UNLOCKING PRIVATE INVESTMENT TO FUND EUROPE'S TRIPLE TRANSITIONS

Towards an enabling regulatory framework

EFAMA

European Fund and Asset Management Association

FOREWORD

By managing their clients' savings and acting as a key transmission mechanism for effective capital allocation, **asset managers are essential to the well-functioning of the European economy and play a crucial role in the lives of European citizens, communities and businesses**.

European asset managers are responsible for managing around EUR 28 trillion of assets on behalf of their retail and institutional clients[1]. They **provide high-quality professional investment services to millions of citizens in Europe and all over the world** and, by doing so, help them achieve their life goals and obtain a secure financial future, particularly in retirement. By investing their clients' savings in the markets, asset managers also **provide a critical source of stable, long-term funding to European governments, companies and infrastructure projects.** In this way, they help to accelerate the necessary transitions towards a more sustainable and digital economy, as well as boost retirement income throughout Europe's demographic transition.

We remain **deeply committed to the European Commission's goal of building an effective Capital Markets Union (CMU)** that works for people and the economy, which has the potential to offer more opportunities and better outcomes for Europe's savers and pensioners. We also commend the leading role taken by the European Union in fostering the sustainable and digital transitions with the adoption of the EU Green Deal and Digital Strategy. Achieving decisive progress on both these flagship initiatives is critical if we want to pass on a liveable planet to future generations and reap the benefits of new technologies to preserve the attractiveness and strength of the EU economy on the world stage.

In the past few years, policymakers have made considerable efforts in a particularly difficult context, marked by a series of crises (e.g. Covid 19, war in Ukraine) and heightened geopolitical tensions. Yet, from our investor's perspective, substantial challenges remain to be tackled, notably to increase retail participation in capital markets, unlock the full potential of sustainable finance and further integrate Europe's capital markets.

In this process, it is **essential to preserve the competitiveness of European firms** on the global stage. We should not overlook that reality if we want to have vibrant and diverse capital markets in Europe that effectively work to the benefit of EU economies and citizens. Together with a stricter application of 'Better Regulation' and proportionality principles, these are essential considerations to ensure that the European economy continues to thrive in an ever more challenging world.

EFAMA advocates for an **enabling regulatory and supervisory environment** that supports the essential role the investment management industry plays in delivering long-term value for investors and steering capital towards investments for a sustainable future.

1. EFAMA Fact Book 2022

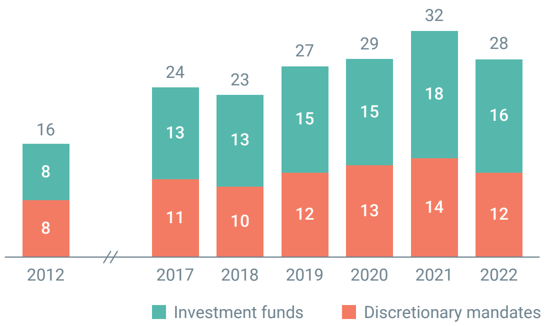
As we prepare for a new legislature after the 2024 European elections, we have set out **our recommendations to address these challenges**. They are built from the in-depth expertise of our members and articulate the four overarching objectives which, we believe, should be priorities for the incoming European Commission and EU co-legislators. In this paper, you will also find specific proposals meant to turn these priorities into action.

As representatives of a crucial industry serving millions of clients and supporting the European economy, we stand ready to help realise these priorities with the goal of delivering long-term value for investors and investing for a sustainable future.

Sincerely,

SANDRO PIERRI
EFAMA President and CEO at BNP Paribas Asset Management

VALUE OF FINANCIAL ASSETS MANAGED BY EUROPEAN ASSET MANAGERS (EUR TRILLIONS)



INVESTMENT IN EURO-AREA NON-FINANCIAL COMPANIES (END 2022)

EFAMA 2023 ASSET MANAGEMENT REPORT

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MAKE COMPETITIVENESS A CENTRAL ELEMENT OF ALL EU POLICIES

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- → Follow through on **competitiveness pledges** and reduce unnecessarily burdensome reporting.
- → Avoid **market fragmentation** through divergent international regulations.
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- → Build on successful, **internationally recognised investment frameworks** like UCITS and AIFMD.
- → Apply **'Better Regulation'** principles more consistently.

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- → Ensure retail investors' access to affordable and quality **financial advice**.
- → Develop a holistic **value-for-money** assessment framework for retail investment products.
- → Further simplify **investor disclosures** and make full use of digital tools.
- → Facilitate broader access to **alternative asset classes**.
- → Encourage long-term savings through **tax incentives**.
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- Clarify and integrate the concept of **transition finance** into sustainable finance regulations.
- Ensure **consistency** across existing sustainable finance legislations.
- Improve availability and access to reliable **ESG data**.
- Advocate for effective **interoperability** of international sustainability reporting standards.
- Remove remaining barriers to **shareholder engagement** and voting.

