protection and market integrity.

A third regulator acknowledged that the inconsistent application of EU rules remains a major issue for the industry, with the SFDR marketing rules illustrating the lack of coherence and consistency in how requirements are applied across Member States. To address obstacles to the development of the European asset management sector, EU passports such as UCITS and ELTIFs could be used in a more effective way, and remaining national barriers to the cross-border distribution and management of investment funds should be removed. AI and other innovative technologies can also help make fund administration, distribution, and supervision more efficient and cost-effective at the cross-border level.

An industry speaker noted that inconsistent marketing documentation rules, as well as tax differences, continue to hinder efficient fund distribution within the EU. These barriers can be addressed without reopening existing legislation, ensuring that cross-border distribution is facilitated once a fund is approved by its home authority.

Another industry speaker added that fragmented marketing and distribution rules hinder scale and efficiency, undermining the competitiveness of Europe's fund industry compared with the US. These barriers also limit investors' access to best-in-class products notably in developing areas such as private assets and sustainability, reducing their diversification opportunities.

4.2 Towards more coordinated and effective supervision

The role that more convergent and coordinated supervision can play in fostering greater integration of the European fund market was also discussed.

A regulator underlined that deeper integration of the European asset management market depends on four key principles: consistency, convergence, coordination, and coherence. Consistency is needed both in transposing directives and in applying rules uniformly across Member States to remove national barriers. Convergence among supervisors is essential to ensure that cross-border activities operate smoothly and that differences in enforcement do not distort competition. Stronger coordination across authorities is also required to sustain effective cooperation, with ESMA playing a central role in promoting coherence among national supervisors.

A second regulator argued that stronger and more harmonised supervision is essential to deepen market integration and enhance the competitiveness of the European asset management sector. Colleges of supervisors provide a useful forum for dialogue but lack the authority to turn discussions into coordinated action. Supervisory authorities must also be able to ensure investor protection effectively in a cross-border context and adapt their approaches to an increasingly digital and interconnected market, while maintaining proximity to local investors. Centralising certain supervisory activities at ESMA level could also enhance efficiency. The creation of a single ESMA-hosted data hub, for example, could further centralise regulatory reporting and facilitate information-sharing among national and European authorities, improving oversight while lowering costs. This should be facilitated by the recent UCITS and AIFMD reviews, which task ESMA with developing integrated reporting standards to reduce duplication and enhance supervisory efficiency.

A third regulator agreed that greater harmonisation and standardisation of reporting would benefit both firms and supervisors but questioned whether a further centralisation of supervision is needed. Recent crises have shown that cooperation among national competent authorities works effectively when required, including with counterparts outside the EU. In addition, effective coordination regarding asset management must take place at the global, not merely the European level. Existing tools, such as ESMA's common supervisory actions and peer reviews, already help align approaches and share best practices. Rather than pushing for further centralisation of supervision at the EU level, better use should be made of existing mechanisms to promote supervisory convergence, and improvements should be brought to existing structures such as supervisory colleges.

A fourth regulator concurred that more coherent and effective supervision is needed across Europe but cautioned against excessive centralisation. The consistency of supervision can be improved within existing structures. ESMA already plays a significant role in fostering coherence, demonstrated e.g. during Brexit and the implementation of MiCAR, and its contribution could be further enhanced through better data sharing and common data hubs to reduce duplication.

An industry speaker also called for a pragmatic approach to EU level supervision. With more than 60,000 funds in Europe, a single EU supervisor would be unrealistic, as national authorities will inevitably retain responsibility for most day-to-day oversight. Transferring supervision to ESMA could risk duplicating functions and blurring accountability. What is needed instead is stronger dialogue and practical coordination among supervisors, with ESMA's role enhanced to promote convergence and information-sharing behind the scenes rather than replacing national authorities. In addition, better recognising group structures and delegation arrangements, such as portfolio management conducted across entities, would make oversight more effective and better reflect how the industry operates.

5. Making regulation more outcome-oriented

A regulator argued that fully leveraging the potential of asset management to support Europe's economic challenges requires a shift in regulatory focus from the production of rules to the delivery of tangible outcomes. Regulatory success is too often measured by the quantity of new Level 1 and Level 2 legislation or guidance rather than by its actual effectiveness. A first tension lies between rules and outcomes: regulation should be judged by its impact on markets, investors, and the economy, not by its volume. A second tension lies between risk and outcomes: since the financial crisis, regulators have understandably prioritised risk management. Yet this must be balanced with a greater focus on the results regulation is meant to achieve, namely, effective capital-market financing for the economy, investor participation and protection, and a more resilient financial system.

Another regulator added that increasing the role of asset management also requires a continuous adaptation of financial regulation and supervisory practices to respond to emerging trends such as digitalisation. The authorities should regularly assess whether their frameworks still deliver the expected results, "back-testing" them. While stability remains important, adaptation to new market realities may at times require additional rules or targeted changes.

6. Encouraging retail participation

The chair asked whether further measures are needed to stimulate retail investment in funds and whether SIU initiatives such as the development of savings and investment accounts (SIAs) and supplementary pensions could have a significant impact on the asset management sector.

An industry speaker observed that SIAs and supplementary pensions serve complementary purposes corresponding to different stages of life. Pension frameworks aim for broad participation and adequate retirement income, which depends on the quality and performance of the underlying investments, while SIAs are more suited to short- and medium-term financial goals. Together, these instruments can strengthen households' financial security and channel household savings into productive investment, advancing the objectives of the SIU. Successful examples of SIAs which already exist in the EU notably in Sweden, should inform future initiatives rather than creating new models. Their key features include simplicity, tax incentives, ease of access, and integration with financial-literacy efforts. In addition, communication towards retail investors should highlight not only the risks of investing but also the risks of not investing or saving adequately for the future.

Another industry speaker added that simplifying the investor journey is essential for boosting retail participation and should be a core objective of the Retail Investment Strategy. Around 40% of household savings in Europe still remain in bank deposits or low-yield savings accounts, underscoring the need for more accessible and user-friendly investment solutions.