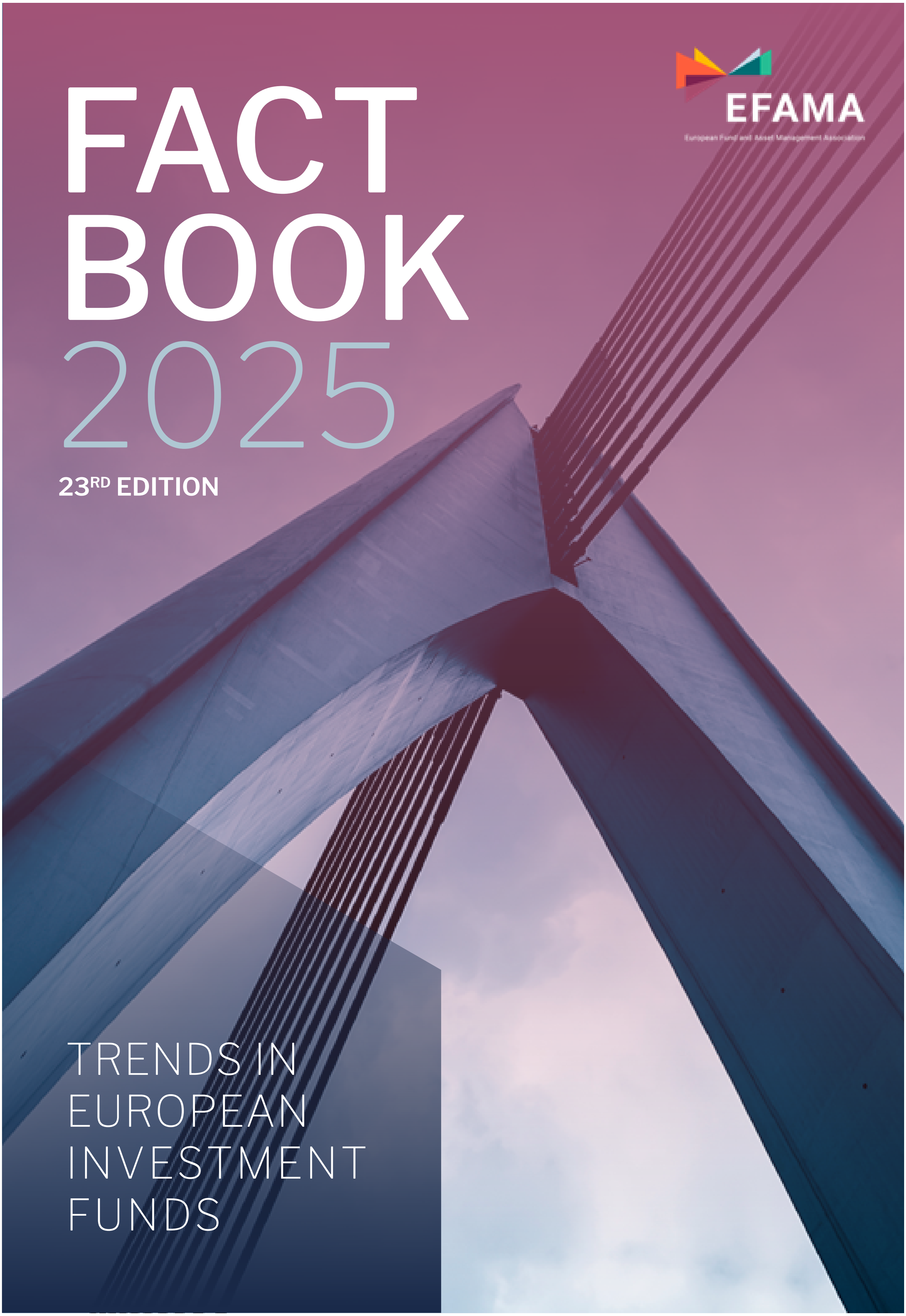

EFAMA
European Fund and Asset Management Association

FACT BOOK 2025

23RD EDITION

TRENDS IN EUROPEAN INVESTMENT FUNDS

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We thank the following companies for their support of the Fact Book:

Foreword

I am pleased to present this new edition of the EFAMA Fact Book, a publication that has, over the years, become an essential reference for anyone seeking a comprehensive overview of the trends, data, and developments shaping the European investment fund industry.

This year's edition provides an in-depth analysis of the UCITS and AIF markets, with a particular focus on the developments of 2024—a year marked by strong net inflows and solid overall performance across European funds.

2025 is shaping up to be notably different, marked by trade turmoil and shifting asset allocations. Nevertheless, as I reviewed the data and insights in this edition of the Fact Book, several trends stood out, each with significant implications for the evolution of Europe's fund landscape and closely related to EFAMA's longer-term policy priorities:

Firstly, **fund concentration is rising**. At the end of 2024, UCITS with more than EUR 10 billion in assets under management accounted for 25% of the market, up from under 20% at the end of 2023. At the same time, the share of funds with less than EUR 100 million continues to decline. These figures challenge the perception that all European funds are small and don't benefit from economies of scale.

Secondly, **ETFs continue their strong momentum**, tilting portfolios toward US stocks. For the second consecutive year, ETFs saw record net inflows in 2024. A large portion of these flows went into passive strategies tracking global and US indices, pushing the allocation of equity UCITS into US stocks above 50%. While there has been renewed interest in European stocks in the first half of 2025, shaped partly by policy uncertainty in the US, this trend will only be sustainable if structural measures are taken to strengthen the EU's global competitiveness. This includes cutting excessive red tape, deepening the Single Market, and fostering innovation.

Thirdly, **retail investors are investing more in funds**. In 2024, EU households invested EUR 258 billion in investment funds — the second-highest figure of the past decade — while direct investments in listed stocks and bonds remained modest. This highlights the crucial role of investment funds in connecting EU retail savers with capital markets. However, 40% of European households' financial assets remain in low-yielding bank deposits. That is why helping retail investors channel their savings into long-term productive investments is one of the key objectives of the Savings & Investments Union.

Last but not least, **sustainable finance faces headwinds**. For the first time, SFDR Article 9 funds — those with explicit sustainability objectives — experienced annual net outflows. The reasons behind this are varied, but the signal to policymakers is clear. To preserve Europe's leadership in sustainable finance, we need a more coherent regulatory framework, including a revised SFDR that makes ESG and sustainability-related products more understandable and accessible to retail investors.

In closing, I would like to thank EFAMA's Research team for producing yet another insightful edition of the Fact Book. My gratitude also extends to our sponsors for their generous support, and to our member associations, whose country reports and data contributions are integral to the enduring success of this publication.

Sandro Pierri
EFAMA President

Part 1

Recent Developments in the European Investment Fund Industry

Boxes

Abbreviations

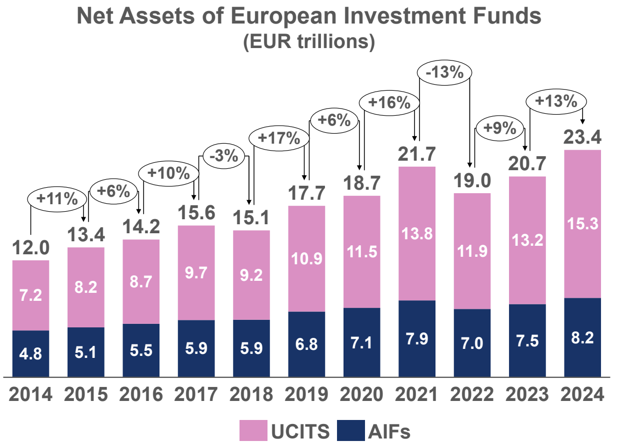
AI	Artificial Intelligence
AIF	Alternative Investment Fund
AIFMD	Alternative Investment Fund Managers Directive
APIs	Application Programming Interfaces
AMLD	Anti-Money Laundering Directive
ARIS	Absolute Return Innovative Strategies
AuM	Assets under Management
BEFIT	Business in Europe: Framework for Income Taxation
BIS	Bank for International Settlements
BMR	Benchmarks Regulation
CBF	Cross-Border Fund
CCPs	Central Counterparties
CLO	Collateralised Loan Obligation
CMU	Capital Markets Union
CNAV	Constant Net Asset Value
CSDDD	Corporate Sustainability Due Diligence Directive
CSDR	Central Securities Depositories Regulation
CSRD	Corporate Sustainability Reporting Directivel
DEBRA	Debt-Equity Bias Reduction Allowance
DLT	Distributed Ledger Technology
DORA	Digital Operational Resilience Act
EA	Euro area
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
EET	European ESG Template
EFC	European Fund Classification
EIOPA	European Insurance and Occupational Pensions Authority
ELTIF	European Long-term Investment Funds
EMIR	European Market Infrastructure Regulation
EMT	European MiFID Template
EONIA	Euro OverNight Index Average
ESAs	European Supervisory Authorities
ESG	Environmental, Social, and Governance
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ESRS	European Sustainability Reporting Standards
ETF	Exchange-traded Fund
EU	European Union
Euribor	Euro Interbank Offered Rate
FASTER	Faster and Safer Relief of Excess Withholding Taxes
FATF	Financial Action Task Forc
FiDA	Financial Data Access
FinDatEx	Financial Data Exchange Templates
FSB	Financial Stability Board
FTT	Financial Transaction Tax
GDP	Gross Domestic Product
GFC	Global Financial Crisis
ICI	Investment Company Institute
ICPF	Insurance Corporations and Pension Funds
IDD	Insurance Distribution Directive
IFR/IFD	Investment Firm Regulation / Investment Firm Directive
IFRS	International Financial Reporting Standards
IIFA	International Investment Funds Association

IMF	International Monetary Fund
IMMFA	Institutional Money Market Funds Association
IOSCO	International Organisation of Securities Commissions
ISAs	Investment Savings Accounts
ISSB	International Sustainability Standards Board
KID	Key Information Document
LDI	Liability-Driven Investment
LIBOR	London InterBank Offered Rate
LLM	Large Language Models
LT	Long-term
LVNAV	Low Volatility Net Asset Value
MBF	Market-Based Finance
MFI	Monetary Financial Institution
MiCA	Markets in Crypto-Assets
MiFID	Markets in Financial Instruments Directive
MIFIR	Markets in Financial Instruments Regulation
MMF	Money Market Fund
MMFR	Money Market Fund Regulation
NAV	Net Asset Value
NCA	National Competent Authority
NFRD	Non-Financial Reporting Directive
OECD	Organisation for Economic Co-operation and Development
OFI	Other Financial Intermediaries
OTC	Over-the-counter
PAI	Principal Adverse Impacts
PDCNAV	Public Debt Constant Asset Value
PEPP	Personal European Pension Product
PRIIPs	Packaged Retail Investment and Insurance-based Products
PSD	Payment Services Directive
QIF	Qualifying Investor Funds
RAIF	Reserved Alternative Investment Fund
RIS	Retail Investment Strategy
SECR	Securitisation Regulation
SFDR	Sustainable Financial Disclosure Regulation
SIF	Specialised Investment Fund
SIU	Savings and Investments Union
SME	Small and medium-sized enterprises
SNB	Swiss National Bank
SRD	Shareholders Rights Directive
UCITS	Undertakings for Collective Investment in Transferable Securities Directive
VAT	Value-added Tax
VfM	Value for Money
VNAV	Variable Net Asset Value
WFE	World Federation of Exchanges

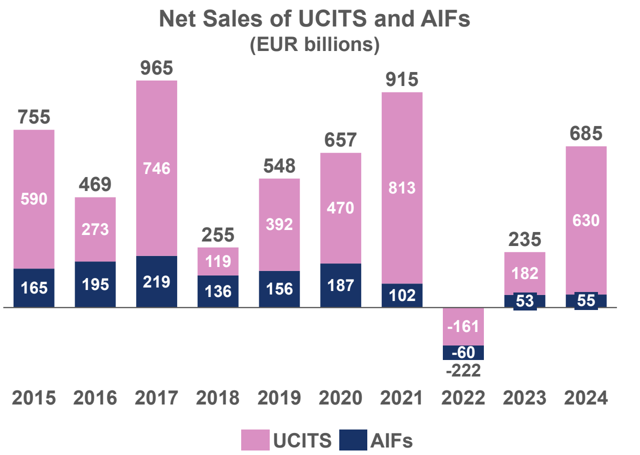
CHAPTER 1: KEY FINDINGS AND FIGURES

THE EUROPEAN INVESTMENT FUND INDUSTRY AT A GLANCE

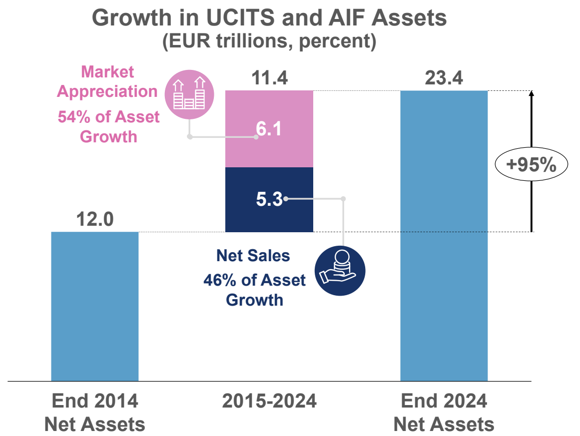
Net assets at end 2024
EUR 23.4 trillion
UCITS
EUR 15.3 trillion
AIFs
EUR 8.2 trillion



Net inflows in 2024
EUR 685 billion
UCITS
EUR 630 billion
AIFs
EUR 55 billion



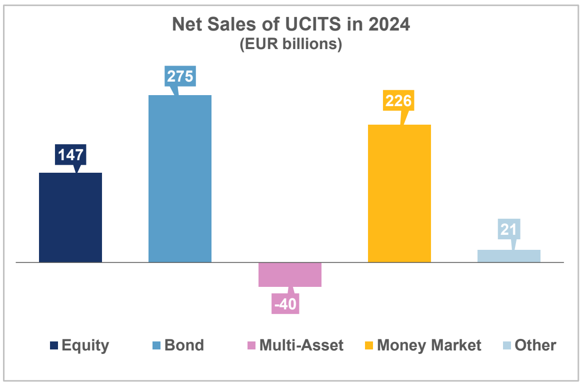
Net asset increase since end 2014
EUR 11.4 trillion
Market appreciation
EUR 6.1 trillion
Net sales
EUR 5.3 trillion



WHAT HAPPENED IN THE UCITS MARKET IN 2024?

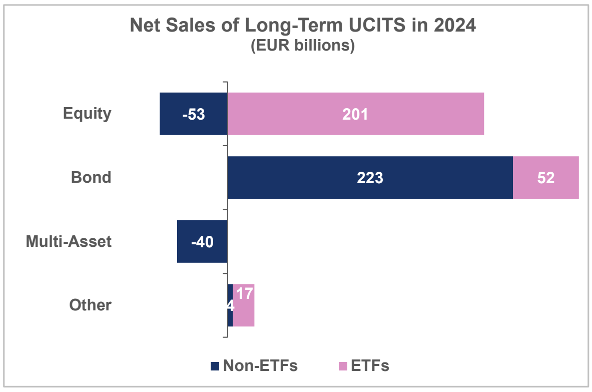
Bond and money market funds were the best-selling funds in the UCITS market.

Net sales of bond UCITS rose as central banks cut rates in 2024, with markets anticipating further easing. MMF inflows rose to a new record, supported by attractive short-term interest rates and the appeal of MMFs (Money Market Funds) as a cash-like alternative. Equity UCITS saw a notable rebound in net inflows, buoyed by robust stock market performance throughout the year. In contrast, multi-asset UCITS experienced net outflows for the second consecutive year.



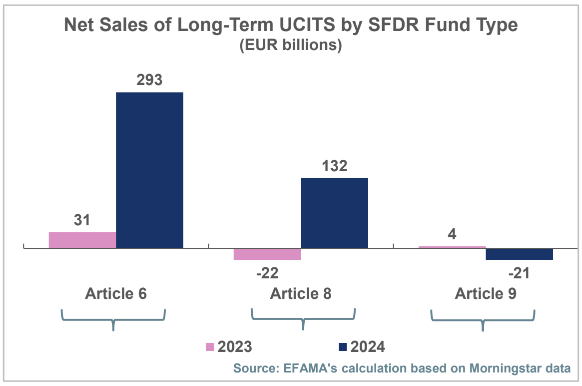
For the second year running, net sales of ETFs reached an all-time high, attracting EUR 269 bn in net inflows.

The record net inflows into ETFs were primarily driven by equity ETFs (EUR 201 bn). These contrast with the overall net sales of equity UCITS of only EUR 147 bn. This meant that non-ETF equity UCITS saw net outflows of EUR 53 bn throughout 2024, the second consecutive year of net outflows from non-ETF equity UCITS. In the bond UCITS market, both ETF and non-ETF bond UCITS saw net inflows, with non-ETF bond UCITS attracting more than four times the flows of their ETF counterparts.



SFDR Article 9 fund sales turned negative, while those of Article 8 and Article 6 funds rebounded.

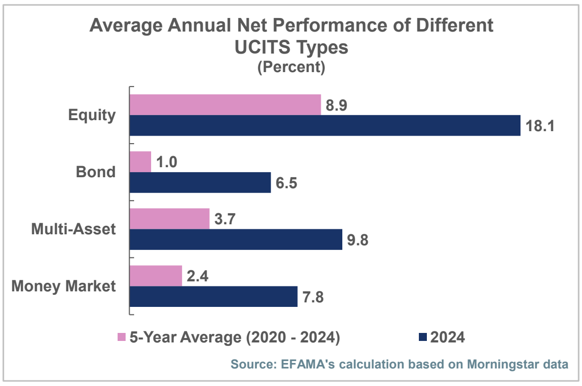
Net sales of SFDR Article 9 funds, which showed resilience during the 2022 market downturn, turned negative in 2024. Conversely, Article 6 and Article 8 funds saw a turnaround, with net inflows rising sharply. This shift was largely driven by the surge in popularity of ETFs and MMFs. Most ETFs, which typically track broad stock and bond indices, are classified under Article 6, while MMFs are predominantly categorised as Article 8. Most Article 9 funds are non-ETF equity funds, and saw overall net outflows in 2024.



HOW HAVE PERFORMANCES AND COSTS OF UCITS SHIFTED RECENTLY?

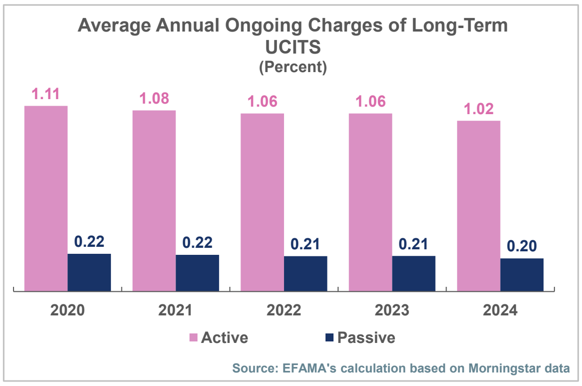
The average annual 2024 performances of all major types of UCITS outperformed the 5-year average.

Driven by robust stock market growth, equity UCITS delivered an average return of 18.1% in 2024, more than double the average for the past 5 years (8.9%). Thanks to higher interest rates, bond UCITS also performed well in 2024, with a return (6.5%) more than six times the average (1%). Multi-asset funds achieved an average return of 9.8% in 2024 compared to 3.7% on average. MMFs yielded 7.8% in 2024, higher than bond UCITS that year and a result of the inverted yield curve for much of the year.



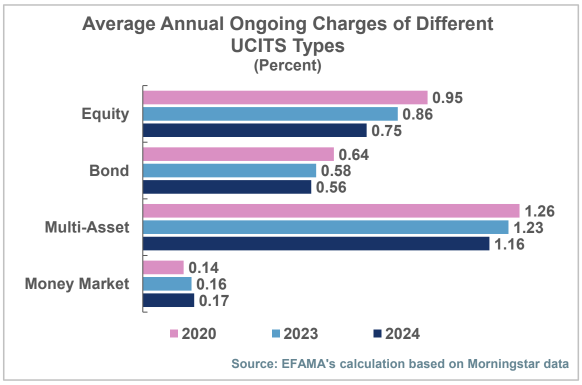
The average cost of long-term UCITS consistently decreased, both for active and passive funds.

Between 2020 and 2024, the average cost of active long-term UCITS declined from 1.11% to 1.02%, while fees for passive long-term UCITS fell from 0.22% to 0.20%. This downward trend is likely to continue, fuelled by increasing fee transparency and growing competitive pressure between managers, particularly between active and passive fund managers.



Fund costs have come down across the board for all major long-term UCITS types.