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- Improve market transparency and affordable data access by delivering an effective **EU Consolidated Tape.**
- Ensure EU capital markets are **well-integrated with global markets** to facilitate movements of capital.
- Bring down remaining **tax barriers** to cross-border investments in Europe.
- Address **financial stability** policies in an evidence-based and proportionate manner.
- Ensure regulation on **digital technology** promotes innovation, increases competitiveness, and addresses potential risks, without unnecessarily burdensome reporting.

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01

Make competitiveness a central element of all EU policies

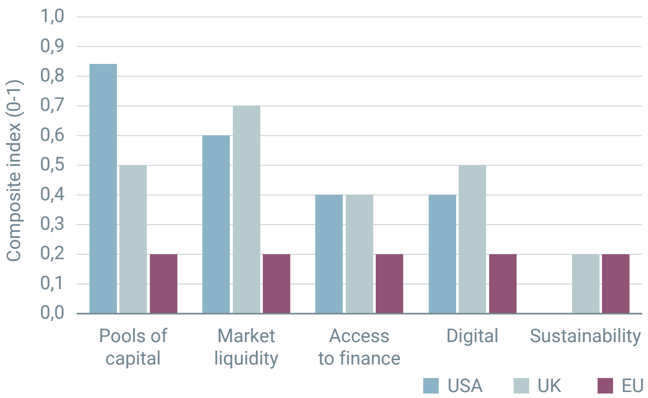
Our world is fast changing and increasingly uncertain, characterised by fierce economic competition with other countries such as the US and China. A highly competitive European economy is essential for us to strengthen our strategic autonomy, whilst remaining open to mutually beneficial commercial relationships and global investment flows. To be competitive on the world stage and allow the emergence of Europe-based global champions, European companies need access to financing at every stage of their development so that they can grow and remain at the forefront of innovation. When investing the savings of their clients, European asset managers play a critical role in financing those companies.

It is essential to make sure that **the EU remains an attractive place for investing and doing business**. Also, EU financial market players in general, and investment managers in particular, require an **enabling regulatory framework** to compete on an equal footing with their international peers. The competitiveness of EU asset managers is critical for the financing of the European economy and, ultimately, for EU citizens.

We applaud recent declarations of prominent EU leaders, including the European Commission's President, Ursula von der Leyen, pledging to make EU competitiveness a central element of all EU policies and to reduce the burden on market participants, for instance through the **Reporting Reduction Package** initiative. After a decade of intensive rule-making, it is time for the EU to turn its attention towards the consistent implementation and proper enforcement of these new rules.

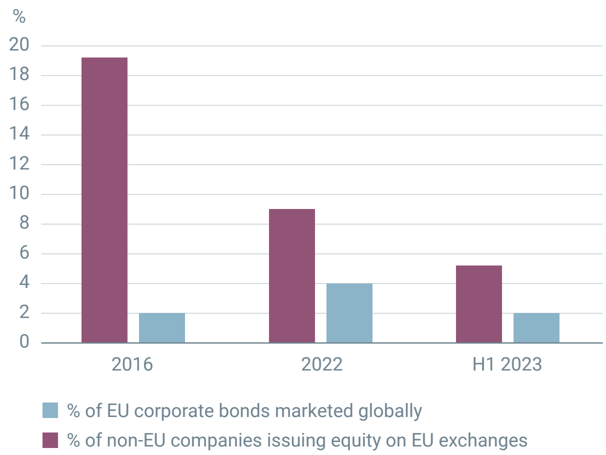
> The competitiveness of EU asset managers is heavily reliant on the quality, stability, cost-efficiency and predictability of the rules under which they operate.

GLOBAL COMPETITIVENESS OF CAPITAL MARKETS



AFME CAPITAL MARKETS UNION REPORT, NOVEMBER 2023

INTERCONNECTEDNESS OF EU AND GLOBAL CAPITAL MARKETS



DEALOGIC

01

HOW TO ACHIEVE THIS

- Follow through on competitiveness pledges and **reduce unnecessarily burdensome reporting**. Not only for SMEs, but also for the financial sector, which is a driver of economic and business success.

- **Apply better regulation principles more consistently**, with more focus on supervision and implementation of existing regulations, thorough impact assessments that measure the cumulative effects of various regulations, practical implementation time-lines, and more considerate use of review clauses.

