



association of the
luxembourg fund industry

A large graphic on a light grey background. It features a central teal circle with a dashed green line passing through its center. Two other dashed green lines intersect at the circle's center, forming an 'X' shape that extends towards the corners of the page. The overall design is clean and modern.

ASSET MANAGEMENT

**Financing citizens, communities
and the European economy**



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Saving for the future is key at a time when demographics and public finances across Europe are such that governments alone are no longer able to provide the financial security in later life that they did for past generations. Individuals and families increasingly need to save for their own financial futures and the asset management industry can help them achieve this.

Asset managers play a crucial role in the lives of European citizens, communities and businesses. The core mission of an asset manager is to put the investments and savings of European citizens to work productively in the economy, allowing companies to grow, and big infrastructure projects such as roads, schools and hospitals, to get off the ground and be managed over the long term. The money entrusted to asset managers helps companies to grow by providing access to new financing when they need it. This helps companies to invest in their business, provide jobs for European citizens and take better care of their customers and employees.

The proceeds from financing these companies and projects are then returned to European savers and pensioners, in the form of capital appreciation or dividends. This allows them to finance their short, medium or long-term goals such as paying the monthly mortgage or funding retirement.

Asset managers help facilitate inwards investments to Europe from around the world, and also give European citizens access to investment opportunities in other parts of the world, for example in emerging markets. UCITS, which offer even small investors opportunities to invest in a diversified range of assets, safe in the knowledge that they are well looked after, is the prime example of a globally recognised leading product, managed in Europe but sold around the world.

Asset managers invest their clients' money with a long-term perspective, taking into account the objectives and preferences of the client. They hold companies to account on behalf of the shareholders they represent. This includes taking into consideration the long-term impact businesses have in their communities and on the environment for current and future generations.

Citizens are increasingly conscious of the consequences that their financial decisions can have, not only for themselves, but also for the society in which they live. More and more of our customers want to put their money to work in ways that will deliver a positive environmental and societal impact. Asset managers are developing new ways to take these trends into account through products that follow specific sustainable or responsible investment strategies and through active engagement on these issues with the companies in which they invest.



Our vision is of a Europe where citizens have access to investment opportunities and products which offer value and help them obtain a secure financial future, particularly in retirement.



Our vision

Our vision is of a Europe where citizens have access to investment opportunities and products which offer value and help them obtain a secure financial future, particularly in retirement. They are engaged and have access to information and advice which is provided in a language they understand and enables them to make confident choices. It is provided in a way which suits them, including through technology or any other appropriate means. The products and services offered to them are adapted to their needs and are able to harness beneficial new market developments and a diversity of investment opportunities from around the world.

Their money is looked after by managers who fulfil their responsibilities to act in their customers' best interests. This includes engaging as shareholders, and giving appropriate consideration to the governance, social and environmental implications of any investment decision. Those managers can compete with the best in the world and attract the best talent. They are supported at all levels of the value chain, including by advisors who act in their customers' best interests.

Europe, in turn, offers attractive investment opportunities so that European citizens' money, combined with capital from around the world, is channelled to the European economy by asset management companies to provide stable, long-term funding for European governments, companies and infrastructure projects.

This relies on a policy and regulatory environment which is structured and based around the needs of the end-customer and provides clear parameters, but allows the market to breathe and evolve. Interventions are developed with the grain of the market, based on a full understanding of the nature and business of all market participants, including asset managers. Such interventions will benefit from a clear understanding of the implications and impact of any proposed changes and are based on demonstrated market need or failure. They are based on a clear assessment of technical feasibility, and, where involving end-customers, are subject to rigorous consumer testing. Consistent standards are applied across all competing products and services.

European policymakers will be able to rely on professional and informed engagement from asset managers and their associations, at national and European levels on all aspects of policy, from the perspective of providers of products and services to customers and of investors and users of capital markets.



Achieving that vision

As we look to the next five years, we need to focus on how we put the end investors - European savers and pensioners - in the driving seat.

We see four key drivers that will shape our world going forward:



Saving for the future

Citizens need saving options to achieve their short, medium and long-term goals.



Empowering citizens through digitisation

Digital financial services can help give more people access to financial information, services and products more directly, cheaply and efficiently than before.



Sustainability

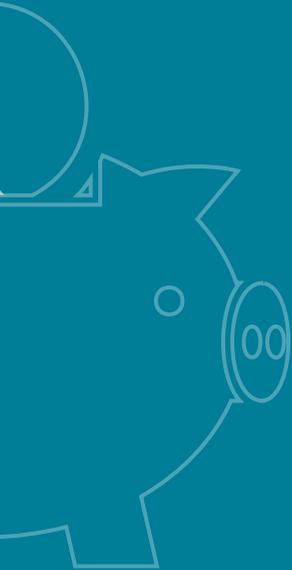
Environmental, social and governance (ESG) challenges are becoming ever more evident at global level and in particular in Europe, and we must all contribute to finding solutions.



Strengthening Europe in the global economy

In an ever more open and competitive global economy, Europe needs to remain at the forefront of innovation and open to flows of knowledge, ideas, capital and investment with the rest of the world to remain competitive.

We believe that, by working together with EU policymakers, we can develop solutions so that Europe can embrace these changes as opportunities, to the benefit of European citizens.