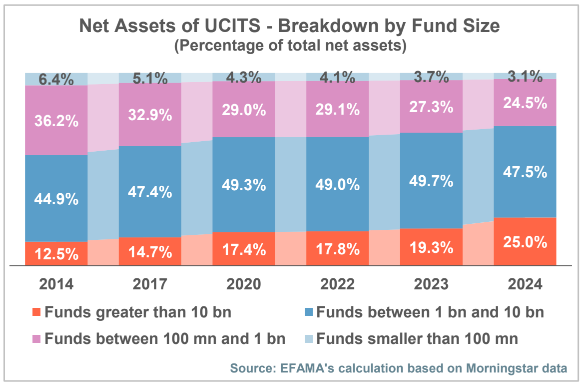
Equity UCITS saw their average costs gradually drop over the past years, declining by 20 basis points from 0.95% in 2020 to 0.75% in 2024. Average costs of bond UCITS dropped by eight basis points over the same period, down to 0.56%. Multi-asset UCITS remained pricier than other funds, but costs still decreased from 1.26% to 1.16%. With an average cost of just 0.17%, MMFs are significantly cheaper than long-term UCITS, although their fees edged up a little in recent years.



WHAT ARE THE LONG-TERM TRENDS IN THE UCITS INDUSTRY?

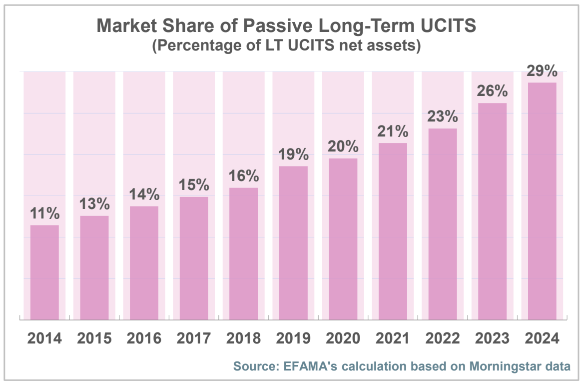
Larger funds account for an ever-increasing share of the UCITS market.

It is sometimes argued that Europe has too many small funds, which fail to fully leverage economies of scale and efficiently manage fixed costs. Indeed, by end 2024, there were around 11,400 UCITS with less than EUR 100 million under management. However, these small funds represent only 3.1% of the total UCITS market size, and their share is declining sharply. In contrast, the proportion of larger funds - those over EUR 1 billion and especially those over EUR 10 billion—continues to rise, helped in recent years by the popularity of ETFs and MMFs.



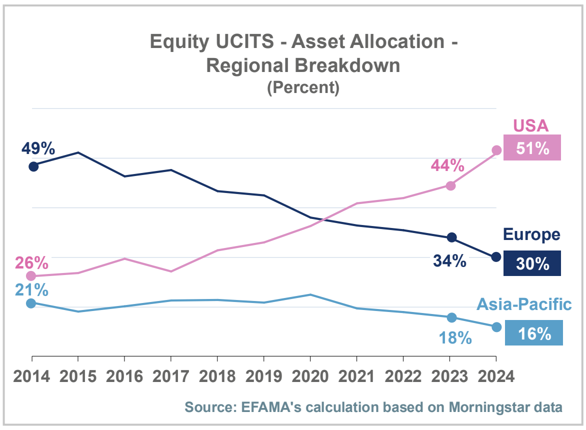
Passive UCITS are growing strongly in popularity.

The market share of passive UCITS climbed from 11% in 2014 to 29% by end 2024, growing by three percentage points throughout 2024. This sharp rise reflects growing investor preference for lower-cost investment funds and the increasing appeal of ETFs. Given that almost all ETFs are passive by design, they attracted net new money due to their cost-effectiveness, liquidity and ease of access.



The share of US stocks in the asset allocation of equity UCITS rose above 50% in 2024.

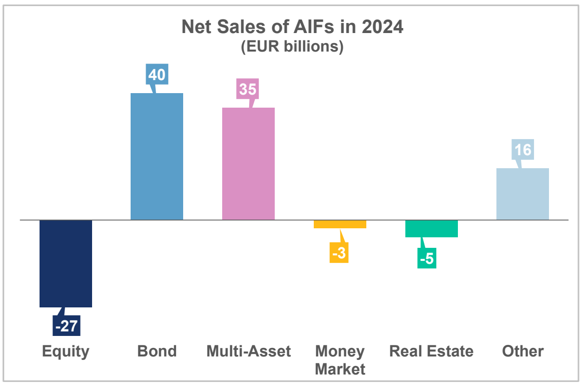
The share of US stocks in the asset allocation of equity UCITS rose to 51% by the end of 2024, almost doubling from the 26% of 2014. This shift reflects the strong performance of US stock markets over recent years, driven in large part by the exceptional growth of major US technology companies. In addition, growing investor demand for funds that track global indices - which are heavily weighted toward US equities - added to this trend. Likely, 2025 will finally see this trend reverse, as European stocks outperformed US ones in the first months of the year.



WHAT HAPPENED IN THE AIF MARKET IN RECENT YEARS?

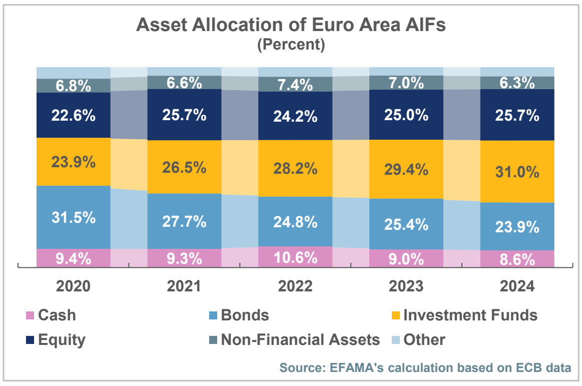
Net sales of AIFs were positive in 2024 but remained relatively muted, just like in 2023.

Net inflows into AIFs reached EUR 55 bn in 2024, slightly higher than in 2023 (EUR 53 bn). Due to their distinct investor base, AIFs follow a different sales pattern to that of UCITS. Bond AIFs led net sales with EUR 40 bn, followed by multi-asset AIFs at EUR 35 bn. In contrast, equity AIFs saw net outflows of EUR 27 bn, largely due to Dutch and Danish pension funds continuing to transition from AIF structures to segregated mandates.



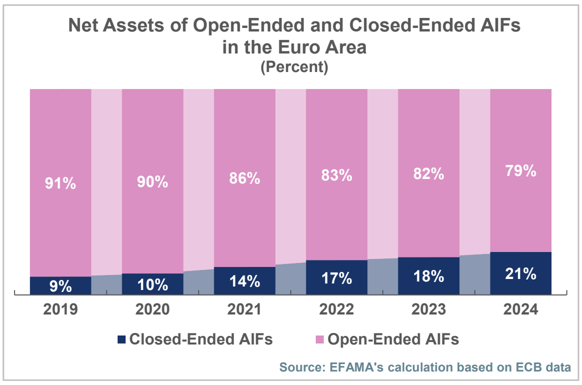
AIFs have gradually increased the proportion of investment funds in their asset allocation.

Over the past five years, the share of directly held bonds in the asset allocation of euro area AIFs has steadily declined. Meanwhile, allocations to directly held equities have fluctuated in line with stock market movements. In contrast, the proportion of investment funds held by AIFs has grown consistently. This shift indicates that AIF managers are increasingly turning to other fund managers for portfolio exposure, making greater use of passive strategies and ETFs as part of their asset-allocation decisions.



Closed-ended AIFs have seen robust growth in recent years.

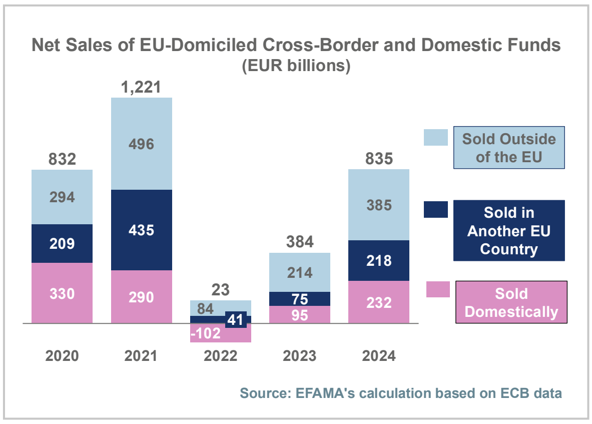
Closed-end funds issue only a fixed number of fund shares to a limited number of investors. Compared to open-ended funds, they are significantly less liquid investment option for investors, as fund shares cannot be redeemed directly by the fund. This gives these funds the flexibility to invest in less-liquid assets such as infrastructure or private debt, as they don't need to maintain cash buffers. The share of closed-ended AIFs has more than doubled - from 9% in 2019 to 21% in 2024 – driven by rising investor interest in private markets and the popularity of Reserved Alternative Investment Funds (RAIFs) in Luxembourg.



WHO INVESTS IN EUROPEAN INVESTMENT FUNDS?

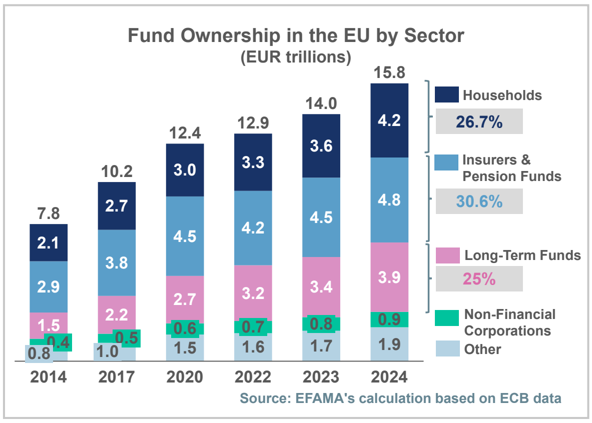
Investors outside the EU are increasingly key clients for the European fund industry.

Investment funds domiciled in the EU are distributed and sold domestically and internationally (cross-border), both within the EU and to investors outside of it. Over the past five years, net sales to non-EU investors averaged EUR 295 bn annually, highlighting the success of UCITS as a global brand. These net sales outpaced the average net sales of both domestic funds (EUR 169 bn) and cross-border funds sold within the EU (EUR 195 bn).



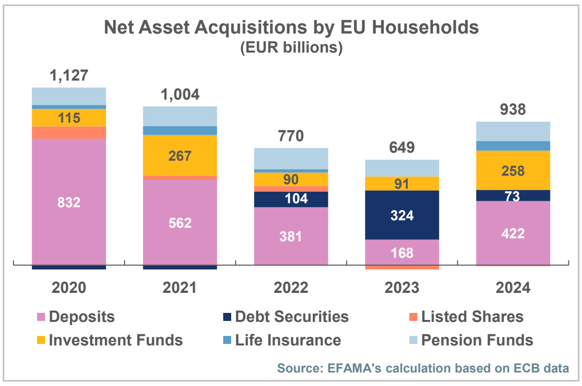
Insurers and pension funds are the largest fund investors in the EU, although households are growing in importance.

At end 2024, insurers and pension funds were the largest holders of UCITS and AIF net assets in the EU, with around EUR 4.8 tn, accounting for 30.6% of total fund ownership. Households were the second-largest investor category, owning EUR 4.2 tn in fund assets (26.7%), with their share gradually increasing. Long-term investment funds are the third-most prominent investor type, holding EUR 3.9 tn in fund assets (25%).



European households made strong fund purchases in 2024, highlighting the key role funds play for retail access to capital markets.

In 2023, funds faced direct competition from government bond issuances aimed at domestic retail investors. In some EU countries, governments successfully attracted household savers by offering higher yields than bank deposits, sometimes supported by tax incentives. In 2024, however, retail purchases of debt securities dropped while fund acquisitions rose to EUR 258 bn, the second-highest level in the past decade. This confirms that European retail investors largely rely on investment funds to gain exposure to capital markets.



WHERE ARE EUROPEAN FUNDS DOMICILED AND WHERE ARE THEY HELD?

	Funds by Country of Domiciliation at End 2024		Funds by Country of Ownership at End 2024	
Country	Net Assets (EUR billion)	Market Share	Net Assets (EUR billion)	Market Share
Austria	228	1.0%	325	1.5%
Belgium	231	1.0%	577	2.7%
Bulgaria	2	0.01%	6	0.03%
Croatia	4	0.02%	8	0.04%
Cyprus	7	0.03%	13	0.1%
Czech Republic	33	0.1%	82	0.4%
Denmark	307	1.3%	414	2.0%
Finland	183	0.8%	381	1.8%
France	2,502	10.7%	2,287	10.9%
Germany	2,808	12.0%	4,164	19.8%
Greece	24	0.1%	33	0.2%
Hungary	43	0.2%	68	0.3%
Ireland	4,993	21.3%	1,071	5.1%
Italy	443	1.9%	1,422	6.8%
Liechtenstein	142	0.6%	n.a.	n.a.
Luxembourg	5,820	24.8%	1,680	8.0%
Malta	24	0.1%	16	0.1%
Netherlands	902	3.9%	1,262	6.0%
Norway	208	0.9%	241	1.1%
Poland	89	0.4%	82	0.4%
Portugal	38	0.2%	86	0.4%
Romania	8	0.04%	10	0.05%
Slovakia	11	0.05%	37	0.2%
Slovenia	7	0.03%	11	0.1%
Spain	418	1.8%	822	3.9%
Sweden	657	2.8%	894	4.2%
Switzerland	986	4.2%	2,118	10.1%
Turkey	155	0.7%	122	0.6%
UK	2,152	9.2%	2,810	13.4%
Europe	23,428		21,044	

Funds by country of domiciliation

1	Luxembourg	25%
2	Ireland	21%
3	Germany	12%
4	France	11%
5	UK	9%

The top five countries accounted for **78%** of total net fund assets in Europe at end 2024.

Funds by country of management

1	UK	28%
2	France	18%
3	Germany	14%
4	Switzerland	11%
5	Netherlands	5%

The top five countries accounted for **77%** of the investment fund assets managed in Europe at end 2023.

Funds by country of ownership

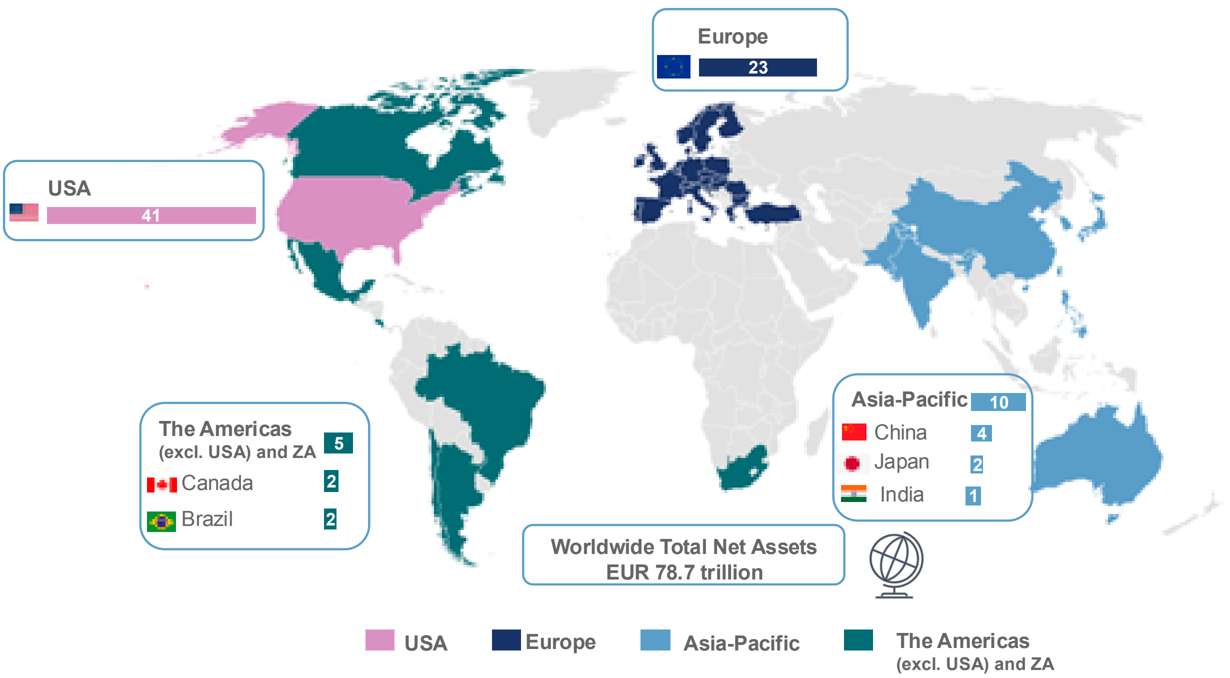
1	Germany	20%
2	UK	13%
3	France	11%
4	Switzerland	10%
5	Luxembourg	8%

The top five countries accounted for **62%** of fund ownership in Europe at end 2024.

Source: EFAMA Asset Management Report 2024

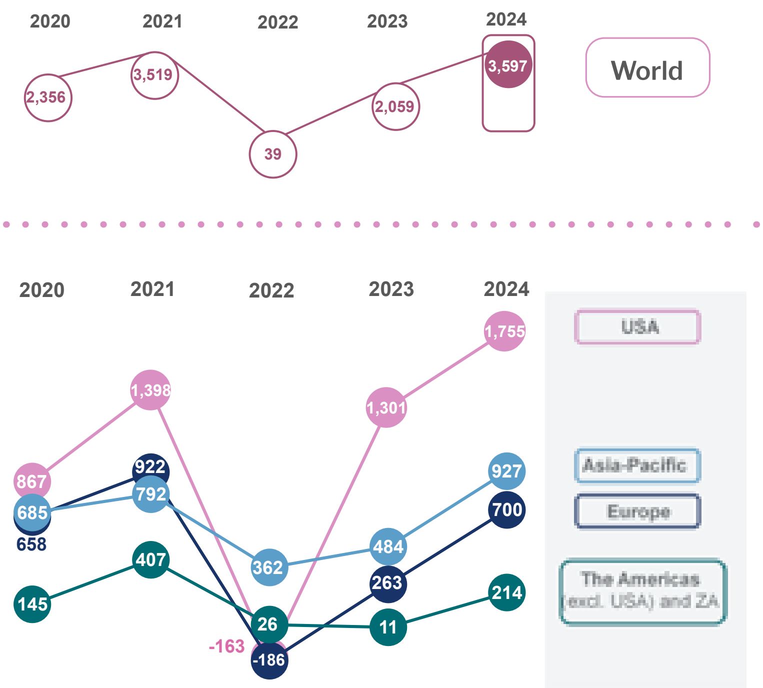
WHERE ARE FUNDS DOMICILED ACROSS THE WORLD?

Worldwide Assets of Investment Funds at End 2024
(EUR trillions)

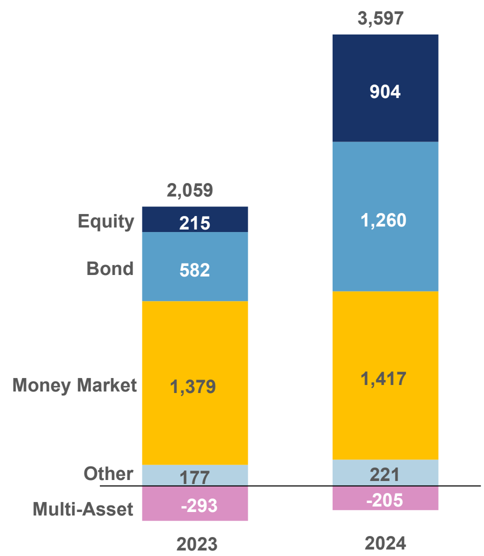


WHAT HAPPENED IN THE WORLD FUND MARKET IN RECENT YEARS?

Net Sales of Investment Funds by Domicile
(EUR billions)



Net Sales of Investment Funds by Type
(EUR billions)



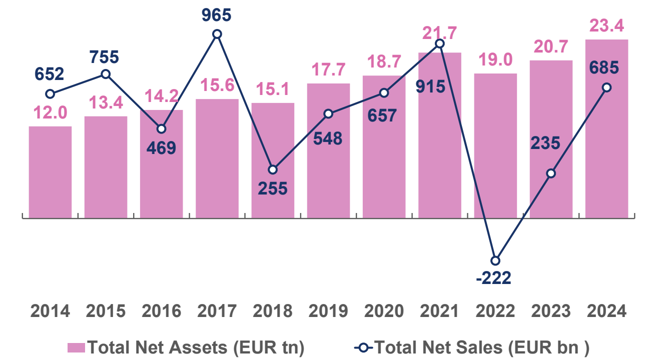
CHAPTER 2: INVESTMENT FUNDS IN EUROPE BY FUND DOMICILE

2.1 OVERVIEW

This chapter provides an overview of the evolution of the European investment fund industry.[i] It examines the trends in net asset growth and net sales of the different fund types - both UCITS and AIFs - domiciled in Europe and in individual European countries. It also delves deeper into the cost, performance and asset allocation of the main fund types.