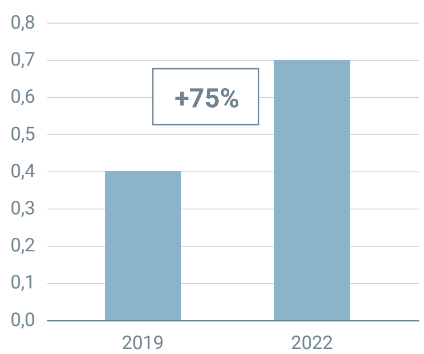
- Tackle anti-competitive market practices and the ever-increasing **cost of various types of data**, including market, index, credit rating and ESG data. This is a significant market failure harming investors, consumers and investment firms in the EU single market.

- Avoid market fragmentation through **divergent international regulations**, by aligning with international regulatory standards and encouraging international supervisory cooperation. The investment industry is a truly global one, with many European asset managers operating abroad and vice versa, foreign clients choosing European asset managers, and European savers investing both domestically and abroad.

- **Build on successful and internationally recognised investment frameworks** like UCITS and AIFMD. The new ELTIF regime could join this list if properly calibrated to market needs.

→ SEE PAGE 15 FOR OUR DETAILED RECOMMENDATIONS

COST OF MARKET DATA FOR ASSET MANAGERS (EUR BILLIONS)



MCKINSEY PERFORMANCE LENS GLOBAL ASSET MANAGEMENT SURVEY

© Justin Chrn / Unsplash

02

Encourage European savers to invest more and promote retirement saving

Increasing retail participation in capital markets is an essential component of building an effective CMU and financing the EU's green, digital and demographic transitions.

However, a recent EFAMA report[1] assessing progress made in increasing household participation in capital markets over the last few years reveals that the vast majority of households in most EU countries still keep a disproportionately large portion of their savings in bank deposits. This deprives them of the opportunity to achieve higher returns on their long-term savings and securing a better retirement income.

To address this unsatisfactory status quo, the Commission's Retail Investment Strategy (RIS) includes several useful proposals, including digital-by-default disclosures, more harmonised rules for all retail investment products (under MiFID and IDD) and better regulation of financial influencers' activities. However, other key elements of the RIS proposal, especially those concerning value for money benchmarks and inducements, may actually discourage citizens from investing by overly focusing on costs, hence defeating the purpose of the strategy. We need to turn more EU citizens into first-time investors and **promote an investment culture that empowers them to confidently take ownership of their financial well-being**.

To do this, the EU 'top-down' approach must be **complemented by relevant national bottom-up initiatives**, considering domestic specificities and learning from Member States with higher levels of retail participation.

A typical EU fund investor enjoyed average net returns of

28 %

between 2012 and 2022 AFTER costs and inflation were accounted for, whereas the purchasing power of a bank deposit fell by

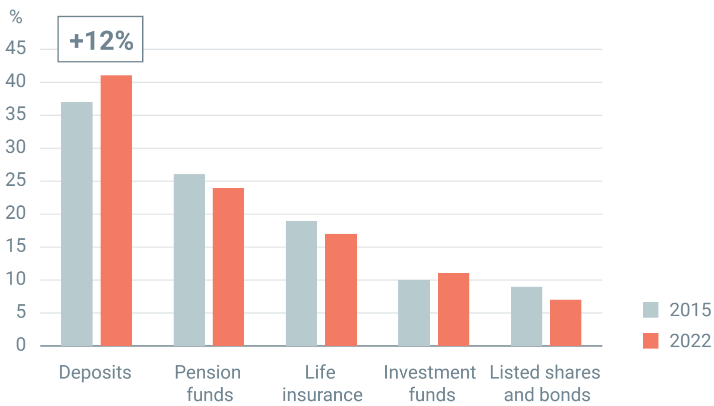
-15 %

over the same period

EFAMA REPORT, 'HOUSEHOLD PARTICIPATION IN CAPITAL MARKETS'

EUROPEAN HOUSEHOLD FINANCIAL ASSETS

(PERCENTAGE OF HOUSEHOLD FINANCIAL ASSETS)



EFAMA HOUSEHOLD PARTICIPATION IN CAPITAL MARKETS

2. EFAMA report, 'Household participation in capital markets: assessing progress focusing on 2020-2022', January 2024

02

HOW TO ACHIEVE THIS

→ Ensure retail investors' **access to affordable and quality financial advice** to help them understand the specific features of the wide range of investment products available on the market, including sustainable ones. Without this guidance, most citizens lack the confidence to invest their savings.

→ Develop a **holistic value-for-money assessment framework** for retail investment products which does not excessively focus on costs and includes qualitative elements.

→ Foster a **culture of investment** among European citizens by **improving financial literacy** and highlighting the benefits of investing.

