RESOLUTION:

Protecting the European Fund Industry

Adopted at the YEPP Council Meeting in Belgrade, on 02.12.2017

Recognizing that:

- The European fund industry was constantly growing over the last years and the assets under management have risen in 2017 from €9.4 trillion to €10.4 trillion.[1]
- European fund managers have registered their highest quarterly inflows in five years. Investors poured a net €210 bn into Europe's mutual funds in the first quarter of 2017. This is the highest quarterly inflow since at least 2012.[2]
- At the end of June 2017 Luxembourg (+€135.8 bn) was the fund domicile with the highest net inflows, followed by Ireland (+€112.6 bn), France (+€38.6 bn), the United Kingdom (+€36.9 bn), and Germany (+€12.9 bn). Also in the Netherlands, Sweden, Norway, Spain, Austria, Italy and Denmark, the fund industry plays a crucial economic role.[3]
- Europe ranked as the second largest market in the global industry managing 31% of all assets while the world's largest market is the United States.[4]
- Like many of the European fund centres, Luxembourg largely outsources its investment management to other financial centres in the European Union. The UK alone managed €398 billion on behalf of Luxembourg funds in 2016.[5]

Acknowledging that:

- Many European-domiciled funds have the practice to delegate functions such as investment management and risk management to other countries.

[1] Thompson Reuters Lipper
[2] Idem
[3] dem
[4] ALFI
[5] ALFI

- Delegation for investment funds is an important tool in order to make use of specialist skills where they are, including in third countries.
- On 20 September, the EU Commission released a Draft Regulation to review and enhance the powers of the four EU supervisory Authorities (ESAs): ESMA, EBA, EIOPA and the ESRB.
- The proposal provides for the enhanced power of ESMA in the monitoring of compliance of cross border delegation for banks, fund managers, and investment firms. As a result of the proposal, ESMA would become the direct supervisor over certain sectors of capital markets across the EU on top of its current direct supervision. In the case of cross-border delegation, ESMA would be the direct supervisor instead of the national regulators.
- Since the Brexit vote, many countries in the European Union have been pushing to be considered by London investment fund managers for their relocation. This political struggle has now direct and harmful effects on the European fund industry.
- The model of delegation has proved to be a success story for the European fund industry, especially regarding the successful European UCITS.

YEPP calls on:

- The European Commission to take account of the skills proven over the last years by the different national regulators and to consider that the reactivity of the latter is an important factor and advantage for investment funds to be domiciled in the European Union.
- The European Commission to protect the European Fund Industry and give a financial and judicial security to European and international fund managers by recognizing the skills developed by the different national regulatory authorities.
- All European Member States to call for a modification of the draft of the regulation of the European Commission in order to remain the regulatory competence for cross-border delegation at the level of the national regulatory authorities.
- The European Commission and the European Member States to give priority to the strength of the important and growing European fund industry over political struggle regarding the relocation of UK investment funds.