**Saving
for the future,
with citizens
empowered
by digitisation**

Citizens need to be able to make informed decisions about their financial well-being. Improving financial literacy and ensuring access to clear, reliable information, advice and guidance, and helping citizens to engage, are key to empowering them to make informed choices based on what is right for them. New and innovative solutions such as digital advice can also help by improving access to financial advice in an affordable manner.

Improving the financial well-being of our clients is one of our key drivers and we believe that a responsive and supportive policy environment can help empower citizens through:



Meaningful communication and accountability

Reliable and meaningful investor information, presented in an understandable format and based on a full understanding of consumers' needs and behaviours, should allow investors to understand what they are buying and compare different products. This would help citizens make investment choices that meet their needs.



Choice

People are different and their needs vary, therefore a wide choice of investment opportunities and products from competing providers is key to catering for these differences. Competition also results in enhanced choices and better prices.



Access to advice

Financial well-being can be complicated, and citizens need access to impartial expert advice, information and guidance at a reasonable price. Solutions such as digital advice and innovative ways of communicating can help give access to simple advice and information at the touch of a button, putting investors in the driving seat, as well as stimulating competition in distribution to make it more efficient.

What the industry and policymakers can do

As an industry we need to explain what our products do in simple terms. Standardised and comparable information such as Key Information Documents will only help build trust and confidence amongst consumers if they are used and understood.

Supported by policymakers and working with our distribution partners and advisors, we believe that we need to rethink the way we communicate with our clients, leveraging advances in digital technologies and new ideas from behavioural science so that we provide meaningful, timely and comparable information to consumers, regardless of the type of product or the channel through which a client is buying the product.



Helping finance European businesses and communities in a sustainable manner

The power of active engagement by investors to promote environmental, social and governance issues is increasingly recognised. The choices that savers make can send a strong signal to companies about how they should behave.

We believe that making responsible investment mainstream, taking into account environmental, social and governance issues, and active ownership and engagement by shareholders, should be the ultimate goal. This means that active choices need to take place at all levels of the value chain, from the retail investor and asset managers up to the company boards. This is not a quick and easy thing to put in place but will need careful consideration of how the different pieces of the jigsaw fit together to deliver this overarching goal and deliver meaningful change.

To better achieve this, a sound policy and regulatory framework should focus on:



Stability

Stability in the regulatory environment and making sure financial regulation is proportionate to risk are key for the economy to grow.



Diversification

Recognising the increasingly important role of asset managers in financing the economy, and breaking down barriers that prevent asset managers from providing alternative forms of financing, will help companies access funding at a lower cost.



Stewardship

An appropriate regulatory framework will support asset managers in delivering their role as stewards of the money entrusted to them by their clients and recognise the value of their actions in the economy.

What the industry and policymakers can do

The industry and policymakers need to develop a common understanding of environmental, social and governance issues that matter to companies, assets and projects, and how these can be taken into account by all financial actors across the value chain. There also needs to be clear communication to clients as to how we are acting on these issues through true active ownership.



**Helping the
European economy
remain globally
competitive**

The global economy is increasingly interconnected, and the European financial ecosystem is one of the most successful in the world. We need to continue to be at the forefront of developments and take a leadership role in developing global standards that facilitate global convergence through exchanges of ideas, people and capital.

In Europe, we rightly strive to have high standards, but our rules need to be adaptable to allow for Europe to take part in global competition while protecting its interests. European financial markets will need a dynamic regulatory environment to continue to be global leaders and to be able to compete around the world.

In order to preserve the European asset management industry's position in an increasingly competitive and global economy, we need a regulatory framework that takes into account:



Competitiveness

The UCITS brand is the prime example of how a world leading and well-designed regulatory framework can make the European economy more competitive at global level. We believe that legislation that combines high standards with flexibility and which aims to further harmonise markets within the EU and to enable access to investment opportunities globally will deliver benefits for European and non-European savers and businesses.



Interconnectedness

Our industry is increasingly global, and the rules by which we play need to be coherent with those in other parts of the world to avoid fragmentation and arbitrage opportunities.



Proportionality

Financial regulation needs to be proportionate to the risks involved, well-calibrated and adaptable to evolving circumstances. There is now comprehensive legislation across all financial services, much of it quite new, and it needs time to be implemented before we can see and assess its effects.

What the industry and policymakers can do

We believe that our vision of a competitive Europe in the world can be achieved, to the benefit of European citizens and the European economy, by policymakers and the industry working together and applying the principles outlined above. EFAMA stands ready to work with policymakers to achieve this.



ALFI - The Association of the Luxembourg Fund Industry

ALFI represents over 1,500 Luxembourg domiciled investment funds, asset management companies and a wide range of business that serve the sector. Luxembourg is the largest fund domicile in Europe and a worldwide leader in cross-border distribution of funds. Luxembourg domiciled investment funds are distributed in more than 70 countries around the world.

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EFAMA – The voice of the European investment management industry

EFAMA represents through its 28 member associations and 62 corporate members more than EUR 25.2 trillion in assets under management of which EUR 15.6 trillion managed by slightly more than 60,000 investment funds at end 2017. Close to 32,000 of these funds were UCITS (Undertakings for Collective Investments in Transferable Securities), with the remaining slightly more than 28,300 funds composed of AIFs (Alternative Investment Funds).

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Asset Management

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