→ Further **simplify investor disclosures** and make full use of **digital tools**, avoiding excessive details in retail product disclosures without compromising on investor protection.

→ Facilitate **broader access to alternative asset classes**, notably by making ELTIFs an investment vehicle truly accessible to retail investors.

→ Encourage long-term savings through **tax incentives**, for instance by establishing tax-exempt investment plans for individual retail investors.

→ **Promote retirement saving** at both European and national level by informing citizens about their expected retirement income, offering tax incentives, implementing auto-enrolment mechanisms for occupational pensions, and reviewing the Pan-European Personal Pension Product Regulation.

→ SEE PAGE 17 FOR OUR DETAILED RECOMMENDATIONS

03

Unlock the full potential of sustainable finance by streamlining existing EU regulations

The need to take decisive actions to mitigate global warming and preserve a liveable planet for future generations has never been so evident. We applaud and strongly support the ambitions of the EU Green Deal and the leading role assumed by the EU in sustainable finance. The awareness and the demand from investors for ESG investments have grown over the past years with SFDR Article 8 and Article 9 UCITS assets reaching approximately EUR 5.7 trillion at the end of June 2023. European asset managers are committed to broadening their sustainable investment offerings and contributing to a sustainable economy.

Over the last years, the EU has taken a leadership role and deployed huge efforts to develop a comprehensive regulatory framework, underpinned by the Taxonomy, to support sustainable investments. But work remains to **better articulate and streamline the existing framework** and to provide investors and asset managers with the necessary tools to enable them to fully play their role in financing the orderly transition towards a more sustainable world.

In addition to channelling their clients' savings to companies and projects having a positive impact on people and the planet, **asset managers play an important role** in facilitating the transition to a more sustainable world by **actively engaging with the companies they invest in**, encouraging best practices and holding them to account on their ESG commitments.

To deliver on the Green Deal objectives, we will need to increase the annual investments by around

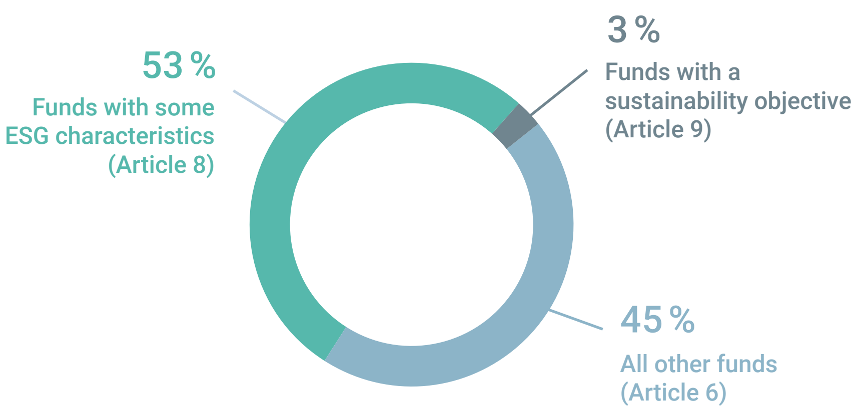
€520 billion

in the coming decade

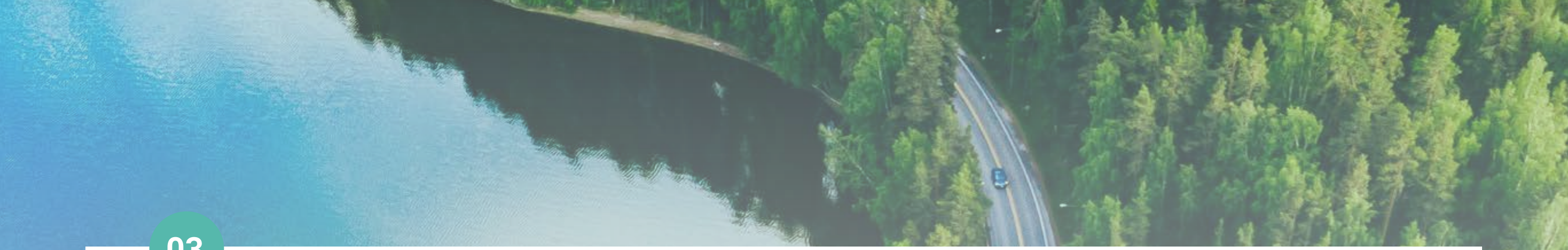
EUROPEAN COMMISSION REPORT, "TOWARDS A GREEN, DIGITAL AND RESILIENT ECONOMY: OUR EUROPEAN GROWTH MODEL"

INVESTMENT FUNDS BY SFDR STATUS

(TOTAL NET ASSET VALUE)



EFAMA Q3 2023 STATISTICAL REPORT, BASED ON MORNINGSTAR DATA



03

HOW TO ACHIEVE THIS

- Use the SFDR review to **simplify sustainability disclosures** and meet the needs of retail investors. Improving the relevance and simplicity of these disclosures would help (retail) investors understand the options available to them and align their investment choices with their goals.

