THE FUTURE OF ASSET MANAGEMENT

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Innovation and investor protection: the future of European asset management

European asset management is entering a new phase, driven by product innovation, technological change and evolving investor interests. The rapid growth of ETFs, the revival of ELTIFs, increasing access to private assets are reshaping European investments.

Investors are increasingly seeking accessible, cost-efficient and outcome-oriented solutions, while policymakers are looking for more effective ways to mobilise long-term savings in support of growth, innovation and competitiveness.

ETFs have broadened investment opportunities by offering diversified market exposure at lower cost. At the same time, outcome-oriented solutions, including multi-asset and long-term investment strategies, are becoming increasingly relevant as households seek to achieve retirement and other financial goals. Interest in private assets is also growing. Through vehicles such as ELTIFs, investors can gain exposure to infrastructure, private equity, private debt and other productive assets. These investments can improve portfolio diversification, support long-term investor outcomes and channel capital towards innovative firms, SMEs and scale-ups.

The expansion of private markets should, however, be viewed as a complement to, rather than a substitute for, public markets. A competitive European financing ecosystem requires both: private markets can support companies through key stages of development, facilitating business consolidation. Public markets, meanwhile, continue to play a vital role in providing transparency, liquidity and efficient price discovery, while offering companies access to a broader investor base and financing opportunities to scale further.

These trends have the potential to improve investor outcomes and strengthen the competitiveness of the European asset management industry. However, they also raise important challenges. As access to private assets expands, investor protection must remain a priority. Redemption terms should be consistent with the liquidity of the underlying assets, supported by robust valuation arrangements and appropriate liquidity management tools.

Equally important is the product distribution. Measures such as Value-for-Money assessment and enhanced cost transparency under the Retail Investor Strategy should support the development of investment products that better meet investors' needs and profiles, without restricting access to growth opportunities. Innovation and investor protection should not be viewed as competing objectives. Sustainable innovation depends on investor confidence.

Europe's product frameworks have generally demonstrated a strong capacity to support market development. UCITS remains the global benchmark for retail investment funds, while the reform of the ELTIF framework shows that European regulation can adapt to changing market realities. Furthermore, centralized access via the European Single Access Point (ESAP) will enhance fund transparency. The challenge is to ensure these frameworks evolve smoothly alongside market developments.

In this context, the review of the UCITS eligible-assets framework should focus on preserving the credibility of the UCITS label while guaranteeing that it remains fit for purpose in a changing investment environment. This requires enhanced legal clarity on asset eligibility, a consistent application of the look-through principle and a balanced approach to indirect exposure to certain alternative assets. Any reforms should seek to strengthen the flexibility and attractiveness of the UCITS framework, while continuing to uphold high standards of investor protection.

Europe's challenge is not reinvention, but evolution.

Technology will also be an increasingly important driver of competitiveness. Artificial intelligence, tokenisation and distributed ledger technology offer significant opportunities to improve efficiency, reduce operational frictions and improve investor experience. At the same time, increased dependence on digital infrastructure, data and third-party technology providers raises new operational and cyber risks. As digitalisation accelerates, operational resilience and cybersecurity will become strategic priorities for the asset management industry. Realising the benefits of technological innovation will require a regulatory environment that supports innovation while ensuring robust risk management, operational resilience and cyber preparedness.

Europe does not need to reinvent its successful fund frameworks. It needs to ensure they evolve in ways that support innovation, strengthen competitiveness and preserve investor protection. If Europe succeeds in maintaining that balance, the industry will be well placed to deliver better outcomes for investors while supporting the long-term growth and competitiveness of the European economy.

MICHELLE BECK

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The future of asset management

The UK has a world-leading asset management centre, spanning 2,600 firms with £16.5 trillion of assets for UK and global clients.

It plays a crucial role channelling savings into investments, supports retirement outcomes and underpins the efficient allocation of capital across markets.

Firms operate at significant scale, using data, technology and smarter systems to deliver more, faster. As a smarter regulator, the FCA is working in lockstep to support.

We encourage firms to engage with our innovation and pre-application services to help this market to go further.

And we will leverage our outcomes-based framework to help support robust growth while maintaining high standards.

Tokenisation

This mindset is borne out in our work on tokenisation. It has huge potential to lower costs for firms, reduce risks and unlock automated and programmable infrastructure.

Last year, we authorised our first tokenised UCITS fund based on a model led by industry and supported by the FCA. We published our Policy Statement in April, setting out how firms can use distributed ledger technology within our framework, and approved the UK's first 'fully native' tokenised authorised fund in June.