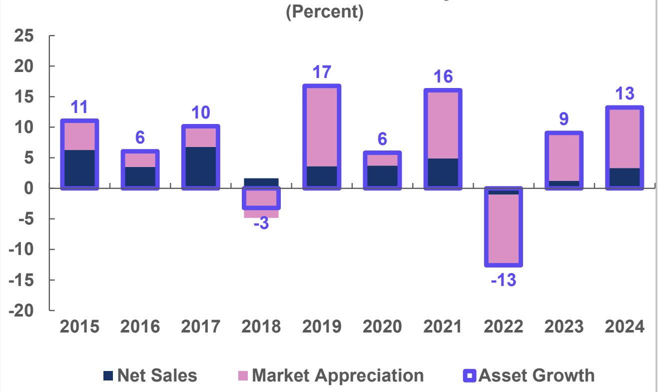
Net assets and net sales of funds. In 2024, net assets increased by 13% to a new record of EUR 23.4 tn. Net sales also grew, with net inflows of EUR 685 bn in 2024, almost tripling the EUR 235 bn of 2023.

2.1: Total Net Assets and Net Sales of European Investment Funds



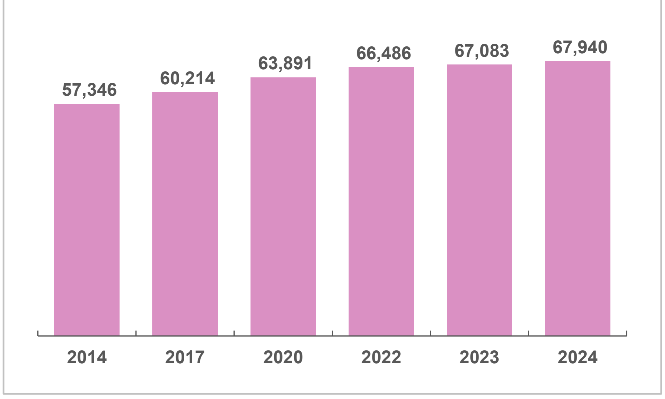
Breakdown of net asset growth. Breaking down the yearly net asset growth of European funds, we can separate the individual effects of net sales and market appreciation. Since 2021, market appreciation has had a substantially higher impact on total asset growth than net sales.

2.2: Total Funds Asset Growth by Source
(Percent)



Number of investment funds. The number of European-domiciled funds continued to increase, with a net 857 new funds being added over the year. This reached a total of 67,940 by end 2024. Overall since 2014, the total number of funds has risen by 18.5%.

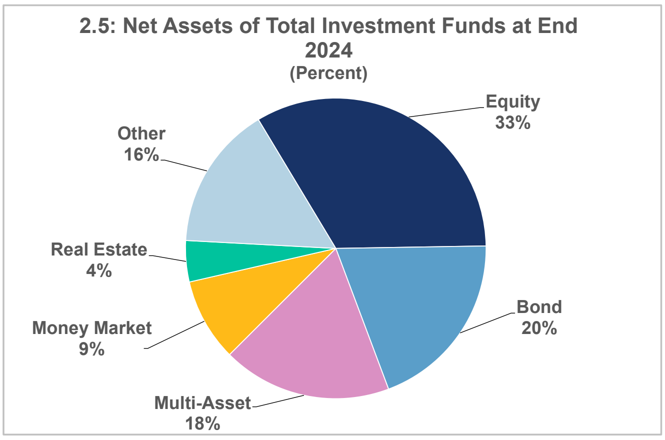
2.3: Number of European Investment Funds

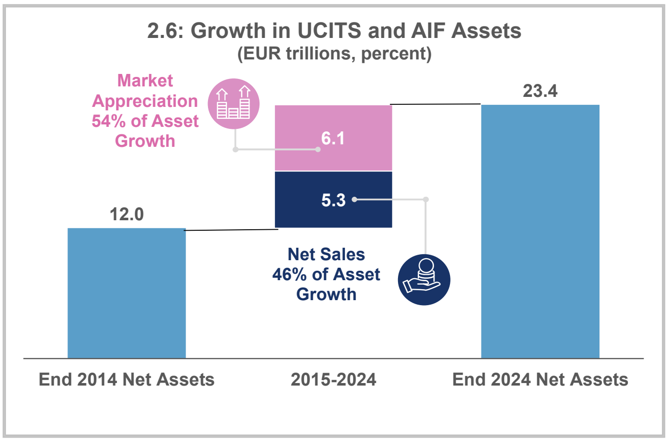


Average fund size. Despite the increase in the number of funds, the average size of a European investment fund has steadily grown over the last decade, as net sales and market appreciation outpaced new fund creation. Between 2014-2024, the average fund size has risen from EUR 210 million to EUR 345 million, an increase of almost 65%.

2.4: Evolution of Average Fund Size in Europe
(EUR millions)

Breakdown by type of fund. Investment funds are classified by the nature of their principal investments. By end 2024, equity funds accounted for 33% of total European fund net assets. Bond funds took second place at 20%, followed by multi-asset funds at 18%, other funds at 16%, MMFs (Money Market Funds) at 9% and real estate funds at 4%.





Ten-year asset growth. Net assets of total European funds have almost doubled (up 95%) over the past ten years. European funds attracted EUR 5.3 tn in net new inflows between 2015-2024. These cumulative net sales represented almost 46% of the total net asset growth of European investment funds over that period. Market appreciation of EUR 6.1 tn accounted for the remaining 54% increase.

Country shares in 2014 and 2024. The table below shows the size of the investment fund industry in both 2014 and 2024. It compares the evolution of market share for each fund domicile. The same five countries - Luxembourg, Ireland, Germany, France and the UK - continue to hold the largest market shares in Europe. Combined, their net assets amounted to around 78% of European investment fund assets in 2024, slightly higher than the 2014 combined share (77%).

2.7: Net Assets of Nationally Domiciled UCITS and AIFs (1)
(EUR billions, percent)

Members	Total Assets 2024	Market Share	Total Assets 2014	Market Share	Members	Total Assets 2024	Market Share	Total Assets 2014	Market Share
Europe	23,427.7	100%	12,044.3	100%	Finland	183.4	1%	84.5	1%
Luxembourg	5,820.1	25%	3,095.0	26%	Turkey	154.9	0.7%	27.7	0.2%
Ireland	4,992.6	21%	1,663.9	14%	Liechtenstein	142.4	0.6%	38.3	0.3%
Germany	2,808.3	12%	1,582.2	13%	Poland	88.7	0.4%	48.9	0.4%
France	2,502.0	11%	1,599.2	13%	Hungary	43.5	0.2%	17.5	0.1%
United Kingdom	2,152.1	9%	1,331.2	11%	Portugal	38.4	0.2%	23.8	0.2%
Switzerland	986.4	4%	420.5	3%	Czech Republic	33.3	0.1%	6.1	0.1%
Netherlands (2)	902.1	4%	716.1	6%	Greece	24.1	0.1%	7.5	0.1%
Sweden	657.4	3%	255.0	2%	Malta	23.8	0.1%	9.7	0.1%
Italy	443.4	2%	262.0	2%	Slovakia	11.2	0.05%	5.4	0.04%
Spain	417.5	2%	229.2	2%	Romania	8.4	0.04%	5.7	0.05%
Denmark	307.4	1%	241.5	2%	Cyprus	7.1	0.03%	-	-
Belgium	230.5	1%	113.9	1%	Slovenia	7.0	0.03%	2.1	0.02%
Austria	227.7	1%	162.5	1%	Croatia	4.4	0.02%	2.0	0.02%
Norway	207.8	1%	92.4	1%	Bulgaria	1.7	0.01%	0.4	0.003%

(1) UCITS and AIF combined for 2024. UCITS and Non-UCITS combined for 2014.

(2) 2014 Data for the Netherlands is estimated on the basis of ECB data.

Box 1
Can FiDA deliver on its promises?

Author: **Zuzanna Bogusz**

It has now been three years since the European Commission launched a consultation on the Open Finance framework, with the idea of creating a similar solution to PSD2 for a broader range of financial data. This initiative took the shape of the Financial Data Access Regulation (FiDA)[1], with the proposal being published in June 2023.

The idea behind FiDA is simple. Financial entities (data holders) gather data on their customers while providing them with financial services. This is required in order to be able to offer them products suitable to their needs and to keep track of their financial transactions, as well as to fulfil the multiple regulatory obligations. At the same time, other non-financial entities (data users) would be interested in accessing the data to provide customers with other, potentially innovative services. Lying between those two are the customers, the owners of their data and those who need to consent to sharing their information between the data holders and the data users.

This is where the simplicity ends and questions begin. First, which customers should benefit from the framework? As the entire concept is based on the need to embolden customers to share their data in order to acquire new services, it is clearly designed with retail customers in mind. Unlike them, however, professional customers would not use solutions that allow systemic access to their data; instead, they would search for custom-made products. Second, which data exactly should be shared, as not all of the data relating to the customer belongs to them? Additional information is created during the course of a financial entity's operations, including significant knowhow of the financial institution and, as such, should be protected from access by third parties. Different financial products require different data from customers, not necessarily about themselves alone nor always in a standardised form. So how their transfer could happen in an organised, instant and - most importantly - secure manner, commensurate with the sensitivity of this data. This is for the data holders and data users to decide when agreeing on financial data sharing schemes. It is, however, unclear how many of such schemes, on the EU or national level, bilateral or between multiple parties, and how exactly they should be established. Moreover, there is the question of which entities should have this broad access to EU citizens' financial data; once given, such access might not easily be retracted. What impact would it have on the EU's competitiveness and the security of customers' data if it were shared outside of the bloc? Would those entities with vast technological capabilities further strengthen their dominant position and add another layer of data to all the information that they already possess? These are the questions that both the European Parliament and the Council are now trying to respond to - with the help of the Commission - during the trilogue discussions on FiDA.

Among them is another question – arguably the most pivotal one - of whether EU customers will actually be interested in this new possibility? As there is insufficient evidence of actual customer demand for FiDA, these efforts to make sure that data are suitably standardised for sharing, to set up data-sharing schemes, permission dashboards and - most importantly secure and well-tested APIs - could become ineffective. Without an assessment of the customer demand enshrined in the FiDA framework, it could end up imposing an additional regulatory and administrative burden and disproportionate costs on the financial industry, without any real gain. This would go against the current aim of strengthening EU competitiveness and regulatory simplification. If there is no clear idea of how this important element could be embedded in the FiDA, and consequently whether FiDA will be able to deliver on its promises, maybe now is not the time for this framework?

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1 Proposal for a Regulation of the European Parliament and of the Council on a framework for Financial Data Access and amending Regulations (EU) No 1093/2010, (EU) No 1094/2010, (EU) No 1095/2010 and (EU) 2022/2554, 2023/0205 (COD) (FiDA).

2.2 UCITS AND AIFS

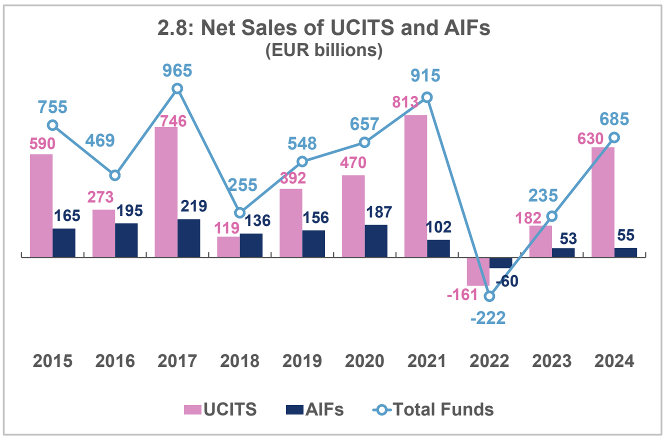
UCITS and AIFs. EFAMA classifies European investment funds according to the relevant EU Directive that regulates their activities; the UCITS or AIFM Directives.

The UCITS Directive ('Undertakings for Collective Investments in Transferable Securities') refers to the EU Directive that established a 'single licence' regime for collective investment schemes dedicated to assets raised from investors. UCITS benefit from a 'passport', which allows them - subject to notification - to be offered to investors in any jurisdiction of the EEA (European Economic Area), once registered in a Member State.

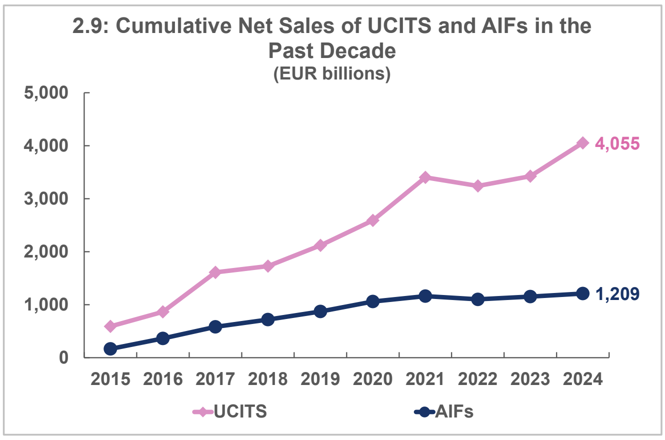
The AIFM Directive ('Alternative Investment Fund Managers') created a framework for those investment funds regulated in accordance with specific national requirements, but that do not meet the requirements of the UCITS Directive. The AIFMD also established a 'UCITS-like' regime, with authorisation and ongoing supervision as well as a passport for distributing AIFs to professional investors across Europe. It was transposed into Member State law in July 2013.

UCITS and AIF market shares. In 2014, UCITS funds made up 60% of the total fund market, with AIFs accounting for the remainder. Over the past decade, the UCITS market share has steadily increased, due to a combination of stronger asset growth and higher net sales. By end 2024, the UCITS share had reached 65%.

Net sales of UCITS and AIFs. European investment saw solid net inflows in 2024 (EUR 685 bn), a substantial rise on the relatively subdued net inflows of 2023 (EUR 235). Net sales were also higher than the average for the past decade (EUR 526 bn). The strong net sales of 2024 were almost entirely attributable to the UCITS market, with net inflows more than tripling from EUR 182 bn in 2023 to EUR 630 bn in 2024. The net flows of AIFs were positive (EUR 55 bn), but relatively modest compared to the early years of the decade. Due to their distinct investor base, AIFs follow a different sales pattern. Unlike for UCITS, the 2022 net outflows from AIFs did not result from turbulent markets, but rather from Dutch and Danish pension funds restructuring their AIF wrappers in response to the IFR/IFD prudential rules. This trend slowed in 2023 and 2024.



Ten-year cumulative net sales. Over the past decade, UCITS recorded cumulative net sales of EUR 4,055 bn, driven primarily by strong net inflows in 2015, 2017, 2020–2021 and 2024. In contrast, cumulative net inflows into AIFs over the same period totalled EUR 1,209 bn. Unlike the more volatile UCITS flows, heavily impacted by fluctuations in the broader financial market, AIF net sales remained fairly stable, particularly in the first half of the decade. This stability was largely due to consistent demand from institutional investors, who typically have longer investment horizons and are less affected by short-term market fluctuations.

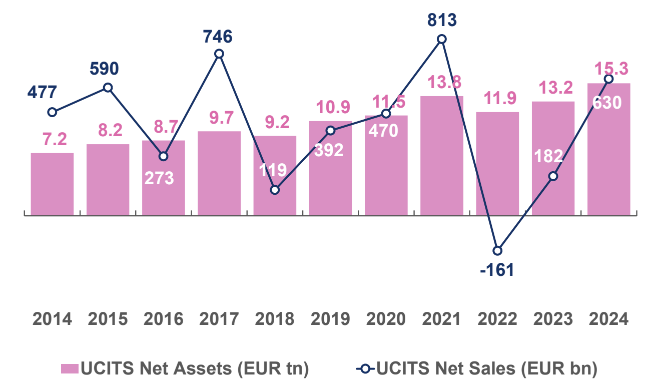


2.3 THE UCITS MARKET

2.3.1 Overview[ii]

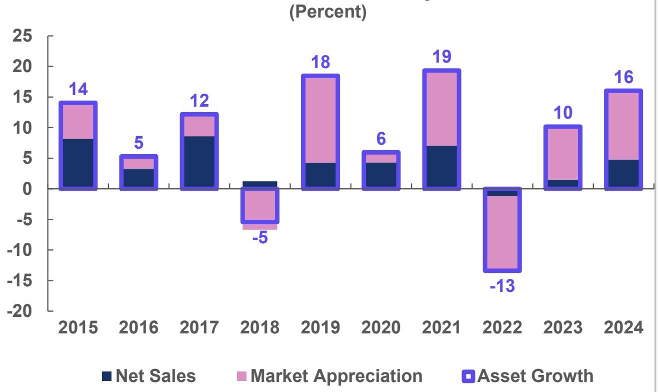
Net assets and net sales of UCITS. Evolutions in the net assets and net sales of UCITS generally reflect trends in the stock and bond markets. Strong capital market performances regularly coincide with high net fund sales and substantial asset growth, as seen in 2017 and 2021. In contrast, 2022 was a challenging year, with declines in both bond and stock markets leading to net outflows. Thanks to attractive bond yields and a strong performance of stock markets, however, 2024 saw robust net inflows of EUR 630 bn.

2.10: Net Assets and Net Sales of UCITS



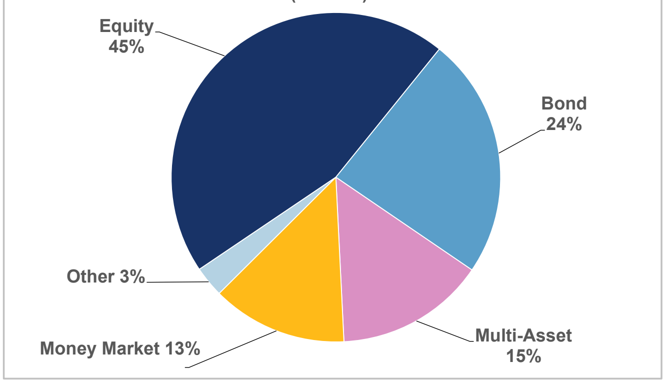
Breakdown of net asset growth. Breaking down the yearly net asset growth allows to distinguish between the impact of net sales and market appreciation. Net assets of UCITS grew by 16% in 2024, up 10% on 2023. Market appreciation accounted for 11% of total asset growth, while net sales contributed approximately 5%.

2.11: UCITS Asset Growth by Source
(Percent)

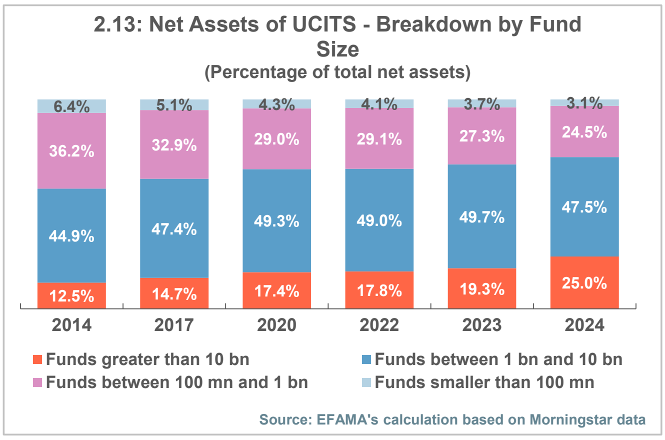


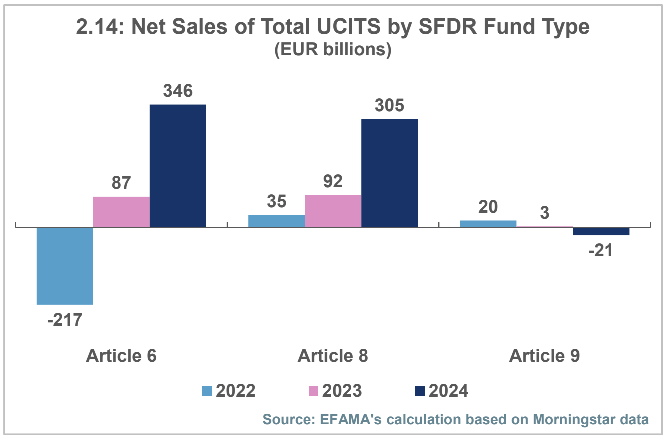
Breakdown by type of UCITS. By end 2024, equity funds had the largest share of UCITS net assets at 45%, followed by bond funds at 24%. Multi-asset funds accounted for 15%, with MMFs fourth with a 13% share. The remaining 3% of assets were classified as 'other UCITS'.

2.12: Net Assets of UCITS at End 2024
(Percent)



Breakdown by fund size. The UCITS market, measured by net assets, can be further broken down by the respective sizes of individual funds.[iii] The European fund industry is often criticised for the excessive number of small funds, which can lead to higher costs for investors due to limited economies of scale. According to Morningstar data, by end 2024, there were approximately 11,400 UCITS smaller than EUR 100 million, with 11,800 funds exceeding this threshold. However, these smaller funds accounted for only around 3% of total UCITS net assets, down from 6.4% in 2014. At the same time, funds larger than EUR 1 bn - in particular, those exceeding EUR 10 billion—have gained significant market share, reflecting a growing investor preference for these larger funds. The share of funds greater than EUR 10 billion shoot up in 2024 from below 20% at end 2023 to above 25%. This was primarily the result of the record net sales in MMFs (see section 2.3.6) and ETFs (see section 2.3.8) during 2024, both fund types tend to be highly concentrated in very large funds.