- **Clarify** and integrate the concept of **transition finance** into sustainable finance regulations, like the SFDR, to channel financing more efficiently to companies as they pivot towards sustainable practices.

- Ensure **consistency across existing sustainable finance legislations**, reducing legal uncertainties and avoiding different interpretations.

- Improve availability and access to **reliable ESG data**. Delaying and downscaling corporate ESG reporting, and leaving many third party ESG data providers unregulated, will make it more difficult for investors to channel funding into the green transition

- Advocate for effective **interoperability of international sustainability reporting standards**, leveraging the EU’s leadership position in this regard.

- Remove remaining **barriers to shareholders engagement** and voting.

→ SEE PAGE 19 FOR OUR DETAILED RECOMMENDATIONS

04

Promote efficient, stable and integrated European capital markets and support digital innovation

In addition to offering more opportunities to investors, vibrant and efficient **capital markets have an essential role to play in fostering economic growth, innovation and job creations in Europe** by providing alternative sources of funding to businesses and reducing reliance on traditional bank funding. By doing so, they also contribute to strengthening financial stability.

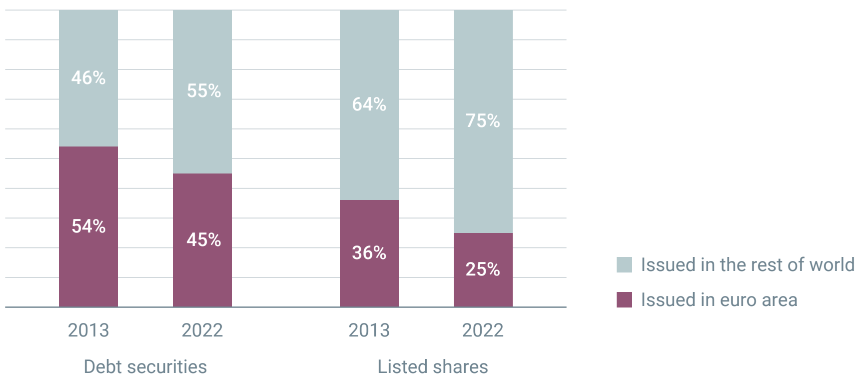
EU capital markets have grown significantly over the past few years but are not yet as developed as they could and should be. More than ever, deep pools of capital will be needed to fulfil the EU's objectives and notably to finance the **transition to net zero, the digital transition** and address the growing challenges of an **ageing population**. EFAMA therefore calls on EU policymakers, but also on Member States, to intensify their efforts towards **building bigger and deeper capital markets in the EU**.

The overall efficiency of European capital markets and the competitiveness of European asset managers also depend on **technological innovation** and on the EU's ability to successfully achieve its digital transition. The pace of technological evolutions keeps accelerating in many areas such as blockchain, machine learning, and more recently generative artificial intelligence, with profound transformative effects. For a number of years **asset managers have invested massively to explore the potential of these new technologies** and to progressively onboard the most promising ones in their operations (including investment processes). While digitalisation can bring substantial benefits in terms of operational efficiency, risk management, fraud prevention, ease of investing into less-liquid asset classes, more personalised investment advice and disclosures, or lowering of product costs, it **also brings about new risks and challenges** that need to be well understood, managed and mitigated to avoid adverse outcomes.

"The evidence shows that we have very fragmented capital markets and very national banking structures. And I believe we are paying very dearly in terms of competitiveness."

MAIREAD MCGUINNESS, EUROPEAN COMMISSIONER, 21st ANNUAL EUROPEAN FINANCIAL SERVICES CONFERENCE, 1 FEBRUARY 2024

ASSETS HELD BY EURO-AREA INVESTMENT FUNDS



EFAMA 2023 ASSET MANAGEMENT REPORT

04

HOW TO ACHIEVE THIS

→ Improve market transparency and **affordable data access** by delivering an effective **Consolidated Tape** for equities, fixed income, ETFs and derivatives and taking decisive actions to tackle the ever-increasing costs of market data.

→ **Ensure EU capital markets are well-integrated with global markets** to facilitate movements of capital, e.g. by developing globally consistent market standards and promoting alignment in settlement cycles across jurisdictions.

→ Bring down remaining **tax barriers to cross-border investments in Europe**, for instance through the facilitation of withholding tax reclaims across EU Member States.