Our rules allow UK fund managers to deliver the entire transaction journey, end to end, on chain to benefit investors right now.

It isn't a theoretical, niche technology. That's a real-world practical tool. And according to Barclays and PwC, it could inject £33 billion into UK GDP by 2030.

We stand ready to support other firms in their development – our regulatory sandboxes have enabled firms to test drive new ideas for 10 years now. They provide a clear runway to speed innovation and launch products in full.

And we are going further, setting out, together with the Bank of England, a vision for how tokenisation can develop safely in UK wholesale markets. Streamlining wholesale markets could make everything from issuing securities to managing assets faster and more efficiently. We are also working closely with industry to ensure UK markets can benefit from other opportunities presented by tokenisation, including mobility of collateral and new forms of retail distribution.

> The future of asset management needs smarter regulation.

Alternative Investment Fund Managers Directive (AIFMD)

The UK asset management industry operates globally and we want to ensure our rules interact effectively with requirements firms are subject to in other jurisdictions. That's why we are removing prescriptive requirements from the AIFMD as we update it in the UK.

Reforms are designed to modernise rules dating from 2013, making them fit for today's UK market– more flexible, more tailored to the business models and stripped of rules that no longer serve a purpose. They would better equip UK markets and asset managers to serve global customers. Crucially, they would maintain clear standards, proportionate to the size and complexity of firms and funds.

Underpinning this project are proposals to automate some fund authorisation and supervisory processes. They would transform how the FCA interacts with the asset management sector, harness better data and save asset managers tens of millions of pounds a year.

With a sharp focus on proportionality and harnessing technology, we can boost freedom for smaller firms to find new ways to achieve the same high standards.

Mills review

While digitalisation is already unlocking opportunities here and now, we know the future of the industry will be greatly affected by Artificial Intelligence.

That's why we commissioned the Mills Review to explore how AI could reshape retail financial services for consumers, firms, markets and regulators.

The exercise was a first of its kind. Blending analysis, research and engagement, the review sets out a roadmap for how industry can prepare for the next AI-driven evolution in our world leading financial services sector.

Trusted records. Automated execution. Clear governance and transparency. They are key guardrails to support the safe implementation of AI. And they are the same ingredients that can deliver tokenisation and our reforms to asset management.

Conclusion

The right regulatory calibration, like fine tuning a car, can fire the engine of industry. Regulatory standards and innovation reinforce one another and can give firms the confidence to rollout cutting edge technology and give consumers the confidence to take advantage of it.

Supporting tokenisation, updating the rulebook for asset managers and sharing insight on AI underlines the FCA's unwavering commitment to supporting and informing innovation.

This is the FCA's strategy in action: a smarter regulator that is more efficient, more proportionate, forward thinking and easier to work with.

CHRISTOPH BERGWEILER

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From savers to investors: Europe's opportunity

Europe has no shortage of savings; the challenge is putting them to productive use, for both the European economy and, more importantly, European citizens. Investing will only ever be part of the story, and the liquidity and access offered by deposits will always be a prominent aspect of financial wellbeing. However, facilitating the journey from saver to long-term investor is becoming increasingly important. This would enable households to protect purchasing power, build retirement wealth, and participate in Europe's economic future.

The need to act is clear. Households hold very large sums in bank deposits, the power of which is being eroded by high inflation. At the same time, the continent needs long-term capital to finance competitiveness, sustainability, and innovation. The EU's Savings and Investments Union recognises the opportunity to transform savings into a strategic driver of growth. The objective is not to force savers into risky assets, but to empower them to take well-informed, calibrated risk, supported by advice and financial education. A successful framework should embed simplicity, trust, and appropriate safeguards, enabling citizens to invest regularly, diversify effectively and, where attractive, allocate more capital to Europe.

The investment management industry and the products they offer will be crucial to facilitate this broader shift. Well-established products, such as UCITS, can be a helpful launchpad into investing, while industry innovation can deliver more personalised solutions that reflect individual circumstances and risk appetite. For example, the rise of active exchange-traded funds (ETFs) adds the potential for investment insight and alpha within an accessible wrapper. Similarly, the industry – and policymakers – have responded to growing demand and opportunity in private markets. Vehicles such as the European Long-Term Investment Fund (ELTIF) offer suitable investors diversification, potentially higher long-term return profiles, and access to asset classes less available in public markets, including infrastructure, energy transition, and innovation.

