



# Priorities for the European mandate 2019 – 2024

## What is AFG?

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The French Asset Management Association (Association Française de la Gestion Financière, AFG) is the professional organisation representing the French asset management industry.

Asset management is about helping retail and professional investors to provide for their future and achieve other long-term goals. Individuals and organisations entrust their savings to asset managers, who seek to increase their value by investing in the real economy via companies' shares or bonds, government bonds, and infrastructure assets.

A strategic element of both European and national sovereignty, our industry is a key source of funding for the European economy, and France a world-leading investment hub.

The French asset management sector is the largest in continental Europe : 630 asset management companies employ directly and indirectly 85 000 people and invest, on behalf of their clients, close to €4 trillion including €500 billion for non-French clients. About 50% of French asset managers commercialise their funds on a cross-border basis. More than 30% of the assets managed by our members are issued by corporates or States of the Euro zone (excluding France).

## Upcoming challenges to face for the next European mandate

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The European Union enters a new political cycle. By 2024, the European Commission will initiate the review of several texts currently shaping the asset management industry: AIFMD, MiFID and MiFIR...

This new mandate will rightly see the development of key horizontal topics, such as sustainable finance, Fintechs, cybersecurity or the Capital Markets Union (CMU) project, and the emergence of broader issues, such as costs and competition.

In a disrupted international context, the EU's capacity to develop these policies, while enhancing its global competitiveness and independence, is under pressure. To answer these challenges, we believe that input from the European asset management industry is paramount.

## AFG's European engagement

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AFG is a longstanding supporter of the European project, and is deeply involved in the EU policy-making process, contributing to wide ranging initiatives and promoting efficient regulation, consumer protection, level-playing field, and EU competitiveness. This engagement is manifested by the presence of a permanent AFG office in Brussels, at the heart of the European institutions. AFG is an active member of EFAMA and PensionsEurope, and works closely with its European sisters industry associations.

European stakes are primordial in the definition of AFG's key orientations, and its Strategic Committee meets once a year in Brussels to set its European priorities. With the next few years being a turning point for the EU, AFG's Strategic Committee defined the following priorities for this mandate.

We believe these would allow the development of an efficient, globally competitive European asset management industry, and the EU to strengthen both its sovereignty and the well-being of EU citizens, by shaping its own future in financial services.

## AFG's priorities for the 2019 – 2024 mandate

- **Complete the Capital Markets Union (CMU) project, while ensuring the European regulatory framework's competitiveness at a global level**
  - Requiring European and French authorities to take into account competitiveness, reciprocity and security imperatives for European investors
  - Assessing the impact of recently-adopted legislation before launching new legislative work (i.e. “regulatory break”), and avoiding duplicative as well as overly prescriptive regulatory pieces (“smart regulation”)
  - Using the principle of proportionality, whenever it can be applied, in defining and interpreting new national or European regulations
  - Making the legislative process more agile (i.e. entrusting supervisors with harmonisation of technical details rather than European legislators), in coherence with the Lamfalussy process
  - Defining a pan-European supervision, centred on the convergence of supervisory practices (i.e. application of the regulatory framework following the Lamfalussy process) and authorisation practices (e.g. relocations in the post-Brexit context), to avoid a race to the regulatory bottom that would undermine the European Union's level playing field and credibility.
  - Promoting a new vision of investor protection focused on investors' actual needs and education, as well as their ability to process information (e.g. review PRIIPs level 2 and 3), and not restricting retail investors to only those investments considered to be very secure which is detrimental to long-term/company securities investment
  - Emphasizing the diversity of European asset management and actors (e.g. role of active management, debate on costs and charges) and the value of research (e.g. review MiFID 2 rules impacting research financing by applying the proportionality principle to SMEs and small asset managers for inducements)
  - Achieving a level-playing field between asset managers and other investment solutions providers (e.g. on the remuneration of distribution networks, alignment of inducement rules between MiFID 2 and the Insurance Distribution Directive)
  - Ensuring that withholding taxes (WHT) on cross-border investments in Europe can be easily recovered
  - Discarding the European financial transactions tax (FTT) project
  
- **Make the European asset management regulatory framework more agile and simple**
  - Harmonising, at European level, the conditions for creating asset management companies
  - Creating a European status for investment companies with variable capital (SICAVs)
  - Creating a new category of long-term, retail Undertakings for Collective Investments (UCIs) with a European passport and an adapted framework compared to existing regulations (UCITS/ELTIF)
  - Creating a new category of retail Undertaking for Collective Investments (UCIs) dedicated to incentive and profit sharing-schemes for employees, with a European passport and an adapted framework compared to existing regulations (AIFs)
  - Easing rules governing the frequency of net asset value (NAV) calculation and publication for Alternative Investment Funds (AIFs)
  - Implementing more agile regulations allowing a broader range of assets eligible for third-party asset management
  
- **Differentiating asset management from banking activities, with which our sector is often wrongly associated (i.e. “shadow banking”, debate on “systemic” risks)**

➤ **Guarantee the EU's sovereignty in the financing of its economy**

- Putting European interests first in economic relationships with third-countries (e.g. debate on regulatory equivalence between the EU and the UK) ; requiring reciprocal market access before granting AIF/AIFM third-country passports
- Promoting the principles of reciprocity and protection of European investors in determining the conditions of access by UK – and more generally non-European Economic Area – funds and asset management companies to European markets
- Enabling the European Union to amend IFRS standards developed by the IASB and no longer be obliged to either adopt them without modification or reject them
- Ensuring better access to financial and non-financial data and less dependency on third-country providers (e.g. credit rating agencies), rebalancing the costs stemming from rules imposing intermediation of services, towards non-regulated actors whose prices are not always transparent (e.g. data and index providers, platforms)

➤ **Seizing new opportunities offered by European initiatives related to:**

- Sustainable finance, in particular:
  - By encouraging a European ESG label which would recognise national ESG labels on the basis of strict requirements
  - By supporting standardisation and harmonisation of non-financial data publication, namely by aligning the Non-Financial Reporting Directive (NFRD)'s requirements with the information asset managers need to comply with the new sustainable finance regulations (Disclosures Regulation, Taxonomy Regulation)
- Fintechs and innovative solutions in financial services (blockchain, tokens, robo-advice, big data...) by recommending that new European regulations be created as quickly as possible to regulate activities involving digital assets qualifying as financial instruments
- The Pan-European Personal Pension product (PEPP)