→ Address **financial stability policies in an evidence-based and proportionate manner** as part of the overall strategic priorities of the Commission, rather than as an isolated objective with an excessive focus on open-ended funds. This requires a holistic consideration of measures related to investor protection and resilience of capital markets.

→ Ensure **regulation on digital technology** promotes innovation, increases competitiveness, and addresses potential risks, without unnecessarily burdensome reporting. In particular, the framework for Financial Data Access (FIDA) and the tokenisation of funds have the potential to open up new opportunities for innovation and investments for UCITS, AIFs and other European investment vehicles.

→ SEE PAGE 21 FOR OUR DETAILED RECOMMENDATIONS

DETAILED RECOMMENDATIONS

01

Make competitiveness a central element of all EU policies

1.1 Follow through on competitiveness pledges and reduce unnecessarily burdensome reporting

- Implement the **mandatory competitiveness check** recommended by the European Commission throughout the entire legislative process.
- Material changes contemplated by the **co-legislators** should also have to be accompanied by impact assessments.
- The Commission should assess any **technical standards developed by European supervisors** (ESAs) against this competitiveness objective.
- The European Commission should be given **appropriate resources** and have a dedicated team in charge of these competitiveness assessments, ensuring a consistent approach across all (financial) services.
- Promote **better data exchange** between EU supervisors and central banks to prevent duplicative reporting.
- **Regularly review whether all the reporting requirements remain necessary** for effective micro- and macro-prudential supervision.
- **Make better use of the raw data reported by the industry** to avoid situations where investment managers have to include information in their supervisory reporting that could be deduced from their fund inventories.
- Be mindful of the **cumulative impact of multiple reporting requirements** on the competitiveness of EU market participants, particularly smaller ones.

1.2 Apply better regulation principles more consistently

- Focus on the **effective and consistent supervision of existing regulations** applicable to the European investment management sector, with the ESAs allocating more resources to their supervisory convergence activities.
- **Produce more thorough impact assessments** (including on material amendments proposed by the co-legislators) that take into account the **cumulative impact of regulations** on market participants.
- As proposed in the Reporting Reduction Package, the European Commission should have **access to relevant supervisory data** to develop its policy initiatives.

- **Adopt dynamic implementation timelines** to ensure that regulations (level 1) do not become applicable before corresponding technical standards (level 2) are adopted, factoring in **sufficient time for thorough consultation and implementation by market participants**.
- **Make more considerate use of review clauses**, with reviews only taking place when necessary and when sufficient time has elapsed to properly evaluate the effectiveness of a policy.
- **Give the ESAs effective 'no action' powers**, which would allow flexibility when the application of a new rule puts undue pressure on market participants (e.g. implementation timeline is too short), creates legal uncertainties or no longer makes sense in a given context.

1.3 Tackle anti-competitive market practices and the ever-increasing cost of various types of data

- **Enforce strictly provisions on data cost** existing in applicable EU regulations, for instance the 'reasonable commercial basis' provisions under MiFID/MiFIR.
- Adopt a more **holistic/transversal approach to the regulation of different types of data providers** which addresses not only costs and fee transparency, but also data reliability, responsibility and methodology transparency. This holistic approach should aim to prevent anti-competitive behaviours which harm data users and end-investors. Please also refer to our report on cross-cutting issues on EU data.

1.4 Avoid market fragmentation through divergent international regulations

- **Support the work of international standard setters** and relevant transnational initiatives, for instance IOSCO/FSB work on financial stability and ISSB work on corporate ESG reporting.
- Promote a constructive and open **bilateral regulatory dialogue between the EU and key foreign jurisdictions**, notably by making full use of the recently created EU-UK Financial Regulatory Forum to foster mutually beneficial cooperation

1.5 Build on successful, internationally recognised investment frameworks like UCITS and AIFMD

- Preserve and protect the **UCITS and AIFMD delegation models**, which are cornerstones in the success of these frameworks both inside and outside the EU.
- Ensure that the **UCITS Eligible Assets review is targeted**, evidence-based and builds on extensive consultation with industry and other stakeholders.
- **Preserve and develop close relations with the key fund distribution hubs** (e.g., in APAC, Middle-East and Latin America). Considering that approximately one quarter of European investment fund assets are managed on behalf of non-EU investors, explaining EU regulatory developments to third-country authorities will ensure continued confidence by foreign investors and regulators.

02

Encourage European savers to invest more and promote retirement saving

2.1 Ensure retail investors' access to affordable and quality financial advice

- Maintain the **coexistence of fee-based and commission-based models of remuneration**. This will preserve not only access to investment advice, but also other distribution services like sales conducted under appropriateness tests, discretionary mandates, and digital sales through execution-only applications and platforms.
- Ensure adequate implementation of the existing **MiFID safeguards guiding remuneration** for such services at all stages of a financial product's life cycle.
- **Align requirements for investment and insurance products** (MiFID & IDD respectively) as part of the Retail Investment Strategy, to achieve a true level playing field in the distribution landscape.