For this to succeed, we need holistic, long-term, and ecosystem-wide solutions. All parts of the financial services industry – product manufacturers, distributors, and financial advisers – have a role to play in delivering for investors, and any strategy that seeks to exclude part of the value chain is unlikely to succeed. We should not lose sight of the bigger picture: investing needs to be considered alongside pension systems and applicable tax regimes.

A successful framework should embed simplicity, trust, and appropriate safeguards.

So where are we today? We have strong foundations, with well-established frameworks in some countries and helpful reforms emerging in others. Sweden is a positive example: its investment savings account has simplified investing, reduced friction, and made participation in capital markets more mainstream through straightforward tax treatment and easy deposits and withdrawals. But more can be done. J.P. Morgan Asset Management is about to publish findings from a new survey across nine Central European markets. Early results point to a strong preference for cash and property, driven by risk aversion and limited confidence in financial decision-making, while also showing that progress is possible. This evidence can help policymakers and industry advance pension and savings reforms, particularly as ageing-related fiscal pressures rise and the scope for more generous state support becomes increasingly constrained.

Recent pension reforms in Germany and Italy are also encouraging. In Germany, while some of the proposed changes may be politically sensitive, they will likely support the long-term sustainability of the German pension system. And in Italy, auto-enrolment and greater flexibility in how future benefits can be drawn should help make funded retirement provision more accessible and more relevant to individual needs. Together, reforms such as these point to a broader European shift: long-term investing should become a normal part of working life, not an exception.

Europe does not need product innovation for its own sake. It needs innovation that lowers barriers, improves value for money, supports scale and strengthens trust. Asset managers have a responsibility to combine fiduciary discipline with education, research, and product design that serves real client needs. Policymakers have a responsibility to create frameworks that are proportionate, predictable, and internationally competitive.

If Europe gets this right, in particular a more competitive fund sector, the prize is substantial: deeper capital markets, better long-term outcomes for citizens, and more financing for European companies. Europe's savings challenge is also its greatest investment opportunity. The next phase of policy should help citizens take that opportunity with confidence.

ANN PRENDERGAST

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From products to investor journeys: the next chapter for EU asset management

The European asset management sector is at the centre of two converging forces: product innovation and digitalisation. Together they are changing not only what Europeans invest in, but how they invest. Getting the participation framework right is the key policy question that will define the sector's contribution to EU competitiveness and the success of the Savings and Investment Union.

The evidence on retail participation across the EU is clear. Only around a third of European adults invest in capital markets, with participation rates varying widely across markets. The products available are largely the same, but what differs is the journey: the wrapper, the tax treatment, the onboarding experience, the way risk and cost are communicated, and whether investing small amounts regularly is easy or cumbersome. Broadening retail participation is fundamentally a journey challenge, not a product challenge, and policy should be judged by whether it improves the journey end to end.

Digitalisation

Digitalisation is the main force redesigning the investor journey. Digital platforms have reduced the cost and friction of market access, and savings plans built on ETFs are turning investing into a regular habit. The investors arriving through these channels are new to markets, in their prime earnings years, and starting with small, regular contributions, exactly the profile of investors the Savings and Investments Union seeks to reach. Data-driven and AI-enabled tools will personalise this journey further, offering guidance at a different scale than traditional advice. In this context, policy should ensure that easier access is matched by good outcomes: robust product governance calibrated to digital distribution, and disclosure that people actually use: digital-native disclosure designed around real behaviour.

Product innovation

Product innovation is keeping pace. The centre of gravity is the ETF, which continues to democratise access while expanding what it can deliver: active ETFs are bringing professional management into a transparent, low-cost, tradable format, and fractional ownership is lowering entry barriers further. Innovation is also widening the investable universe, with tokenised funds and carefully designed exposure to private markets extending diversification once reserved only to institutional investors. Throughout, UCITS remains the wrapper of reference and its strength lies precisely in its capacity to absorb innovation without diluting protection.

> By focusing more on the investor journey and less on regulatory processes, the EU can turn the current momentum into lasting retail participation.

Where targeted evolution is genuinely needed is the review of the UCITS eligible asset rules. The review should resist the temptation to narrow the universe: restricting what UCITS may hold would weaken diversification and push investors towards less regulated alternatives. Its objective should instead be to move towards more outcome-based criteria: can the asset be reliably valued, does it support the fund's liquidity profile, does it contribute to diversification? A principles-based approach would future-proof the framework, allow retail investors measured access to a broader investment universe, and preserve the protections that make the UCITS brand trusted in Europe and exportable worldwide as a global standard.