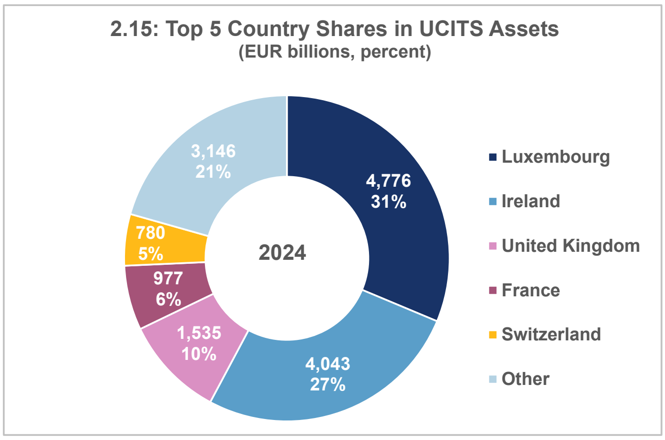




The Sustainable Finance Disclosure Regulation (SFDR) came into effect in March 2021. Among other obligations, the SFDR requires asset managers to make specific, sustainability-related disclosures across their product range. These were set out in Articles 6, 8 and 9 of the Regulation. Although it was not the EU regulators' intention for these Articles to be treated as de facto product labels, the application of SFDR has, in practice, split the EU fund universe into three distinct categories. Each of these is named after the relevant SFDR Article: Article 8 funds are those with sustainability characteristics, Article 9 funds are those with explicit sustainability objectives and Article 6 funds are generally considered to be funds with no binding environmental, social or governance characteristics.

SFDR funds - Net sales. Analysing net sales by SFDR classification reveals a striking reversal in the trends for Article 6 and Article 9 funds. The former - which experienced significant net outflows in 2022 - saw strong net inflows in 2024, largely driven by the success of ETFs, which are predominantly classified as Article 6. Conversely, Article 9 funds shifted from resilient net inflows in 2022 to net outflows in 2024. Article 8 funds recorded robust net inflows in 2024, primarily due to both strong inflows into bond UCITS and record net sales of MMFs.

The top five domiciles for UCITS. Luxembourg (31%) was the largest domicile at end 2024, followed by Ireland (27%), the UK (10%), France (6%) and Switzerland (5%).[iv] Combined, these countries accounted for 79% of total UCITS net assets in 2024.



Net assets of UCITS by domicile. Table 2.16 shows the net assets of UCITS and the market shares per country of domiciliation at end 2024, as well as the asset growth in 2024.[v] Due to a general increase in stock markets during 2024, all 29 European domiciles registered a rise in net assets, similar to 2023. Most domiciles experienced double-digit increases, with a few countries registering even higher asset growth. Both Hungary (144%) and Turkey – Türkiye (137%) more than doubled their net assets during 2024 via a combination of exceptionally high net sales and favourable exchange rate evolutions versus the euro. Several other smaller, domiciles also registered robust growth rates above 30% in 2024; Croatia (41%), Greece (39%), Romania (34%) and Slovenia (31%). Among the largest domiciles, Ireland saw the strongest growth in 2024 (26%).

Net sales of UCITS by domicile. Almost all European domiciles registered net UCITS inflows in 2024. Ireland accounted for the bulk of net sales (EUR 407 bn), followed by Luxembourg (EUR 58 bn) and Turkey - Türkiye (EUR 47 bn). Net inflows into Irish UCITS were the highest ever, a direct result of the record net sales of MMFs and ETFs, as most of these are domiciled in Ireland. The net sales of funds in Turkey - Türkiye were also exceptionally high in 2024. Domestic Turkish investors rushed into MMFs as a higher-yielding alternative to deposits and ARIS (Absolute Return Innovative Strategies) funds - which rely heavily on derivatives – as a way of seeking protection from rampant inflation. Spain (EUR 31 bn) and Switzerland (EUR 30 bn) complete the top five in terms of 2024 net sales. Sizeable net inflows were also recorded in Italy and Sweden (both EUR 16 bn). Only two domiciles registered net outflows in 2024, the UK (EUR 36 bn) and Liechtenstein (EUR 1 bn).

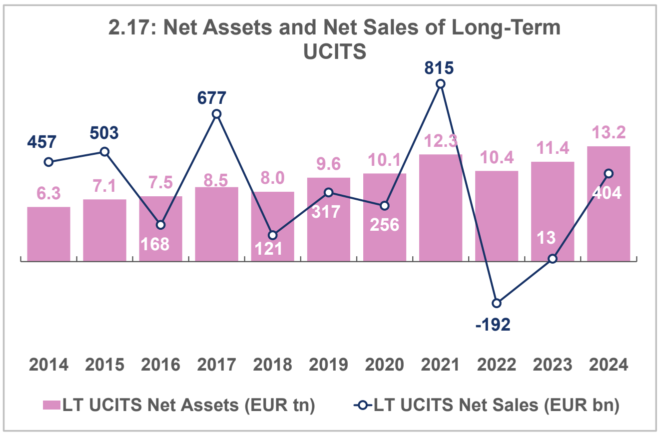
2.16: Net Assets and Net Sales of UCITS by Country (1)

Country	Net Assets of Nationally Domiciled UCITS			Net Sales of Nationally Domiciled UCITS	
	EUR bn at End 2024	Market Share at End 2024	Growth Rate at End 2024	EUR bn, in 2024	Accumulated 2020 - 2024
Austria	105.8	0.7%	8%	0.1	12.8
Belgium	229.1	1.5%	14%	6.3	32.7
Bulgaria	1.5	0.01%	19%	0.2	0.5
Croatia	3.2	0.02%	41%	0.8	0.2
Cyprus	0.6	0.004%	23%	0.1	0.1
Czech Republic	29.4	0.2%	22%	3.5	11.8
Denmark	199.3	1.3%	15%	5.6	29.4
Finland	164.1	1.1%	25%	9.3	18.7
France	977.0	6.4%	7%	5.2	43.4
Germany	549.1	3.6%	13%	5.9	49.6
Greece	17.9	0.1%	39%	4.0	9.5
Hungary	3.8	0.02%	144%	1.1	1.0
Ireland	4,043.4	26.5%	26%	406.8	1,075.2
Italy	309.7	2.0%	23%	16.1	23.4
Liechtenstein	36.6	0.2%	6%	-1.1	-0.4
Luxembourg	4,776.5	31.3%	11%	57.6	240.5
Malta	3.1	0.02%	7%	-0.01	-0.1
Netherlands	98.3	0.6%	20%	3.4	-2.1
Norway	191.6	1.3%	16%	8.4	32.1
Poland	36.8	0.2%	29%	6.1	4.3
Portugal	20.0	0.1%	12%	1.3	6.6
Romania	4.7	0.03%	34%	1.0	-0.3
Slovakia	7.6	0.05%	16%	0.4	1.3
Slovenia	6.2	0.04%	31%	0.5	1.7
Spain	381.2	2.5%	17%	30.8	93.7
Sweden	631.1	4.1%	13%	15.7	59.7
Switzerland	779.9	5.1%	13%	29.9	167.1
Turkey	115.1	0.8%	137%	47.3	81.7
United Kingdom	1,534.9	10.1%	12%	-36.1	-59.3
Europe	**15,257**	**100%**	**16%**	**630**	**1,935**

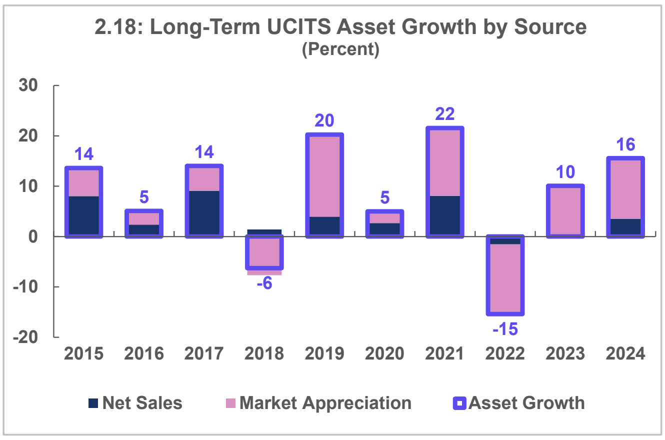
(1) Funds domiciled in Switzerland, Turkey and the United Kingdom that fulfill the UCITS criteria are classified as UCITS.

2.3.2 Long-term UCITS

Net assets and net sales of long-term UCITS. Long-term UCITS - which exclude money market funds (MMFs), - saw assets rise to EUR 13.2 tn at end 2024, up from EUR 11.4 tn in 2023. Net sales also picked up, increasing to EUR 404 bn compared to EUR 13 bn in 2023. The 2024 sales were high in comparison to the average for the past decade (EUR 322 bn).

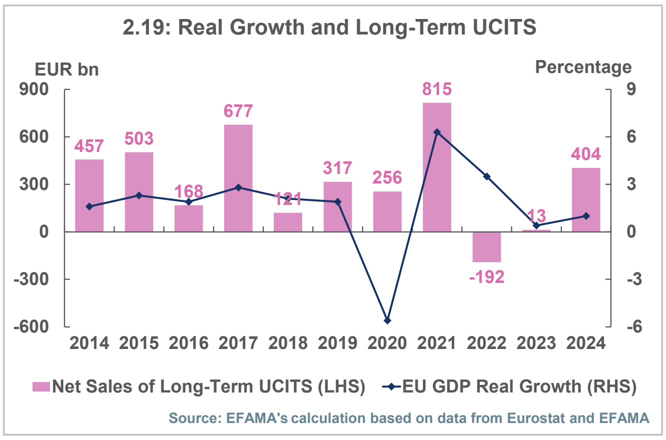


Breakdown of net asset growth. Net assets of long-term UCITS grew by 16% in 2024, the third-highest growth of the decade. The bulk of the 16% increase in net assets can be attributed to a market appreciation effect (12%), mainly from equity markets increases. The net sales of long-term UCITS contributed around 3.5% to the total net assets increase during the year.

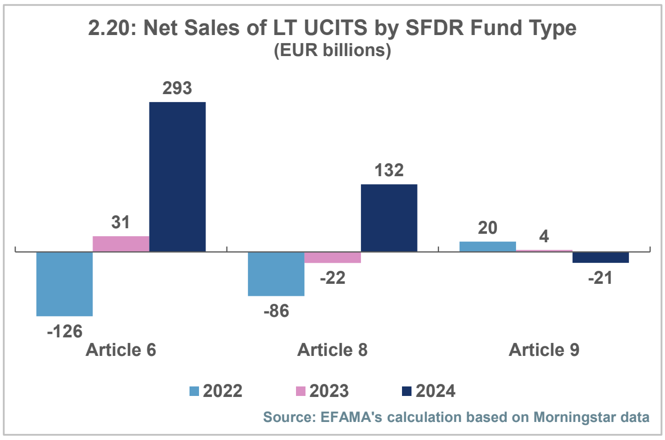


Net sales of long-term UCITS and real GDP growth. There is a positive correlation (0.31) between net sales of long-term UCITS and annual GDP growth in the same year. This underscores the influence of investor perceptions of the economic outlook on their demand for long-term UCITS. For example, the onset of the COVID-19 pandemic in 2020 led to a decline in net sales, followed by a strong economic recovery and record-breaking inflows in 2021.

In 2022, GDP contracted and net sales dropped sharply, due to the conflict in Ukraine and rising interest rates. By 2024, GDP growth picked up once again and net inflows saw a corresponding upswing.

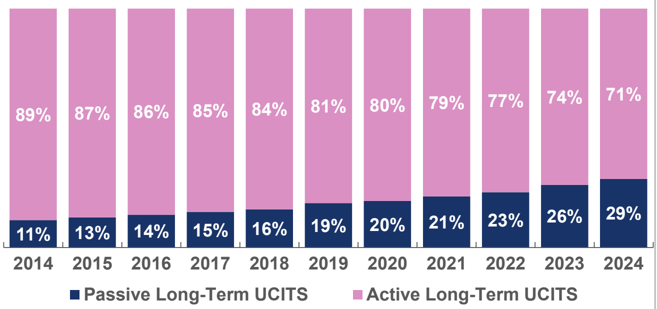


Net sales of SFDR funds. Examining the net flows of long-term UCITS by type of SFDR funds reveals a notable shift over the past three years. Article 6 funds shifted from strong net outflows in 2022 - due to an overall sell-off of funds that year - to positive net sales in 2023, rising to EUR 293 bn in 2024. This was mainly thanks to significant net inflows into ETFs (see Section 2.3.8). Article 8 funds followed a similar trend, moving from net outflows in 2022 to smaller net outflows in 2023 and then to sizeable net inflows in 2024, mainly driven by bond UCITS (See Section 2.3.4). Article 9 funds, meanwhile, exhibited the reverse pattern, shifting from strikingly resilient net inflows in 2022 - a year of general net outflows from long-term UCITS - to negative net sales in 2024.



Active and passive long-term UCITS. Another key distinction within the long-term UCITS universe is that between active and passive funds. Passive funds, also known as index funds, are designed to track a market index by investing in the same securities at the same weight. The sole aim of a passive fund manager is to replicate the performance of their tracked index. In contrast, portfolio managers of active funds adjust the holdings on an ongoing basis, aiming to deliver a performance that beats the fund's stated benchmark or index. They rely on expertise and in-depth research to decide where and when to invest in order to earn a return superior to that of an index or to meet other investment objectives, such as limiting risk or incorporating ESG criteria. As shown below, active funds typically have higher costs than passive ones. This difference is one of the reasons for the rapid growth of passive funds in recent years, with their market share rapidly increasing from 11% of total long-term UCITS net assets in 2014, to 29% by end 2024.

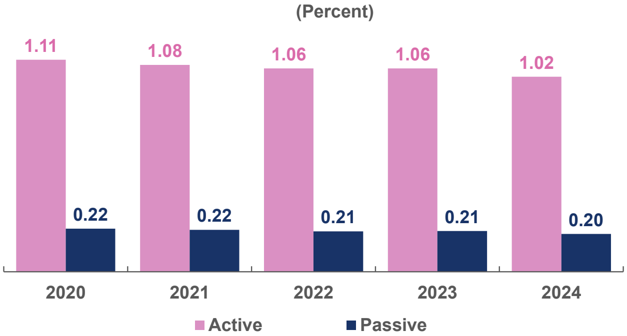
2.21: Net Assets of Active and Passive Long-Term UCITS
(Percent)



Source: EFAMA's calculation based on Morningstar data

Cost of long-term UCITS. Over the past five years, long-term UCITS have seen a gradual drop in costs. Active long-term UCITS reduced their ongoing charges from 1.11% in 2020 to 1.02% in 2024, while passive long-term UCITS saw a more modest decrease, from 0.22% in 2020 to 0.20% in 2024.

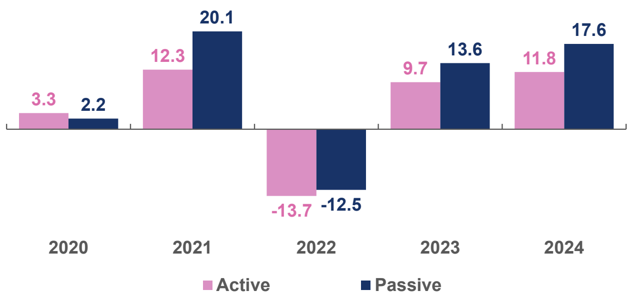
2.22: Average Annual Ongoing Charges of Long-Term UCITS
(Percent)



Source: EFAMA's calculation based on Morningstar data

Net performance of long-term UCITS. The net performance of long-term UCITS (after costs) was strong in 2024, the second-highest of the past five years. Active long-term UCITS achieved an average net performance of 11.8% in 2024, compared to 17.6% for passive long-term UCITS.

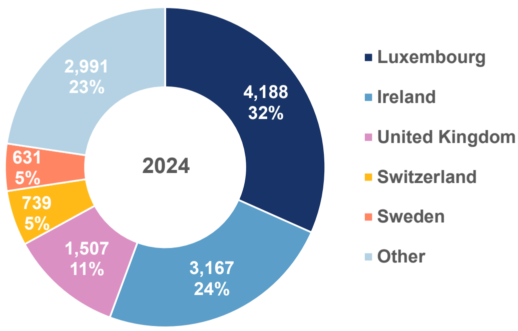
2.23: Average Annual Net Performance of Long-Term UCITS
(Percent)



Source: EFAMA's calculation based on Morningstar data

Top five domiciles for long-term UCITS. Luxembourg is the largest domicile for long-term UCITS in Europe (32%), followed by Ireland (24%), the UK (11%), Switzerland (5%) and Sweden (5%). Other European countries accounted for the remaining 23% of the market.

2.24: Top 5 Country Shares in Long-Term UCITS Net Assets
(EUR billions, percent)



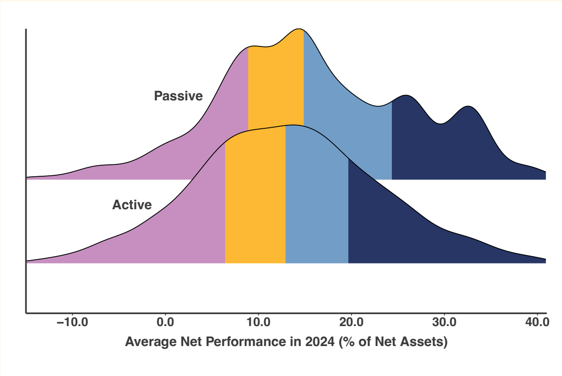
Box 2
UCITS Net Returns in 2024 and So Far in 2025

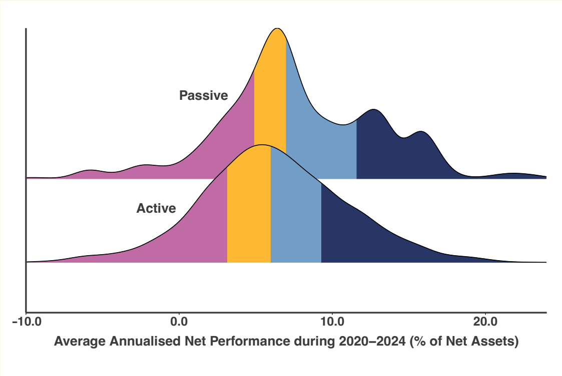
Author: **Vera Jotanovic**

Despite a complex landscape marked by sticky inflation, shifting interest rate expectations and ongoing geopolitical tensions, equity UCITS still delivered a strong average net performance of 18.1% in 2024.[1] As the ECB (European Central Bank) and other major central banks indicated they would stop raising interest rates, yields began to stabilise, increasing bond prices as a result. Following a challenging 2022–2023, this brought about a notable rebound in bond UCITS, as they posted an average net performance of 6.5%.

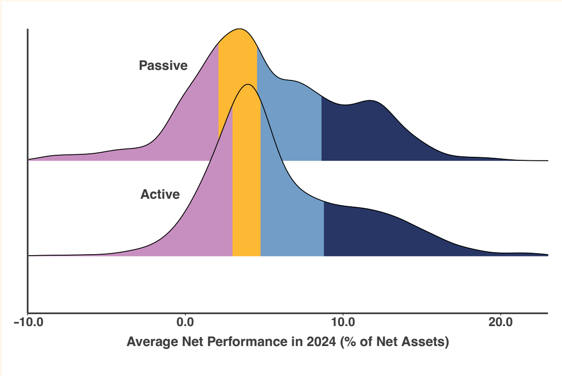
Each UCITS category encompasses a wide range of fund characteristics - investment strategy, sectoral and regional focus as well as risk profile - so averages alone cannot capture the full spectrum of investor outcomes.[2] By way of illustration, we analysed the distribution of annual net performance for equity and bond UCITS, both in 2024 and between 2020–2024. The density distribution charts clearly illustrate the broad range of outcomes for both active and passive funds.

