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European elections: what are the challenges for the Paris marketplace?

A major challenge: to strengthen the competitiveness and sovereignty of the European Union

The European elections of 26 May 2019 revealed a renewed interest in the European Union, as demonstrated by the high turnout, and resulted in deep changes in political representation.

On 7 June 2019, the *Association Française de la Gestion financière* (French Asset Management Association – AFG) asked three recognised experts to identify the consequences of this reconfiguration of the European political landscape.

Marcel Grignard, Chairman of the think tank *Confrontations Europe*, **Stéphane Janin**, Head of Global Regulatory Development, AXA Investment Managers and Chairman of the AFG's European and international Regulation Commission, and **Wolf Klinz**, German Liberal Democrat Party MEP, who has played a particularly active and positive role over the past few terms of office, shared their analysis at a conference held at MEDEF, which was attended by representatives of the French asset management industry and French and European authorities.

In addition to the increase in the number of countries voting for Green and Eurosceptic parties, the emergence of a fragmented, delicately-balanced European political landscape calls for greater vigilance over current and anticipated economic and financial issues during this new term of office.

The European Union will have to cope with numerous challenges: Brexit, with the continuing uncertainty over its terms; the offensive strategy of the United States in relation to international organisations and agreements; competition from Asian market players; not to mention the global challenges of climate change and the digital revolution.

The AFG has long supported the European project.

This should result, in the field of financial services, in **the promotion of the European Union's sovereignty** in the face of external pressure and **the strengthening of the international competitiveness of European players**, relying, in particular, on:

- the execution of the Capital Markets Union (CMU) project, which is particularly necessary to avoid the risks of fragmentation in a multipolar Europe, where no financial centre will be dominant, even though Paris will play a leading role especially in the asset management sector;
- the introduction of regulations that are flexible enough to enable European players to grow and export, while providing them with the conditions for fair competition vis-à-vis external players active in our single market;
- effective protection for European investors, by ensuring that information on savings products and solutions is clear, concise, understandable to all and does not discourage saving, which finances the economy;

- progress in areas such as sustainable finance and new financial technologies, which the French asset management industry is also at the forefront of.

The European regulatory development process which applies to financial services needs rethinking, because it is no longer suited to the system designed in the 2000s (“Lamfalussy process”). In particular, the tangle and instability of legislation is currently creating uncertainties and difficulties for businesses and confuses investors.

The European Union needs to see the financial sector as a “financial weapon”, i.e. a strategic and sovereign instrument in the service of the European economy.

The priorities that the new European Commission will set for itself will define its approach in the key areas that concern our industry: revision of the AIFM, MIF 2, PRIIPS and UCITS directives, implementation of the PEPP, development of sustainable finance, a suitable regulatory structure for data providers - on which an increasing number of economic players (including asset managers) are dependent, while the majority of them originate from outside the European Union and are under- or even un-regulated.

The European Union should also be on the offensive with regard to cybersecurity and the digital economy.

Finally, it needs to set out a shared vision of long-term investment.

Regarding these major challenges, the Paris marketplace will need to further strengthen its efforts to promote French and European interests in a post-Brexit context.

Confident in the ability of Europe’s new decision-makers to take the measure of these objectives, which will increase the competitiveness and sovereignty of the European Union, the AFG, which has strengthened its presence in Brussels, will work actively throughout this new term of office.

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About AFG www.afg.asso.fr; follow us on Twitter @AFG_France

The Association Française de la Gestion financière (French Asset Management Association – AFG) represents and promotes the interests of third-party portfolio management professionals. It brings together all asset management players from the discretionary and collective portfolio management segments. The latter manage nearly €4,000 billion worth of assets, i.e. a quarter of continental Europe's asset under management.

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