Delivering good outcomes to investors

None of this diminishes the responsibilities of product manufacturers. Our accountability begins with product design, definition of target-market and long-standing relationships with our investors. But the investor journey is a shared responsibility across the ecosystem: legislators setting simple and stable rules, supervisors converging on outcomes, platforms designing engagement that serves long-term needs, and manufacturers delivering products that are simple, diversified and low-cost.

A sector that is able to continue to invest in technology and product innovation is a sector able to deliver better outcomes at lower cost, and to keep Europe competitive. If the next phase of EU policy keeps its focus on the investor journey and lets a proven product framework evolve, the European asset management sector can turn today's momentum into lasting retail participation.

ANNE MACEY

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Shaping growth, not just following it: a new era for asset management

The world has changed. A new era characterized by higher risk, higher volatility, and higher dispersion, has replaced the old macro regime of low interest rates, low inflation, and hyper-globalization of the past decades. This environment makes active judgment more important, not less. Our conviction is that it is opening opportunities for the best active managers. Passive investing will remain a powerful tool, but a world driven only by passive allocation would risk excessive concentration of capital, standardised portfolios and weaker financing of the real economy.

A first megatrend lies in innovative wrappers such as ETFs that are taking up for both retail and institutional investors. While early ETF offerings were concentrated on broad equity indices, the product universe now spans fixed income, commodities, thematic strategies, ESG-focused investments and actively managed ETFs. The European market has also benefited from the UCITS framework, that has provided enhanced investor protection, market transparency, and a strong foundation for cross-border distribution and investor confidence.

A second big trend is the convergence between listed and unlisted markets. Both listed – equities and bonds- and unlisted – private equity, private credit, infrastructure, real estate- are complementary and finance the real economy. The recent success of ELTIF is a testament to this shift, allowing retail investors to reap the higher long-term risk-adjusted return premiums that used to be accessible only to institutional investors. Such a democratization should be done in a responsible manner: a small percentage of private assets within large and diversified wrappers. Tokenisation could become the missing link between listed and unlisted assets by reducing friction, improving transparency, supporting secondary liquidity for assets that are today largely illiquid, and allowing customization at scale for retail investors.

A third major trend is the rise of outcome-oriented investment solutions. Investors increasingly seek products designed to achieve specific objectives such as retirement income, capital preservation, inflation protection or long-term wealth accumulation. This evolution reflects the growing recognition that investors evaluate success not through benchmark performance alone but through their ability to meet real-life financial goals. Outcome-oriented products have the potential to encourage longer holding periods and reduce the focus on short-term market fluctuations. We see private pension savings as a key opportunity to make investment more accessible for companies, especially young and innovative ones, and to significantly increase equity investments.

> **"Investing should be more like watching grass grow. For excitement, go to Las Vegas"** *Paul Samuelson*

Finally, in an environment that has been reshaped by geopolitical shocks, tighter financial conditions and the rise of economic sovereignty, nations and regions are increasingly focused on self-reliance and controlling the transitions that are redefining our economies in the long-term. That means the very nature of the ecological transition is changing to become a financial and strategic imperative. Investing in companies that are currently carbon-intensive but have the potential to be sustainable offers a far greater opportunity for systemic change than exclusively investing in players that are already green. It is here where active judgement becomes critical, as we need to identify and allocate capital to the players with the will and capability to transform and commit to support these developments over time.

All these developments suggest that European product regulation should become more flexible, more technology-neutral and more focused on outcomes, to accommodate new market developments and forward-looking strategies, whilst maintaining robust safeguards. Overall, the frameworks remain broadly fit for purpose: they have provided a high level of investor protection and facilitated the development of a large cross-border fund market. As a global gold standard and a cornerstone of EU financial integration, the UCITS framework requires careful consideration during the ongoing eligible assets review. Any refinement should focus on enhancing clarity and supervisory convergence, in line with the Savings and Investment Union's objectives. One should be mindful not to put European investors and the European fund industry at a disadvantage as compared to the US.

To secure its future, Europe must urgently reconnect its domestic savings with domestic growth. We can no longer afford to stand by as €300 bn of European capital flee our markets annually to fund US technology. If we are to finance our own innovation, defense, and reindustrialization, we must champion the emergence of competitive financial players, scalable distribution, and attractive long-term savings products. To level the playing field, it is imperative that the EU adopts a more holistic and simplified approach to regulation, which can't be geared only at customers, but should also integrate growth and competitiveness.