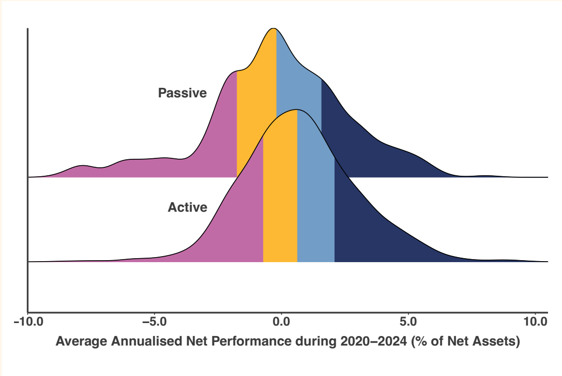
Equity UCITS





Bond UCITS





Source: EFAMA's calculations on Morningstar data

Stock market positive momentum carried on into early 2025; however, escalating geopolitical tensions and abrupt shifts in US trade policy triggered a sharp market correction in early April 2025. The NASDAQ Composite plunged nearly 12% in the first two trading sessions of 3-4 April. At the same time, the MSCI All Country World Index (ACWI) - which tracks both developed and emerging markets - declined by more than 7% and Europe's EURO STOXX 600 fell more than 8%, dragged down by fears for the outlook for export-driven industries. Even bond markets, usually considered a safe place during market turmoil, were affected. The

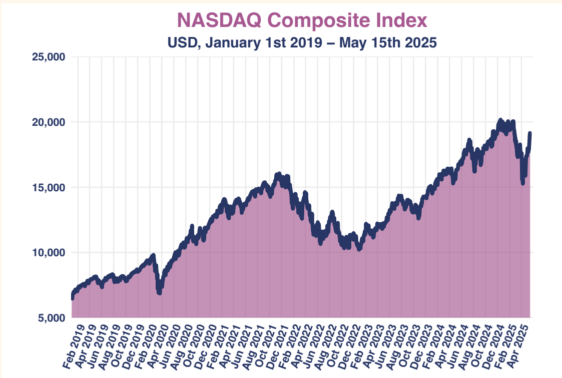
1 Performance is reported net of fees and calculated on a calendar year basis. Average returns are weighted.

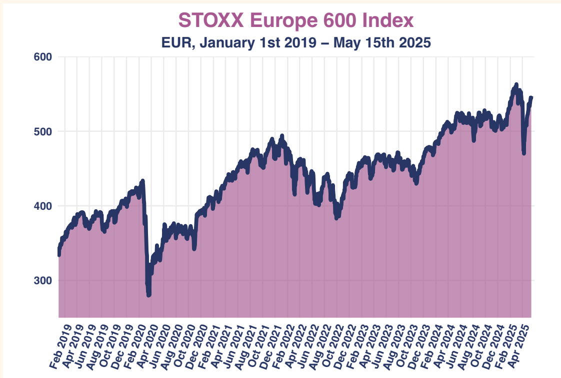
2 See the Fact Book box *'Net Returns and Fund Costs: A Nuanced Look at Value in UCITS'*.

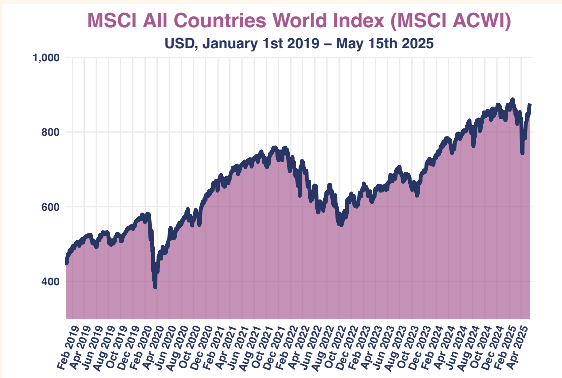
Bloomberg Global Aggregate Bond Index[3] faced downward pressure as yields surged, driven by deepening uncertainty and evolving expectations for central bank policy.

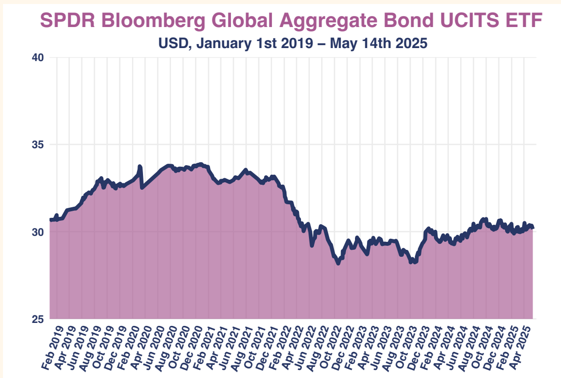
The charts below highlight the severity of the April market downturn, but also the speed of the subsequent rebound, underscoring how volatility can cut both ways. Only days later, on 8 April, the NASDAQ surged by more than 12%, its largest single-day gain in over two decades.

Another notable development has been the strong performance of European equities in early 2025. Between 1 January - 15 May 2025, these stocks outperformed both global and US markets.[4] Several factors seem likely to have contributed to this outperformance, including elevated US stock valuations at the start of the year, growing investor unease over newly imposed US tariffs and renewed optimism around Europe's commitment to boosting economic competitiveness.









Source: EFAMA's calculation based on Market Watch data

These developments are a powerful reminder that volatility and market corrections are inherent in the investment journey, and that sharp declines can create compelling opportunities for long-term investors. Those who maintained a diversified portfolio and remained focused on their long-term objectives were well-positioned to benefit from the recent rebound. While the outlook for the coming months remains uncertain amid persistent global risks, the experience to date this year reinforces the importance of diversification and maintaining a long-term perspective.

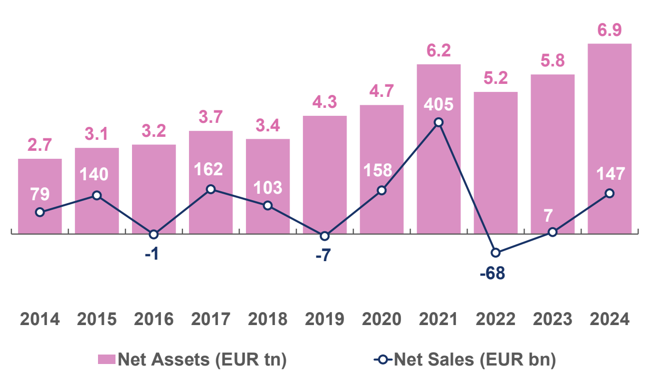
3 Due to limited data availability, the Bloomberg Global Aggregate Bond UCITS ETF is used as a proxy for the Bloomberg Global Aggregate Bond Index in our performance analysis.

4 As of 15 May 2025, the NASDAQ Composite is down -0.87% year-to-date, underscoring persistent volatility in tech-heavy stocks. By contrast, the EURO STOXX 600 has climbed 7.1%, while the MSCI ACWI grew by 4.16% since 1 January, revealing divergent global equity trends. The Bloomberg Global Aggregate Bond Index is down 0.56%, reflecting investor caution amid an uncertain interest rate outlook.

2.3.3 Equity UCITS

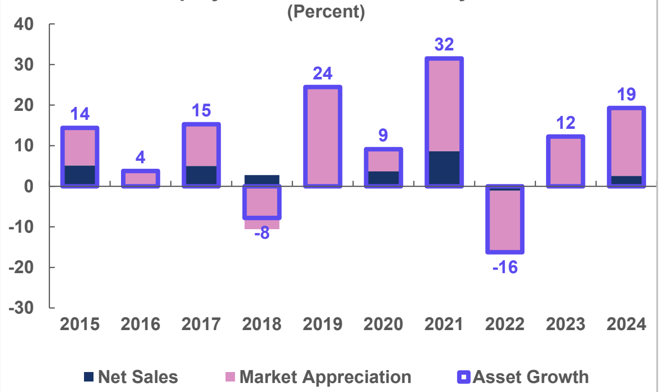
Net assets and net sales. European stock markets generally performed well in 2024, with the STOXX Europe 600 returning around 6%. US equity markets fared better still, as the S&P 500 surged by more than 23%. Equity UCITS net assets reflected these gains, reaching EUR 6.9 tn by year-end, up from EUR 5.8 tn in 2023 and EUR 6.2 tn in 2021. Net sales of equity UCITS also saw notable improvement, rising to EUR 147 bn in 2024, compared to the modest EUR 7 bn in net inflows recorded in 2023.

2.25: Net Assets and Net Sales of Equity UCITS



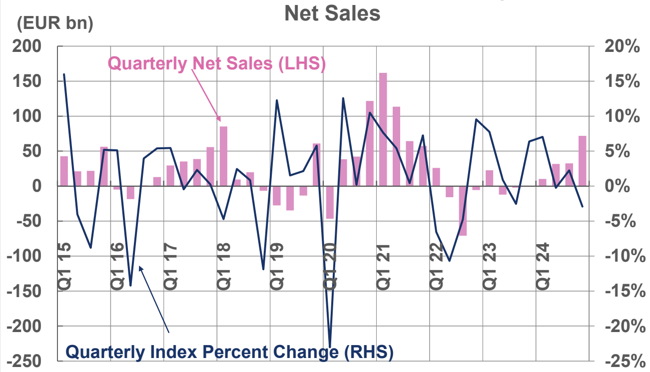
Breakdown of net asset growth. Net assets of equity UCITS grew by 19%, compared to 12% the previous year. This was the third-strongest yearly asset growth of the past decade, with the vast majority of the growth, around 17%, resulting from the overall rise in European and, primarily, US stock markets. Only the remaining 2% can be attributed to net sales.

2.26: Equity UCITS Asset Growth by Source
(Percent)



Demand for equity funds and the stock markets. Net sales of equity funds typically align with the movements of the stock market. They show increased net inflows during market upswings and low inflows, or even net outflows, during downturns. The correlation between the two series shown in chart 2.27 below equals 0.37.

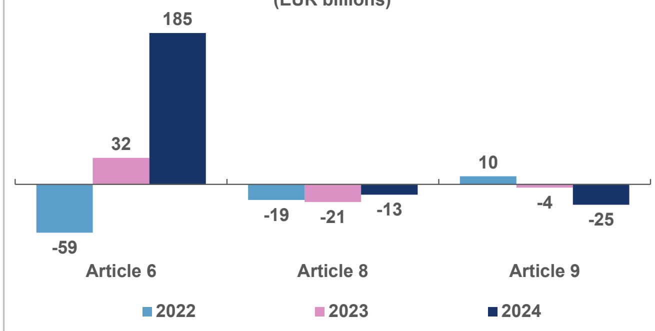
2.27: STOXX Europe 600 Index and Equity UCITS Net Sales



Source: Deutsche Börse Group and EFAMA

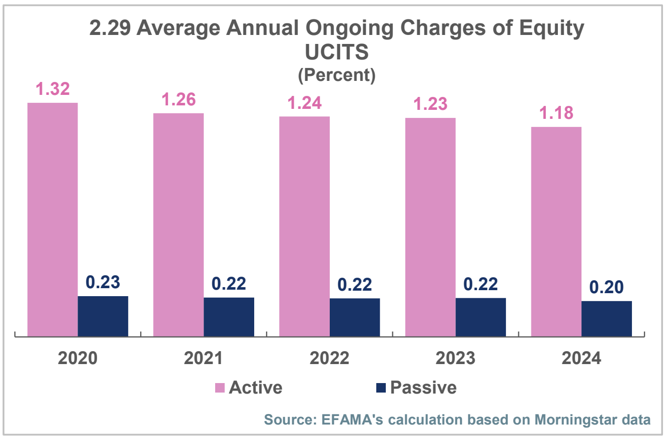
Net sales of SFDR funds. Zooming in on the net sales of equity UCITS by type of SFDR funds, we can see a reversal in the trend for Article 6 and 9 funds between 2022 - 2024. In 2022, Article 6 funds experienced the largest net outflows, while Article 9 funds saw net inflows. This was reversed in 2023, something that became even-more pronounced in 2024. That year, Article 6 funds attracted robust net inflows, while Article 9 funds registered net outflows. The key driver behind this switch was the concentration of equity UCITS inflows into ETFs (see section 2.3.8), while non-ETF equity UCITS faced net outflows. Since ETFs primarily track indices, they are predominantly classified as Article 6, whereas most Article 9 funds are actively managed and typically not structured as ETFs.

2.28: Net Sales of Equity UCITS by SFDR Fund Type
(EUR billions)

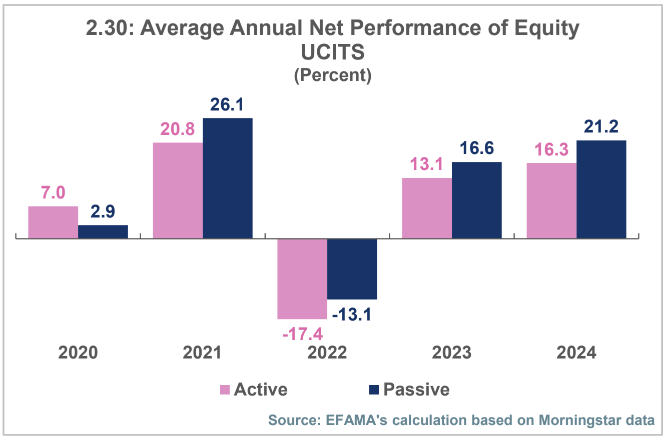


Source: EFAMA's calculation based on Morningstar data

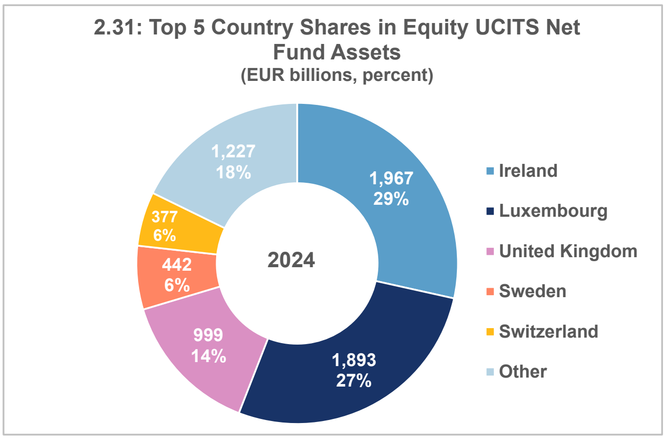
Cost of equity UCITS. Over the last five years, the average ongoing charges for active equity UCITS dropped from 1.32% in 2020 to 1.18% in 2024. Passive equity UCITS also saw a reduction during this period - albeit more modest - falling from 0.23% in 2020 to 0.20% in 2024.



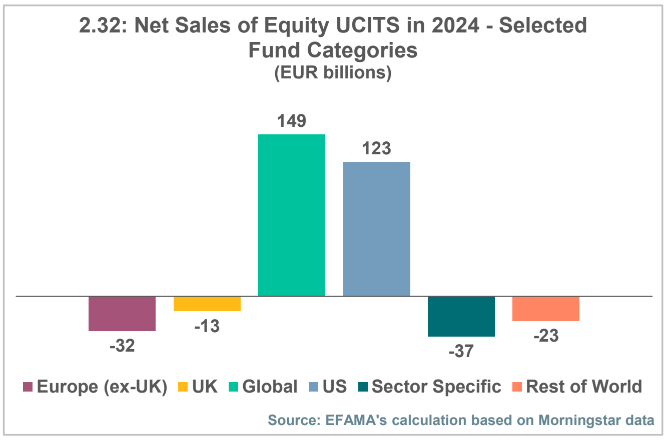
Performance of equity UCITS. 2024 was a particularly good year for equity UCITS. Actively managed funds recorded an average net performance of 16.3% in 2024, while the net performance of passive equity UCITS was even higher, at 21.2%.



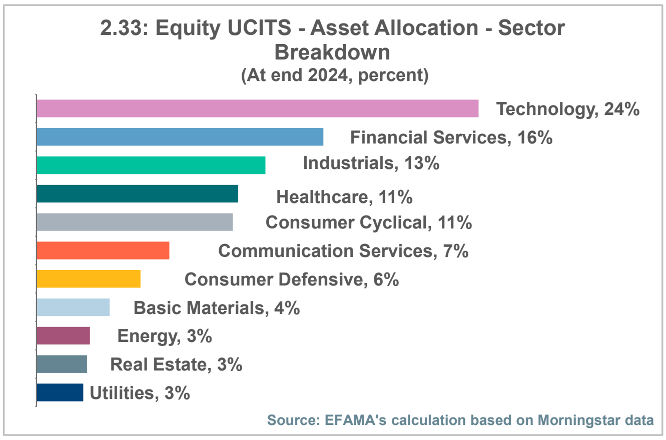
Top five domiciles for UCITS equity funds. At end 2024, the main domiciles for UCITS equity funds - in terms of net assets - were Ireland (29%), followed by Luxembourg (27%), the UK (14%), with both Sweden and Switzerland at 6% each. Around 18% of the net assets of equity UCITS were domiciled in other countries.



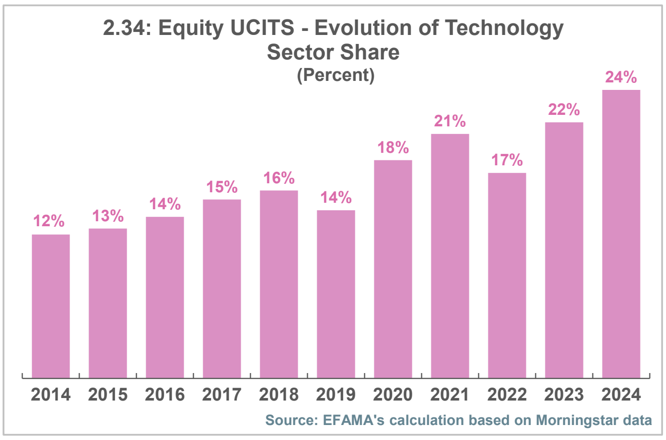
Net sales of selected fund categories. A closer analysis of the overall net sales of equity UCITS in 2024 reveals those fund categories that saw the highest net inflows and those that experienced net outflows. These trends were similar to those for 2023. Equity UCITS with a global focus accounted for the majority of net inflows (EUR 149 bn). This was driven by surging investor demand for ETFs, which frequently track broad global indices. US-focused funds also attracted robust net inflows (EUR 123 bn), again chiefly due to net sales of ETFs tracking major US indices, such as the S&P 500. In contrast, European-focused funds, UK-centric funds and those centred on Asian or Latin American equities, recorded net outflows, reflecting the stronger performance of US stock markets throughout 2024. Sector-specific funds also experienced negative net sales for the year, as most of these funds are non-ETFs.



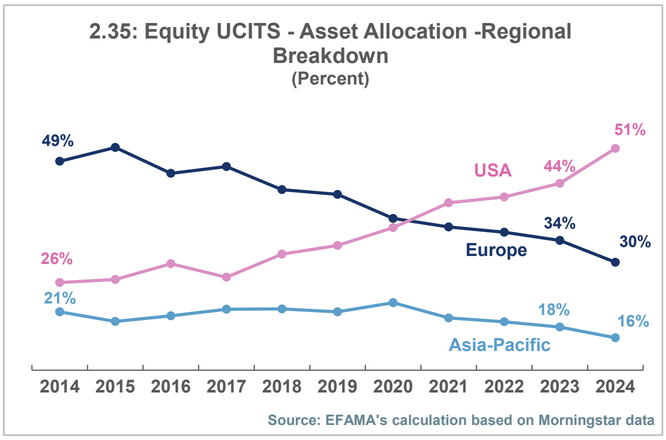
Asset allocation - industry sector. Examining the industry sector breakdown of the stocks held by equity funds, technology companies made up the largest share (24%), followed by financial services at 16%, industrials at 13% and both healthcare and consumer cyclical stocks at 11% each.



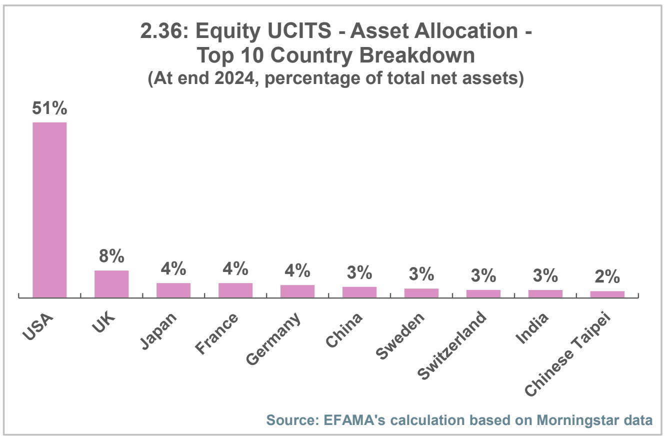
Asset allocation - Evolution of industry sector. Over the last ten years, the share of the technology sector in the asset allocation of equity UCITS has more than doubled, rising from 12% in 2014 to 24% by end 2024. This was primarily driven by the strong stock market performance of the global tech giants. The sector saw remarkably rapid expansion during the pandemic years of 2020 and 2021, only to decline in 2022 as technology stocks experienced a sharper-than-average downturn. However, in 2023 and 2024, the sector rebounded, fuelled by the performance of the so-called ‘Magnificent Seven’ (the seven largest US-based technology companies) lifting its market share up to 24%.