2.2 Develop a holistic value-for-money assessment framework for retail investment products

- Create a comprehensive value assessment framework based on current MiFID product governance rules, which includes **quantitative and qualitative evaluation for both manufacturers and distributors**. This should include developing and periodically reviewing an in-house pricing process (considering net performance) with a methodology that is transparent to national supervisors.

2.3 Foster a culture of investment among European citizens

- Amplify EU and national efforts to **increase financial literacy** and foster a stronger culture of holding investments for the long term.
- **Highlight more clearly the benefits of investing for long-term financial wellbeing**. Overemphasizing costs and risks while not mentioning the good returns investors can typically expect (even after costs and inflation), unduly deters retail investors from investing in capital markets.
- Recommend performing a **financial health check** at key points in life to nudge people into considering their financial wellbeing, talking to an advisor, etc.

2.4 Further simplify investor disclosures and make full use of digital tools

- Avoid **lengthy technical disclosures** to retail investors whenever possible.
- **Align financial disclosures and definitions across regulations** (e.g. between MiFID and IDD but also between MiFID and PRIIPs) to provide clear and relevant information to retail investors while preventing confusion.
- Bring **targeted adjustments to the PRIIPS KID** so that disclosures reflect the different value proposition of each type of retail investment product.
- **Utilise digital tools** to deliver user-friendly and tailored disclosures.

2.5 Facilitate broader access to alternative asset classes

- **Uphold the positive momentum around the ELTIF 2.0 regime** to broaden the investor base in non-listed or less liquid assets.
- **Avoid overly prescriptive technical requirements** (level 2), as the success of ELTIF 2.0 is dependent on its ability to accommodate a diversity of ELTIF structures, particularly around redemption policies.

2.6 Encourage long-term savings through tax incentives

- Promote the adoption of **tax incentives in all Member States** that encourage citizens to make long-term investments in the EU's real economy, including tax incentives for retirement savings.
- **Encourage investments into the EU single market** through national tax schemes (e.g. tax credits for pension products that invest in SMEs headquartered and listed within the EU).

2.7 Promote retirement saving at both European and national level

- **Support Member State auto-enrolment schemes** in second pillar pensions to automatically enrol employees into a retirement savings scheme unless they actively opt out.
- **Establish pension tracking systems (PTS)** at Member State level following EIOPA's suggestions, so that citizens have a clear and comprehensive overview of accrued entitlements and projected retirement income from all potential pension sources.
- Undertake an urgent **review of the PEPP regulation** to fix the issues faced by potential PEPP providers, including the fee cap and design of the risk-mitigation techniques.
- Integrate **European Retirement Week** in the official EU calendar, as was done with EU Green Week, to promote debate on possible solutions to the pension challenges and raise awareness of the importance of saving for retirement.

03

Unlock the full potential of sustainable finance by streamlining existing EU regulations

3.1 Use the SFDR review to provide investor-friendly sustainability disclosures

- **Categorise financial products** by their sustainability intentions using objective criteria, including a clear description of the product's intentions, an explanation of the ESG strategies that will be followed, and the specification of credible KPIs.
- Introduce a **standard disclosure template** for all financial products with sustainability claims, making information more accessible for retail investors.
- Align any changes made in SFDR with the **investor sustainability preferences used by distributors** under MiFID and IDD.

3.2 Clarify and integrate the concept of transition finance into sustainable finance regulations

- **Explicitly recognise transition finance (and transition funds) within SFDR**, as well as MIFID/IDD concerning sustainability preferences.
- If the European Commission decides to implement a product categorization system, **transition funds should be treated as a distinct product category**.

3.3 Ensure consistency across existing sustainable finance legislations

- Align the scope and content of **SFDR and CSRD/ESRS**, as asset managers rely on this corporate reporting to fulfil their own disclosure obligations.
- Align the **SFDR and Taxonomy Regulation** (e.g. having a concept similar to the "Do No Significant Harm" principle).
- Ensure that the information benchmark providers disclose under the **Benchmark Regulation** is consistent with the information needed by benchmark users to meet their obligations under the SFDR.
- Adjust the **sustainability preferences under MiFID II and IDD** to align with the future direction of SFDR.

3.4 Improve availability and access to reliable ESG data

- Ensure a proper and **timely implementation of CSRD and the related ESRS**.
- Operationalise the **European Single Access Point (ESAP)**.
- Regulate all the actors in the ESG value chain, not only ESG ratings providers but also **ESG data providers**, as recommended by IOSCO.