Asset allocation - Regional breakdown. Zooming in on equity fund assets broken down by region[vi], a striking decrease in the proportion of European stocks becomes apparent. Conversely, the allocation of US stocks in UCITS equity funds has grown sharply over the past decade. This trend is attributable to a number of factors, including the outperformance of US stock markets relative to European counterparts, coupled with the global success of the UCITS brand and heightened demand for US stocks from international investors. This trend accelerated in 2023 and continued to do so in 2024. The proportion of US stocks rose from 44% in 2023 to 51% at end 2024, on the back of surging US stock markets and markedly high net inflows in US-focused and global ETFs. It is likely that 2025 will finally see a reversal of this trend, as in the first months of the year, European stocks have outperformed US ones. The share of Asian stocks experienced slight declines in recent years, dropping from 22% in 2020, 18% in 2023 and further to 16% in 2024. This was largely due to the weaker performance of Chinese stock markets, but this could also reverse in 2025 as Chinese stocks rallied.

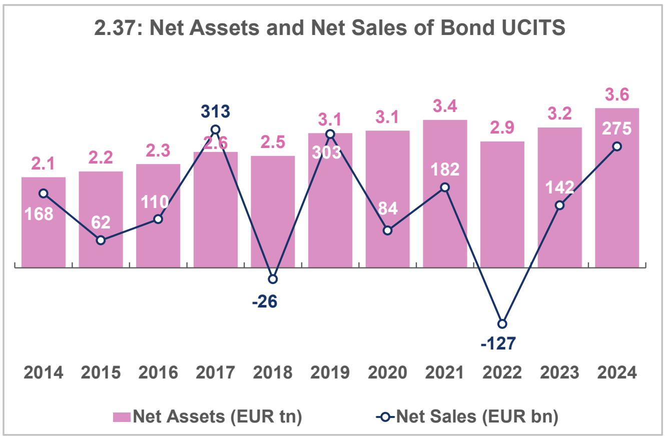


Asset allocation - Country breakdown. Each of the top ten countries featured in the portfolios of European equity UCITS hosts stock exchanges with sizable market capitalisations and headquarter a number of large-cap companies. Among these top ten countries, five are situated in Europe; the UK (8%), France (4%), Germany (4%), Sweden (3%) and Switzerland (3%). Due to their recent strong stock market performances, India (3%) and Chinese Taipei - Taiwan (2%) appear in the top ten countries list in 2024. However, all of these were significantly lower than that of the US (51%), which now accounts for more than half of all listed shares held by equity UCITS.

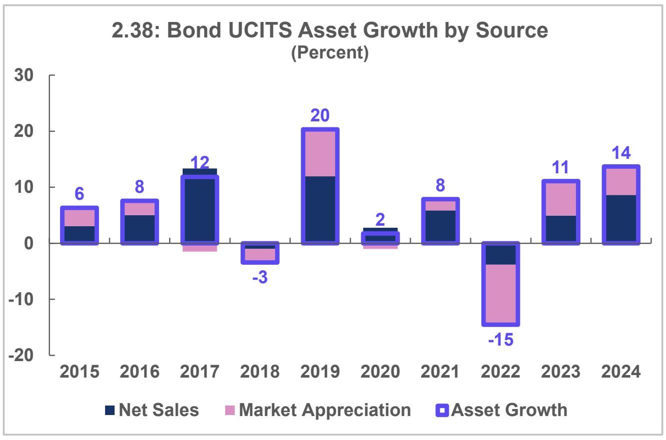


2.3.4 Bond UCITS

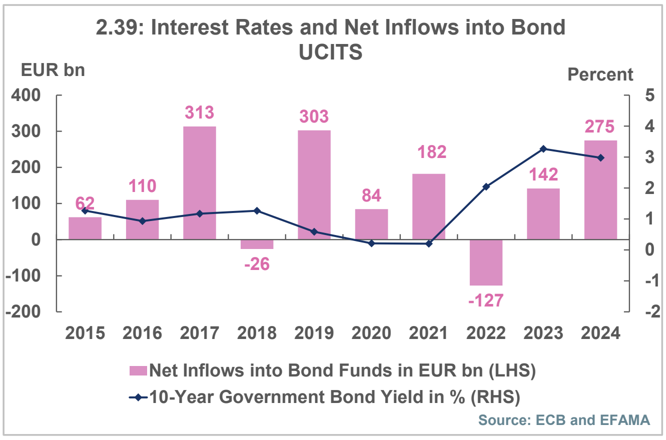
Net assets and net sales. Bond UCITS experienced a strong year in 2024, attracting EUR 275 bn in net inflows - the third-highest of the decade - and almost double that of 2023 (EUR 142 bn). Net assets also rose - to EUR 3.6 tn - a 14% asset growth compared to end 2023. Bond fund flows are heavily influenced by interest rate evolutions and investor anticipations of future rates; 2024 was no different. The ECB cut interest rates four times during 2024, and signalled that they could be cut even further in 2025. Other major central banks, such as the Federal Reserve and the BoE, also lowered interest rates during 2024.



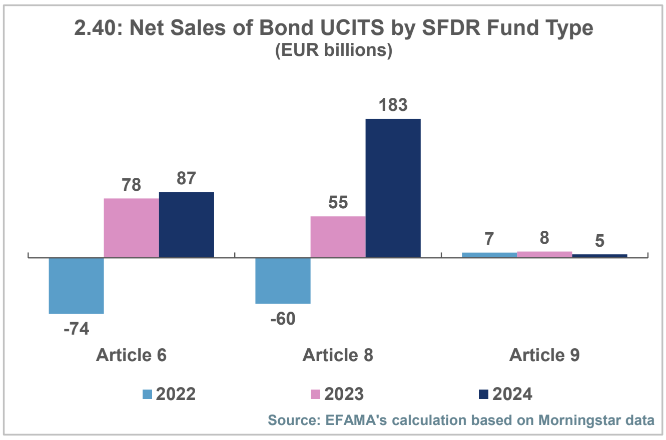
Breakdown of net asset growth. Price effects generally have a smaller impact on overall asset growth in bond funds compared to equity funds, as bond prices tend to be less volatile than stock prices. In 2024, market appreciation contributed approximately 5% to the 14% overall asset growth, with net sales making up nearly 9%. In some years, however, there are larger price effects; in 2022, most of the 15% net asset decline was due to an 11% drop in bond values and only 4% to net outflows.



Demand for bond funds and long-term interest rates. Demand for bond funds typically moves inversely to long-term interest rates. This dynamic was particularly evident in 2024, when rate cuts - along with expectations of further reductions - drove strong net inflows. A similar pattern occurred during 2019-2021, as interest rates declined and bond funds attracted robust net sales. Conversely, 2022 saw an abrupt and sharp increase in interest rates, adversely affecting the attractiveness of bonds and resulting in significant net outflows. The apparent reversed correlation in 2023 can be explained by the fact that central banks had ceased increasing interest rates in August-September, sparking anticipation of cuts the following year.

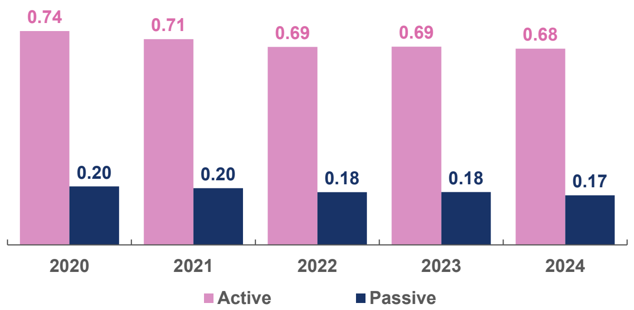


Net sales of SFDR funds. Given that 2024 was an excellent year for bond UCITS, it was unsurprising that all three types of SFDR bond funds - Article 6, 8 and 9 - attracted net inflows. Article 8 funds attracted the highest net inflows in 2024 (EUR 183 bn), as most bond funds are labelled as such. Article 9 funds have recorded relatively low - but consistently positive - net sales over the past three years.



Cost of Bond UCITS. As with equity UCITS, bond UCITS have also seen a steady reduction in costs over the past years. Active bond UCITS lowered their average ongoing charges from 0.74% in 2020 to 0.68% in 2024. Meanwhile, passive bond UCITS lowered their ongoing charges from 0.20% in 2020 to 0.17% in 2024.

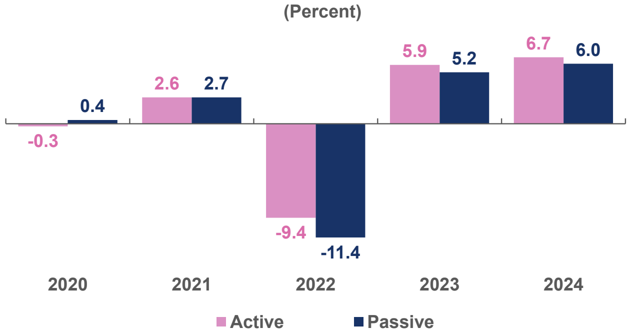
2.41: Average Annual Ongoing Charges of Bond UCITS
(Percent)



Source: EFAMA's calculation based on Morningstar data

Net Performance of bond UCITS. The average annual net performance of bond UCITS remained robust during 2024, continuing the positive trend from the previous year. Active bond UCITS achieved an average annual net performance of 6.7% in 2024, while passive bond UCITS recorded a net performance of 6.0%. The consistent outperformance of active bond UCITS over the past three years can be explained by the highly volatile interest rate environment since 2022 and the ability of active managers to quickly adjust duration or credit quality in response. Passive managers, however, are unable to adapt as swiftly, as they are tied to benchmarks.

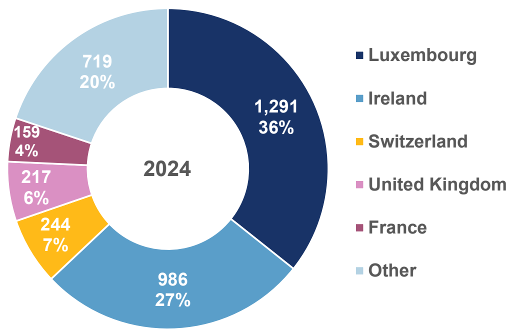
2.42: Average Annual Net Performance of Bond UCITS
(Percent)



Source: EFAMA's calculation based on Morningstar data

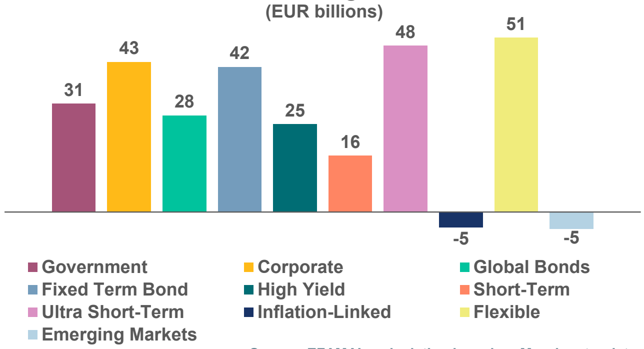
Breakdown by domicile. As of end 2024, Luxembourg held the highest market share of UCITS bond fund net assets at 36%, followed by Ireland (27%), Switzerland (7%), the UK (6%) and France (4%). Other European countries had a combined market share of 20%.

2.43: Top 5 Country Shares in Bond UCITS Net Fund Assets
(EUR billions, percent)



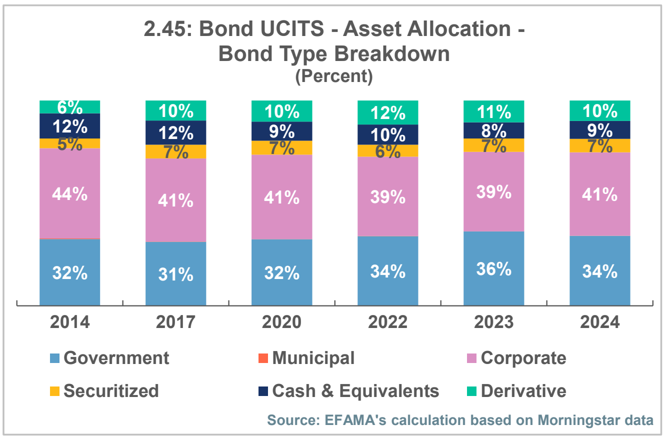
Net sales of selected fund categories. Examining the bond fund categories that experienced net inflows and those that saw net outflows provides further insights into 2024 market trends. The substantial overall net inflows into bond UCITS throughout the year led to robust net inflows for most bond fund categories. The strongest net inflows were observed in flexible bond funds (EUR 51 bn), corporate bond funds (EUR 43 bn) and fixed-term bond funds (EUR 42 bn). Ultra-short-term bond funds – primarily those investing in debt securities with a maturity of less than one year - also saw significant net inflows (EUR 48 bn), as investors sought to capitalise on the inverted yield curve. The flight from riskier assets observed in 2022-2023 appears to have halted in 2024, as high-yield bond funds attracted EUR 25 bn in net inflows. A few fund types did less well; investors withdrew money from emerging market-centric funds (EUR 5 bn) and inflation-linked bond funds (EUR 5 bn). Inflation-linked funds have fallen out of favour ever since they failed to protect investors from the strong surge in inflation during 2022.

2.44: Net Sales of Bond UCITS in 2024 - Selected Fund Categories
(EUR billions)

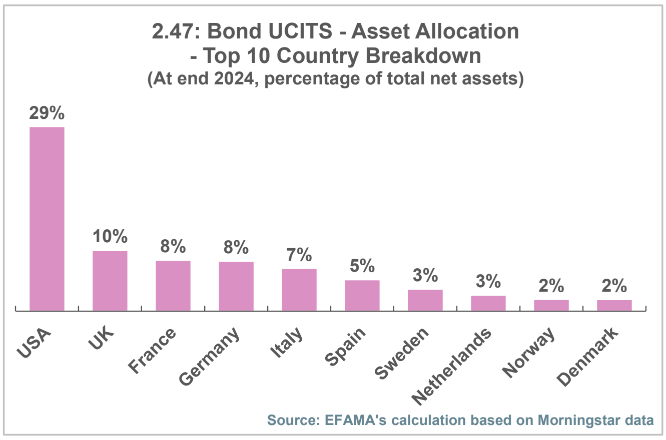


Source: EFAMA's calculation based on Morningstar data

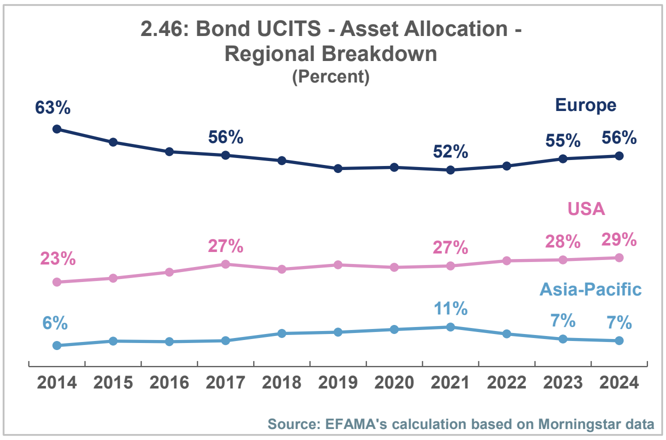
Asset allocation - Overall. Corporate bonds made up 41% of the net asset holdings of bond UCITS at end 2024, while government debt accounted for 34%. Derivatives and securitised debt represented 10% and 7%, respectively, with the remaining 9% held in cash and cash-like equivalents.[vii] In 2024, the percentage of corporate bonds increased while the percentage of government debt declined, a result of corporate bond spreads narrowing over the year.



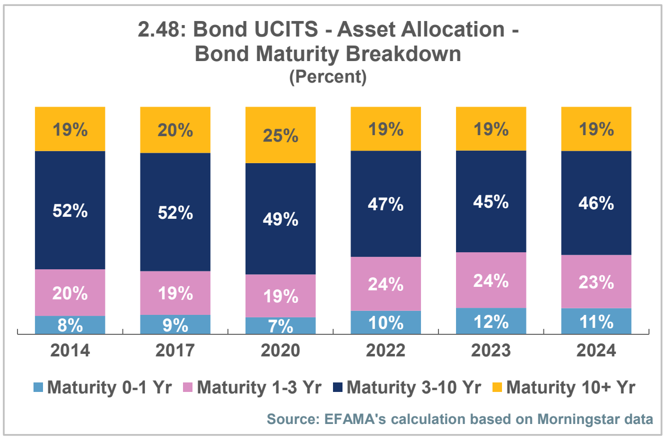
Asset allocation - Country breakdown. Around 29% of bond asset holdings of bond UCITS were issued in the US, with around 10% in the UK. The three other major European markets followed; France, Germany and Italy, accounting for 8%, 8% and 7%, respectively. Of the ten largest countries in terms of bond asset allocation, nine were European. China has fallen out of the top ten since 2022 as investors and asset managers redirected their focus toward European debt securities.



Asset allocation - Regional breakdown. Looking at the bond holdings by geographical region[viii] illustrates that - after steadily declining until 2021 - the share of European bonds recovered again in the last three years, as the rapid rate hikes of 2022 once again made European bonds attractive to investors. At the same time, the gradual increase in the share of debt securities issued in the Asia-Pacific region, driven by investors seeking higher yields in Asian markets, reversed during 2022. The share of US fixed income remained relatively stable until 2023, hovering around the 27-28% mark before edging up to 29% in 2024.



Asset allocation - Maturity breakdown. The maturity profile of bond holdings in bond UCITS gradually shifted to longer-term maturity bonds between 2014-2020. However, in 2022 and 2023, there was a noticeable shift toward shorter-term securities, particularly those maturing in less than a year. This was largely driven by the flattening of yield curves in 2022 and their inversion in 2023, which significantly influenced investor preferences. This shift to short-term came to a halt in 2024, as yield curves began to normalise, with longer-term yields once again exceeding shorter-term ones.



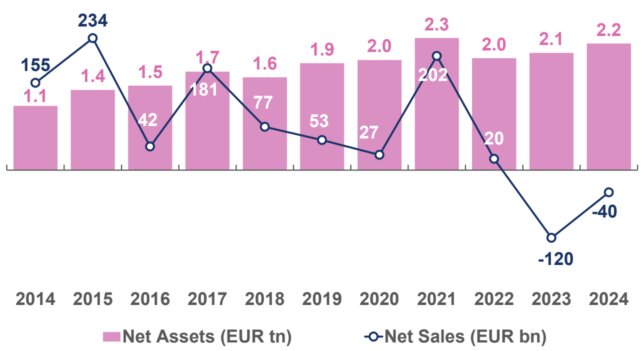
	2014	2017	2020	2022	2023	2024
Derivative	6%	10%	10%	12%	11%	10%
Cash & Equivalents	12%	12%	9%	10%	8%	9%
Securitized	5%	7%	7%	6%	7%	7%
Corporate	44%	41%	41%	39%	39%	41%
Government	32%	31%	32%	34%	36%	34%

	2014	2017	2020	2022	2023	2024
Maturity 10+ Yr	19%	20%	25%	19%	19%	19%
Maturity 3-10 Yr	52%	52%	49%	47%	45%	46%
Maturity 1-3 Yr	20%	19%	19%	24%	24%	23%
Maturity 0-1 Yr	8%	9%	7%	10%	12%	11%

2.3.5 Multi-asset UCITS

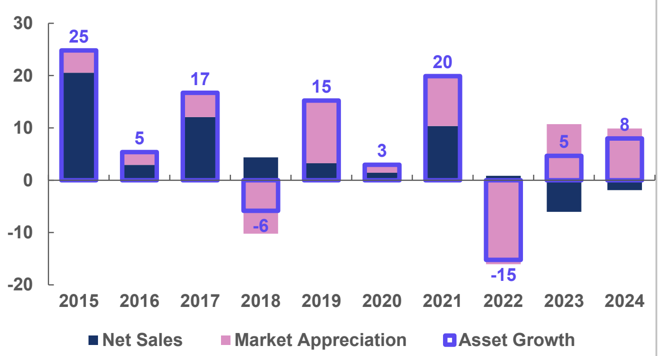
Net assets and net sales. Net sales of multi-asset UCITS remained negative in 2024 (EUR 40 bn), albeit at a lower level than the previous year (EUR 120 bn). This development clearly indicates a fall in investor appetite for multi-asset UCITS, which can be explained by the disappointing performance of multi-asset funds in 2022 when both bond and stock markets declined. That year, multi-asset UCITS failed to provide the protection investors had expected by investing in these funds, which, in principle, combine two asset classes with low correlations. However, the correlation between the market appreciation of equity and bond UCITS increased from 21% in 2011-2018 to 91% in 2019-2024. Given this, investors may have decided themselves whether or not to increase their asset allocation toward bonds and equities, rather than rely on multi-assets. Given a certain degree of stock market volatility throughout 2023-2024, many investors seeking stable returns favoured bond funds over multi-asset funds. Demand for multi-asset funds could rebound in the future, on the condition that the correlation between stock and bond prices reverses again and certain investors will once again seek to diversify their portfolios and mitigate the risks of single-asset class investing. The strong investor preference for ETFs over the last couple of years has also put multi-asset UCITS at a disadvantage, as few multi-asset ETFs exist. Costs may have been another factor, as multi-asset UCITS tend to be more expensive than bond or equity UCITS. Despite net outflows, the net assets of multi-asset UCITS still increased from EUR 2.1 tn in 2023 to EUR 2.2 tn by end 2024, driven mainly by increases in equity valuations.

2.49: Net Assets and Net Sales of Multi-Asset UCITS



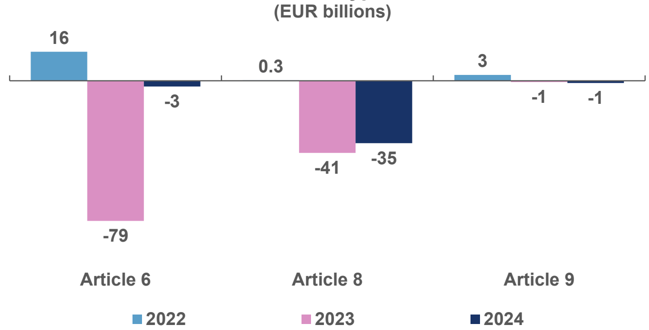
Breakdown of net asset growth. In 2024, net assets of multi-asset funds rose by 8%, compared to 5% in 2023. Net outflows resulted in a decrease of around 2% in asset value, offset by a market appreciation of around 10%.

2.50: Multi-Asset UCITS Asset Growth by Source
(Percent)



Net sales of SFDR funds. Breaking down the net sales of multi-asset UCITS by type of SFDR fund, we can see that all three types (Article 6, 8 and 9) suffered net outflows in 2024, similar to the year before. Article 8 funds accounted for almost all the net outflows in 2024 (EUR 35 bn), whereas in 2023, Article 6 multi-asset UCITS also saw large net outflows (EUR 79 bn).

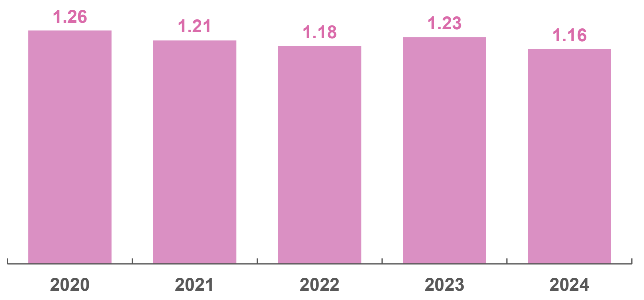
2.51: Net Sales of Multi-Asset UCITS by SFDR Fund Type
(EUR billions)



Source: EFAMA's calculation based on Morningstar data

Cost of multi-asset UCITS. The ongoing charges for multi-asset UCITS have generally decreased over the past five years, dropping from 1.26% in 2020 to 1.16% in 2024. Costs did edge up slightly in 2023, but 2024 saw a return to the downward trend. Compared to the other major UCITS types, multi-asset UCITS have an average cost broadly similar to active equity funds.

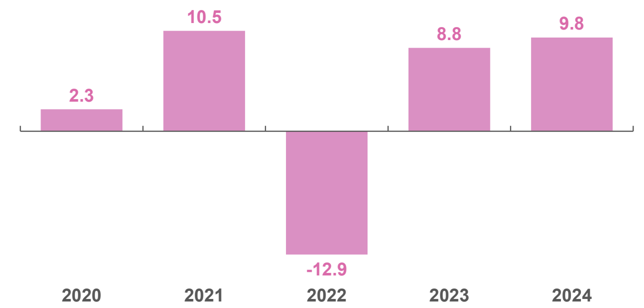
2.52: Average Annual Ongoing Charges of Multi-Asset UCITS
(Percent)



Source: EFAMA's calculation based on Morningstar data

Net performance of multi-asset UCITS. Multi-asset UCITS performed strongly in 2024, building on the recovery of 2023. The average annual net performance - after costs - in 2024 amounted to 9.8%. As expected, the average performance of multi-asset UCITS tends to fall between those of equity and bond UCITS.

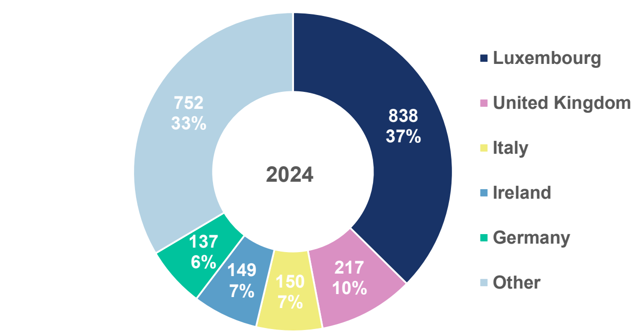
2.53: Average Annual Net Performance of Multi-Asset UCITS
(Percent)



Source: EFAMA's calculation based on Morningstar data

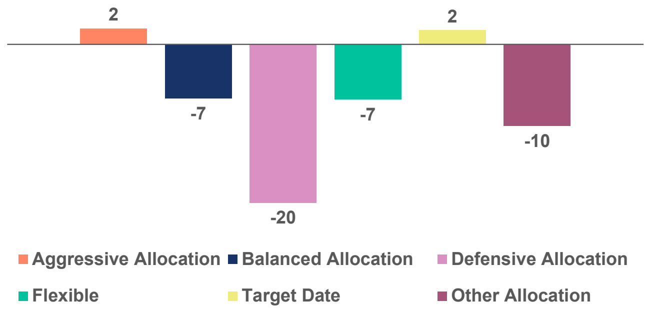
Breakdown by domicile. In the UCITS multi-asset fund market, Luxembourg held the largest share (37%) followed by the UK (10%). Italy (7%) has replaced France as the third-largest domicile. Ireland (7%) and Germany (6%) held fourth and fifth place, respectively. Other European domiciles held a relatively significant share (33%) of the total multi-asset UCITS market. France and Spain accounted for a market share of nearly 6%, while Switzerland and Sweden were around 5%.

2.54: Top 5 Country Shares in Multi-Asset UCITS Net Fund Assets
(EUR billions, percent)



Net sales of selected fund categories. Analysing the specific categories of multi-asset UCITS experiencing net inflows and outflows in 2024, those funds with flexible, balanced and particularly defensive allocations - all of which allocate a larger share to bonds - recorded net outflows. In contrast, funds with an aggressive allocation, primarily investing in equities along with target-date funds, saw modest net inflows (EUR 2 bn). These trends were broadly similar to those of 2023.

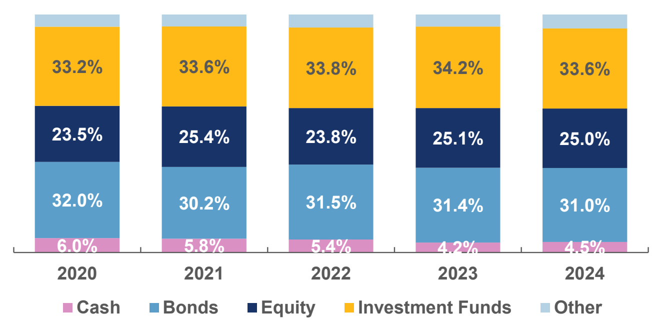
2.55: Net Sales of Multi-Asset UCITS in 2024 - Selected Fund Categories
(EUR billions)



Source: EFAMA's calculation based on Morningstar data

Asset allocation - Overall. Chart 2.56 shows the evolution of overall asset allocation of multi-asset UCITS domiciled in the euro area in recent years. Between 2020-2024, the allocation to equities increased by 1.5 percentage points, whereas that of cash fell by 1.8 percentage points. Meanwhile, the share of investment funds within multi-asset UCITS portfolios remained relatively stable. This fell slightly in 2024, as allocations to cash and bonds rose, but remained consistently higher than the share of other asset classes.

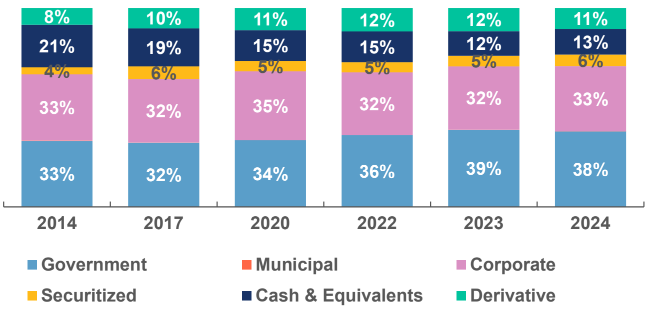
2.56: EA Multi-Asset UCITS - Asset Allocation
(Percentage of total net assets)



Source: EFAMA's calculation based on ECB data

Asset allocation - Bond holdings. The bond holdings of multi-asset funds can also be broken down by type of debt instrument.[ix] As of end 2024, corporate bonds comprised 33% of total holdings, a smaller share than in bond UCITS. Sovereign bonds made up 38%, a slightly higher proportion than in bond funds; this share steadily rose until 2023. Multi-asset funds allocated 13% of their debt investments to cash-like equivalents, compared to just 9% in bond funds. Meanwhile, derivatives accounted for 11% of fixed-income holdings, while securitised debt represented 6%.

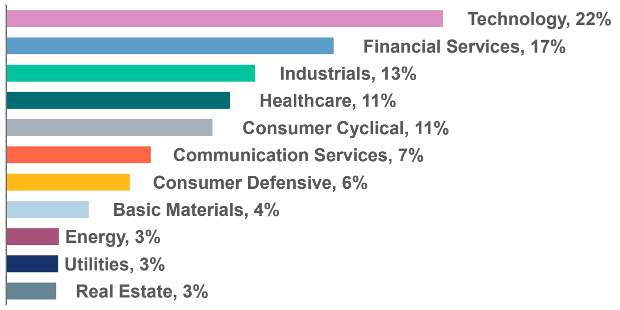
2.57: Multi-Asset UCITS - Asset Allocation - Breakdown by Bond Type
(Percent)



Source: EFAMA's calculation based on Morningstar data

Asset Allocation - Equity sector breakdown. At end 2024, technology companies dominated the industry sector allocation of the listed equity holdings of multi-asset UCITS, at 22%. Financial services followed at 17%, industrials at 13% and healthcare at 11%. The sector composition of multi-asset funds remained largely in line with that of equity UCITS, showing a similar growth of technology stocks.

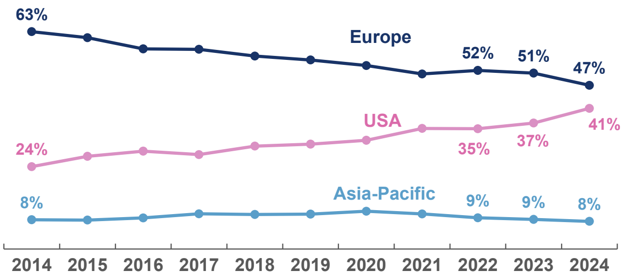
2.58: Multi-Asset UCITS - Asset Allocation -Equity Sector Breakdown
(At end 2024, percent)



Source: EFAMA's calculation based on Morningstar data

Asset allocation - Regional breakdown. As with equity and bond funds, the asset holdings of multi-asset UCITS can be examined by aggregating their equity and debt investments across different geographical regions. Europe's share has gradually declined from 63% in 2014. Meanwhile, the proportion of assets issued or listed in the US has increased from 24% to 41% over the same period. In 2024, the share of American assets increased from 37% to 41% while European assets decreased from 51% to 47%. This decline was unrelated to bond developments and was solely due to US stock markets outperforming those in Europe. The share of the Asia-Pacific region has remained relatively stable over the past decade, at around 8-9%.

2.59: Multi-Asset UCITS - Asset Allocation - Regional Breakdown
(Percent)



Source: EFAMA's calculation based on Morningstar data

Box 3
Ready, Set, Go: The Global Artificial Intelligence Innovation Race

Author: **Franco Luciano**

Artificial Intelligence - AI - is increasingly taking centre stage in the public debate across all sectors of the economy. Global powers now consider AI a critical technology with the potential to radically change our economies. The 'AI Race' is now at full throttle, and the EU is determined to close the innovation gap it has with other jurisdictions, in order to assert its sovereignty and global competitiveness. Yet what exactly is new about AI that has taken the world by storm?

First, it is important to point out that AI has existed for many decades. Logistic and linear regression models, along with other supervised machine learning techniques, have long been used in financial services to analyse data and make predictions. However, AI has taken enormous strides in recent years, significantly expanding the boundaries of what had previously been considered possible.

One of the most notable breakthroughs has been the introduction of transformers – complex algorithms that form a core component of Large Language Models (LLMs), which in turn power Generative AI (GenAI). The recent advancements in GenAI enable the processing and synthesis of vast amounts of data at levels far beyond previous capabilities. As a result, we now have non-deterministic models that can produce a range of possible outputs from the same input – a fundamental shift in how machines process and generate information.

The transformative potential of AI for the global economy - and the asset management industry in particular - is immense. While asset management firms are already reporting notable efficiency and productivity gains from incorporating AI into their processes, there is reason to believe that AI use cases and capabilities may have a more central and strategic role in the future. These technologies could – and often already do – enhance key functions such as investment operations, risk monitoring, investment research and data-driven decision-making within investment management. Nevertheless, integrating AI technologies into the core business of our companies – namely, the management of funds and portfolios – is certainly not without its challenges.

From an EU perspective, there is also a practical reality that must be addressed: the introduction of the EU AI Act, often cited as the world's first comprehensive AI law. Officially adopted in 2024, it introduces a 'risk-based' framework, by which each AI use case needs to be classified according to the level of risk it poses to users; namely, prohibited, high, transparency and minimum risk. It thus establishes different levels of obligations for providers and deployers of AI systems, depending on the assigned level of risk.

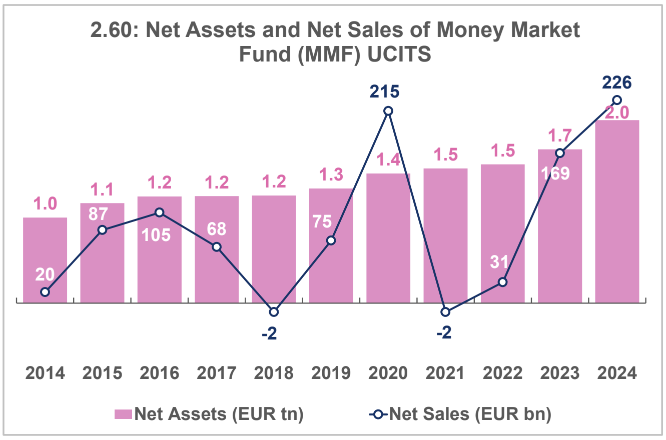
The EU AI Act is horizontal in nature; it applies across all sectors and encompasses many with vastly different levels of AI maturity and risk. This is a key consideration for the asset management industry – a highly regulated sector that is already subject to extensive risk mitigation and investor protection requirements. For example, our member firms are already subject to a comprehensive set of obligations relating to due diligence, risk management and governance frameworks, such as those set out under UCITS and AIFMDs.

There remains a significant degree of legal uncertainty surrounding the implementation of the EU AI Act, a situation that must be addressed. Notably, the general application of the Act, including provisions concerning high-risk AI systems, will not take effect until August 2026. Many of the AI Act's obligations - particularly those relating to risk mitigation techniques - are largely covered by the comprehensive set of requirements applicable to asset managers. For this reason, it is essential that the implementation of the AI Act remains consistent with – and complementary to – the existing regulatory framework applicable to our sector.

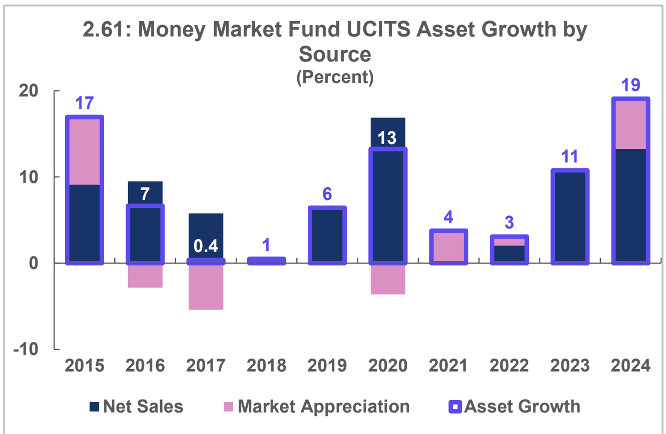
Finally, while ensuring an efficient implementation of the EU AI Act remains a top priority, we should not lose sight of the potential for the asset management industry to contribute to making Europe a global leader in this strategically critical technology. Market-driven, standard-setting initiatives – such as EFAMA's AI System Assessment Tool – are extremely valuable, as they show that the industry is both willing and able to develop practical tools for supporting compliance requirements with the AI Act. These efforts will ultimately help create value for investors and build trust in the responsible use of AI within financial services. To position Europe as a global frontrunner in AI, the industry must continue its proactive role in proposing solutions that address the region's current innovation challenges.

2.3.6 Money market funds UCITS

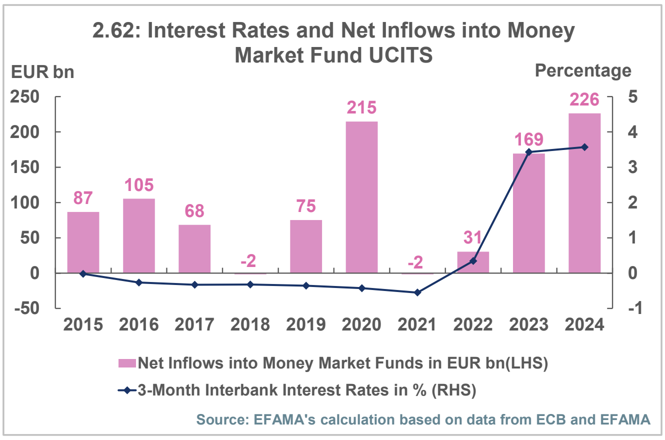
Net assets and net sales. Net assets of money market funds (MMFs) ended the year above EUR 2 tn. In 2024, net sales rose to an absolute record (EUR 226 bn), beating the previous record of pandemic year 2020 (EUR 215 bn). The surge was largely driven by an inverted yield curve, which persisted for much of 2024. An inverted yield curve indicates that short-term interest rates are generally higher than long-term rates, resulting in a higher yield for funds that invest primarily in short-term products - such as MMFs - hence their appeal to investors in 2024. Additionally, these strong inflows suggest that some investors opted for MMFs as a cash alternative, maintaining a wait-and-see approach to weather geopolitical uncertainties.



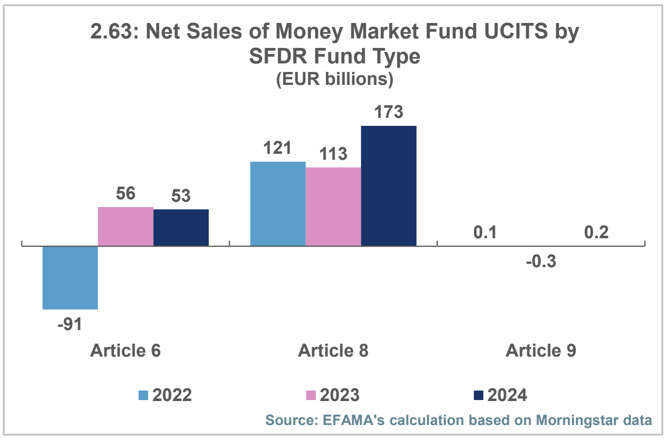
Breakdown of net asset growth. Net asset growth of MMFs amounted to 19% in 2024. Compared to long-term UCITS, MMF asset growth tends to reflect net sales closely, as the valuation of the short-term instruments held by MMFs varies little over time. In 2024, net sales accounted for 13% of total MMF asset growth; market appreciation - in this case, most likely exchange rate effects - accounted for the remaining 6% growth.



Demand for MMFs and short-term interest rates. Fluctuations in short-term interest rates have a significant impact on demand for MMFs. MMFs mainly invest in very short-term debt, often with a maturity of less than one year. When short-term interest rates rise, MMF yields typically follow, making them more attractive to investors. Between 2015-2024, the correlation between net inflows into MMFs and the three-month interbank interest rate was 0.62. It was much lower in 2015-2019 (0.32) when rates were negative, and much higher in 2021-2024 (0.98) when rates turned positive again. Demand for MMFs is also shaped by other factors, particularly their role as a 'safe haven' during periods of market uncertainty. This was clearly demonstrated in 2020, when despite short-term rates remaining largely unchanged, uncertainty surrounding the COVID-19 pandemic drove high net inflows into MMFs.

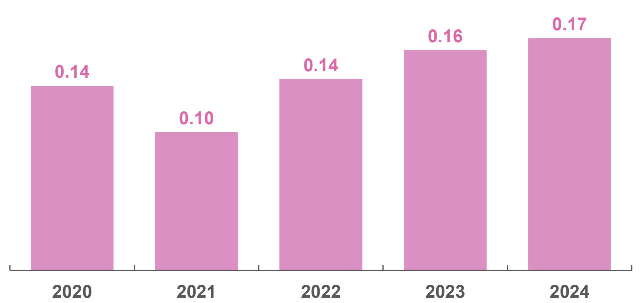


Net sales of SFDR funds. An analysis of net sales of MMF UCITS by SFDR fund type shows that net inflows were primarily directed toward Article 8 MMFs, totalling EUR 173 bn in 2024. In contrast to long-term UCITS, net flows into Article 9 MMFs were near-zero over the past three years, given that there are exceptionally few Article 9 MMFs.