3.5 Advocate for effective interoperability of international sustainability reporting standards

- Support interoperability among international reporting standards, while continuing to advocate for **double materiality as a cornerstone of sustainability reporting standards**.

3.6 Remove remaining barriers to shareholders engagement and voting

- Focus on **strengthening minority shareholder rights** and investor protection in forthcoming EU regulation on company law (e.g. rules for multiple voting shares or a possible review of the Shareholders Rights Directive).
- Bring down barriers to the exercise of voting rights in the **Shareholders Rights Directive**, e.g. by removing the obligation to provide a Power of Attorney in those Member States where it is still required.
- Accelerate the deployment of the **shareholder identification ISO2022 standard** designed to comply with the Shareholders Rights Directive.

04

Promote efficient, stable and integrated European capital markets and support digital innovation

4.1 Improve market transparency and affordable data access by delivering an effective Consolidated Tape

- Ensure that the **Consolidated Tape (CT) tender process** is launched in a **timely** manner, that the winning bidder is **price competitive** and that ESMA develops **a robust governance** framework, enforcing the **Reasonable Commercial Basis (RCB) principle** and **data quality**.
- As part of the MiFID/R Review, ensure that the RTS to be developed by ESMA focus on defining RCB on a cost basis, define the elements of the cost calculation, and appropriate price policy disclosures, prohibit value-based pricing, and promote the simplification, standardisation and transparency of licensing policies.
- Explore the extent to which CTs can be harmonised and interoperable with the CTs covering the UK market.

4.2 Ensure EU capital markets are well-integrated with global markets to facilitate movements of capital

- With the imminent US move to the T+1 settlement, the EU must ensure that **global alignment of settlement cycles** remains an objective in the long-term, while managing in the short-term the regulatory frictions which will result from the funding mismatch.
- The **operational implications and complexities of a potential move to T+1 settlement in the EU** should be carefully analysed and taken into account before any decision be made.
- Strong **coordination with other key jurisdictions** such as the UK should also be encouraged, avoiding further disruptions and costs for market participants.

4.3 Bring down remaining tax barriers to cross-border investments in Europe

- Pursue **tax initiatives** that eliminate tax barriers, attract foreign investment, promote savings plans and channel long-term investments into the real economy.
- Limit the risks of **economic double taxation** and increase the certainty of the tax treatment of investment vehicles and products.
- Offer streamlined and effective **withholding tax procedures** for cross-border investors to attract foreign investment.

4.4 Address financial stability policies in an evidence-based and proportionate manner

- Evaluate where systemic risks lie from a **holistic perspective rather than focusing on specific sectors**, emulating IOSCO's approach.
- **Make greater use of supervisory data** instead of relying on overly simplistic theoretical models and current FSB assumptions.
- Develop a **supervisory reporting framework that is consistent across financial sectors** to allow the EU to conduct holistic reviews and evaluate the contribution of different sectors to the resilience (or lack thereof) of capital markets.
- Define 'aggregate activity' thresholds in the revised **EMIR 3.0 framework** in a manner that encourages central clearing of derivative trades, and not with the objective of increasing the number of counterparties that are in scope of the active accounts requirement.

4.5 Ensure regulation on digital technology promotes innovation, increases competitiveness, and addresses potential risks, without unnecessarily burdensome reporting

- Monitor the development of **AI technology and regulation** to ensure the EU's asset management industry makes the most of this promising new technology, while maintaining a high level of investor protection.
- Find the balance between encouraging innovative investment products and services and protecting investors when developing regulation on **customer data sharing** within the Financial Data Access (FIDA) and Payments Package. Ensuring the EU protects its strategic autonomy in FIDA's design will be a central point of attention.
- Incorporate proportionality in the implementation of the **Digital Operational Resilience Act (DORA)**, so that reporting and monitoring requirements are in line with the scale and risks of the business activity concerned.
- Consult financial market participants, including asset managers, when designing a **digital euro** to ensure all practical implications are taken into account.

ABOUT EFAMA

EFAMA is the voice of the European investment management industry, which manages around EUR 28.5 trillion of assets on behalf of its clients in Europe and around the world. We advocate for a regulatory environment that supports our industry's crucial role in steering capital towards investments for a sustainable future and providing long-term value for investors.

Besides fostering a Capital Markets Union, consumer empowerment and sustainable finance in Europe, we also support open and well-functioning global capital markets and engage with international standard setters and relevant third-country authorities. EFAMA is a primary source of industry statistical data and issues regular publications, including Market Insights and the authoritative EFAMA Fact Book and Asset Management Reports.

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