Cost of MMF UCITS. The average annual costs of MMFs decreased from 0.14% in 2020 to 0.10% in 2021, before rising to 0.17% in 2024. These rising costs in recent years may be attributable to exchange rate fluctuations. Despite the increases, ongoing charges remain very low in comparison to most long-term funds.

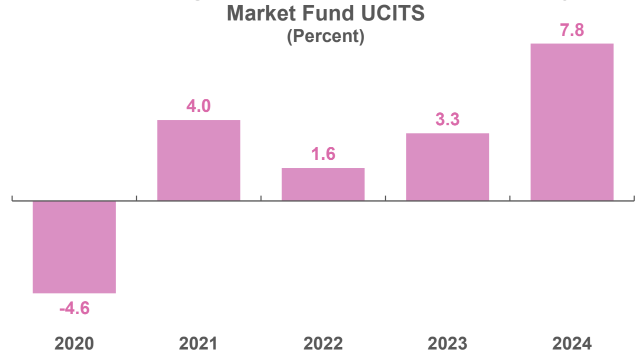
2.64: Average Annual Ongoing Charges of Money Market Fund UCITS
(Percent)



Source: EFAMA's calculation based on Morningstar data

Net Performance of MMF UCITS. The average annual net performance of MMF UCITS was exceptionally high in 2024, reaching 7.8%, the highest in the past five years. Moreover, they performed well in 2022, with MMF returns remaining positive at 1.6% while all long-term UCITS experienced negative returns.

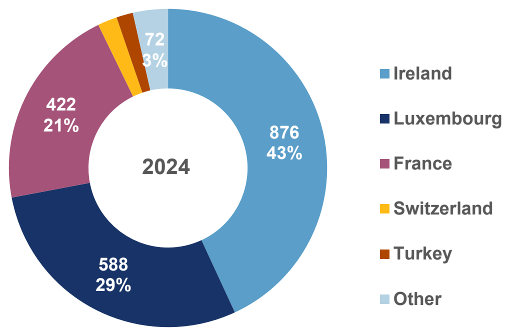
2.65: Average Annual Net Performance of Money Market Fund UCITS
(Percent)



Source: EFAMA's calculation based on Morningstar data

Breakdown by domicile. The MMF market is highly concentrated in three key domiciles. Ireland holds the largest share of UCITS MMF net assets at 43%, followed by Luxembourg at 29% and France at 21%. Together, these three countries accounted for 93% of the European total at end 2024. However, this was 2% lower than their combined total at end 2023, as the strong growth of the Turkish MMF sector over 2024 (see Section 2.3.1) resulted in Turkey - Türkiye entering the five-largest MMF domiciles, accounting for 2% of the European total.

2.66: Top 5 Country Shares in Money Market Fund UCITS Net Assets
(EUR billions, percent)



The MMFR and types of MMFs. The EU MMFR (Money Market Fund Regulation) was adopted in 2016 and came into full effect in January 2019. The MMFR distinguishes between three main categories of MMFs:

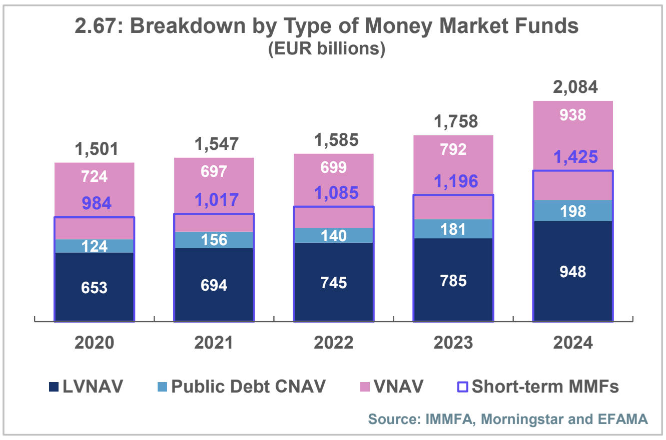
- Public Debt Constant Asset Value (PDCNAV) MMFs
- Low Volatility Net Asset Value (LVNAV) MMFs
- Variable Net Asset Value (VNAV) MMFs.

These categories aside, the MMFR also distinguishes between Short-term and Standard MMFs. Short-term MMFs must adhere to tighter investment rules than Standard MMFs. All three types can be categorised as Short-term MMFs; Public Debt CNAV, LVNAV and Short-term VNAV. Standard MMFs must be variably priced. Thus only VNAV can be Standard MMFs.

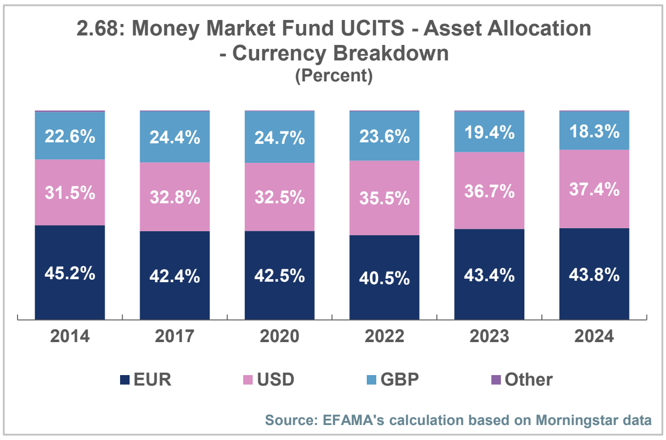
PDCNAV and LVNAV MMFs use amortised cost accounting - provided certain conditions are met - to value all their assets and to maintain a net asset value (NAV) or value of a share of the fund, at EUR1/GBP1/USD1. Public Debt CNAV MMFs must invest a minimum of 99.5% of their assets in public debt. Units/shares in an LVNAV MMF can be purchased or redeemed at a constant price, as long as the value of the assets in the fund does not deviate by more than 0.2% from par. Public Debt CNAV and LVNAV can only be short-term MMFs.

VNAV MMFs refer to funds that use mark-to-market accounting to value some of their assets. The NAV of these funds will vary with the changing value of the assets and - in the case of an accumulating fund - by the level of income received. VNAV can be either short-term or standard MMFs.

MMF net assets by type - Evolution. The composition of MMF net assets by fund type has remained relatively stable over recent years. Market shares of LVNAV funds and PDCNAV funds have fluctuated a somewhat in recent years but did not shift significantly. VNAV funds saw their share drop in 2021-2022, only for it to recover again in 2023. Meanwhile, the proportion of short-term MMFs has increased slightly - from 66% to 68% - over the past five years. Given the limited impact of market appreciation, changes in MMF net assets are primarily driven by a combination of the net sales of the various fund types and exchange rate effects.

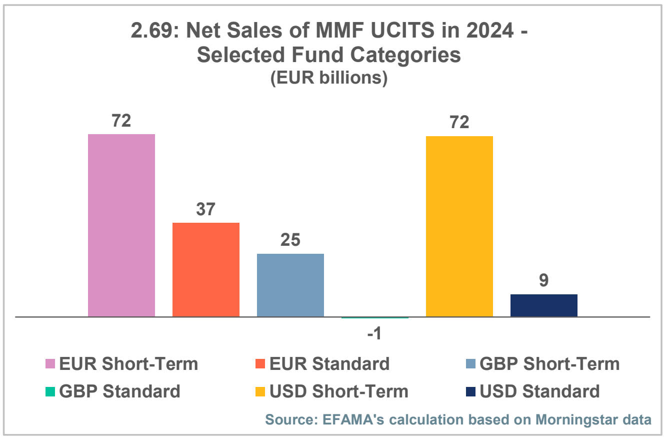


Asset allocation - Currency breakdown. MMFs net assets can be broken down by base currency.[x] Collectively, three primary base currencies accounted for 99.5% of UCITS net assets at end 2024. The EUR held the predominant position, with 43.8% of net assets, followed by the USD at 37.4% and the GBP at 18.3%. The proportion of EUR MMFs declined from above 45% in 2014 to 40.5% in 2022, as the demand for USD and GBP MMFs increased over the same period. This was influenced by generally higher interest rates in those currencies. In 2023, the market share of GBP MMF declined from 23.6% to 19.4%, while the shares of EUR MMFs and USD MMFs increased. This trend continued in 2024; the share of GBP MMFs fell further to 18.3%, while the shares of EUR MMFs and USD MMFs rose to 43.8% and 37.4%, respectively. These changes were mainly driven by net sales.



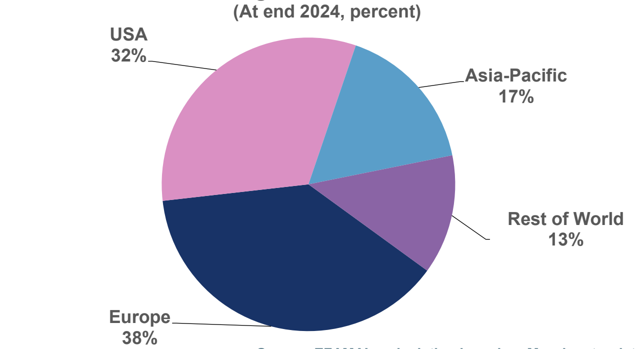
Net sales of short-term MMFs in 2024. In 2024, investors demonstrated a strong preference for short-term USD and EUR MMFs, each attracting EUR 72 bn in net inflows. Short-term GBP MMFs saw more modest inflows (EUR 25 bn). As in previous years, short-term MMFs represented the majority of total MMF sales.

Net sales of standard MMFs in 2024. Net sales of Standard MMFs were relatively flat over the year, with the exception of standard EUR MMFs, which attracted EUR 37 bn in net new money. These standard EUR VNAV MMFs are predominantly used in France, where they serve as a key cash management tool for many French corporations.



Asset allocation - Regional breakdown. At end 2024, an overview of MMFs holdings by geographical region[xi] shows that 38% of the short-term paper held by UCITS MMFs was issued in Europe. The US accounted for 32%, with Asia-Pacific region 17%. Another 13% was issued in other countries, predominantly Canada in this case.

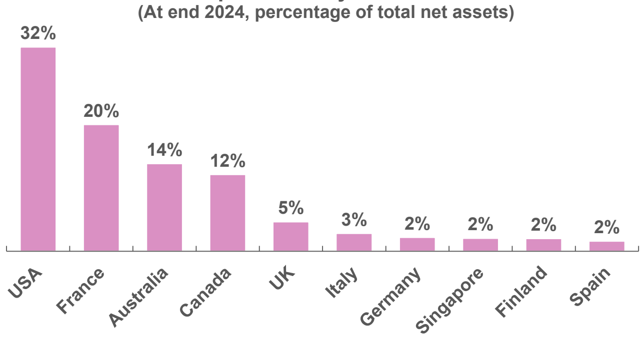
2.70: Money Market Fund UCITS - Asset Allocation - Regional Breakdown
(At end 2024, percent)



Source: EFAMA's calculation based on Morningstar data

Asset allocation - Country breakdown. US issuers of short-term paper accounted for the largest share of MMF assets at 32%, followed by short-term securities issued in France (20%) and Australia (14%). Canada (12%) and the UK (5%) complete the top five. A comparison of asset allocation by base currency and issuing country shows that USD- or GBP-denominated MMFs often invest a substantial portion of their assets in securities issued outside their base currency country. Countries such as Canada and Australia - along with companies based there - frequently issue short-term debt in major currencies to attract international investors. MMFs may also invest in debt denominated in a non-base currency and subsequently hedge the currency exposure. The MMFR does require, however, that all non-base currency exposures are fully hedged.

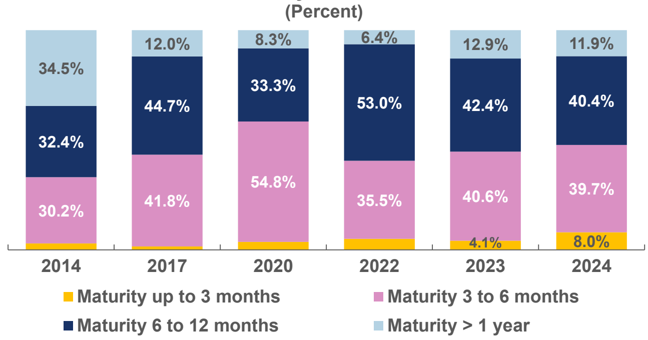
2.71: Money Market Fund UCITS - Asset Allocation - Top 10 Country Breakdown
(At end 2024, percentage of total net assets)



Source: EFAMA's calculation based on Morningstar data

Asset allocation - Maturity breakdown. European MMFs have experienced significant shifts in the maturity composition of their asset holdings over the past decade. Given that most MMF fixed-income investments usually have a maturity of less than one year, the maturity breakdown can change entirely from one year to the next. By end 2024, just over 40% of MMF fixed-income assets had maturities of between three and six months, while a slightly smaller proportion fell within the six-to-twelve-month range. Over the past decade, the share of bonds with maturities exceeding one year has generally declined, although it did increase again during 2023. Conversely, although generally quite small, the proportion of fixed-income holdings maturing in under three months has grown recently, rising from 4.1% in 2023 to 8% in 2024.

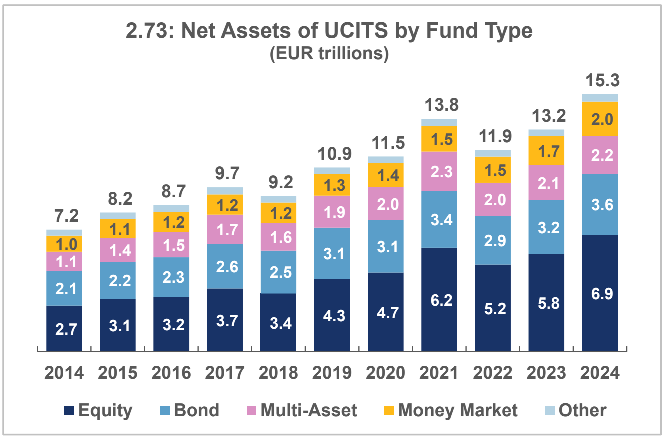
2.72: MMF UCITS - Asset Allocation - Maturity Breakdown
(Percent)



Source: EFAMA's calculation based on Morningstar data

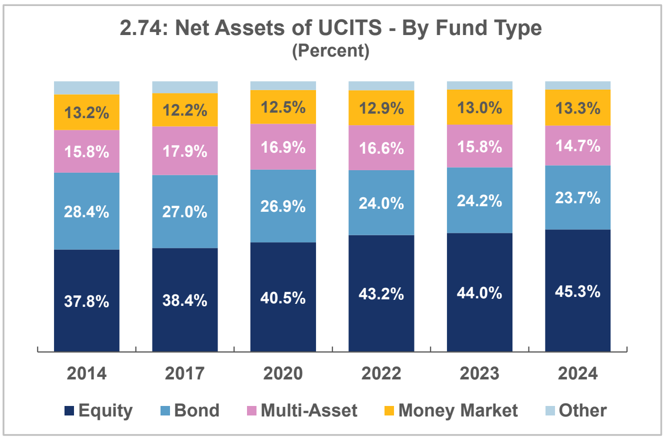
2.3.7 UCITS by type of fund

Net assets by UCITS type. In general, the evolution of net assets of UCITS by fund type tends to mirror that of the financial markets. Net assets grew during most years of the past decade, as the performance of capital markets was generally strong. Conversely, when financial markets fell, such as in 2018 and 2022, asset growth turned negative. In 2024, the net assets of virtually all major types of UCITS funds reached a new high. The exception was multi-asset UCITS, which fell short of their 2021 record.



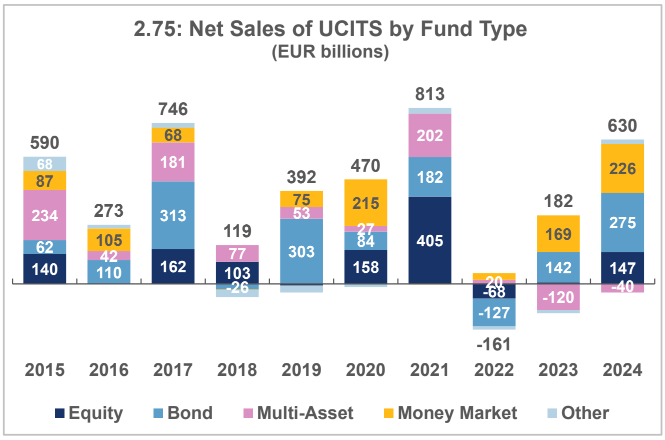
2.73: Net Assets of UCITS by Fund Type
(EUR trillions)

UCITS type market share evolution. The evolution of the market shares of each UCITS type shows that equity UCITS have increased steadily over the past ten years, driven by solid growth in stock markets. The market share of bond UCITS has declined, notably during the first years of the past decade when interest rates were extremely low. The share of multi-asset UCITS also dropped due to net outflows in recent years. MMFs, however, saw their share rise thanks to persistent net sales in 2022-2024.



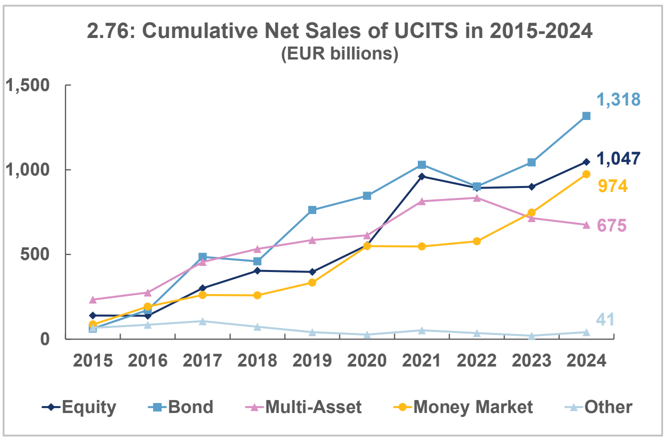
2.74: Net Assets of UCITS - By Fund Type
(Percent)

Net sales by UCITS type. Bond UCITS attracted the highest net inflows in 2024 (EUR 275 bn), which was a result of interest rates being cut (with further cuts expected for 2025). Net sales of MMFs reached a new record (EUR 226 bn), as the inverted yield curve made these funds particularly attractive. Net sales of equity UCITS rose to EUR 147 bn in 2024, while multi-asset UCITS saw a second consecutive year of net outflows (EUR 40 bn).



2.75: Net Sales of UCITS by Fund Type
(EUR billions)

Ten-year cumulative net sales. Bond UCITS attracted the greatest cumulative net inflows over the past decade (EUR 1,318 bn), thanks to robust net inflows in 2017, 2019 and 2024. Equity UCITS took second place, with cumulative net inflows of EUR 1,047 bn over the past decade, helped mainly by record net sales in 2021 (EUR 405 bn). Multi-asset funds lost their third place to MMFs, with net sales totalling EUR 675 bn over the past ten years pushed down by net outflows in 2023 and 2024. MMFs attracted EUR 974 bn, primarily due to exceptionally high net sales in 2020, 2023 and the record net sales of 2024. Other UCITS accounted for EUR 41 bn, depressed by negative net sales in 2018-2020 and 2022-2023.



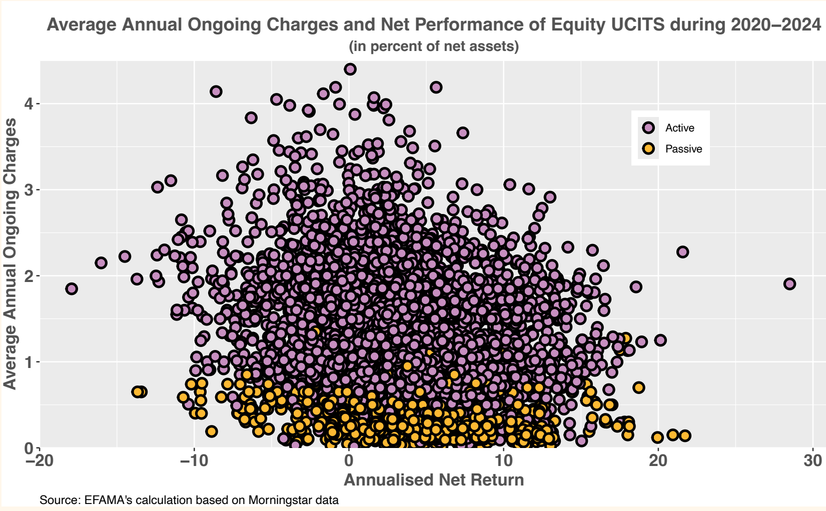
2.76: Cumulative Net Sales of UCITS in 2015-2024
(EUR billions)

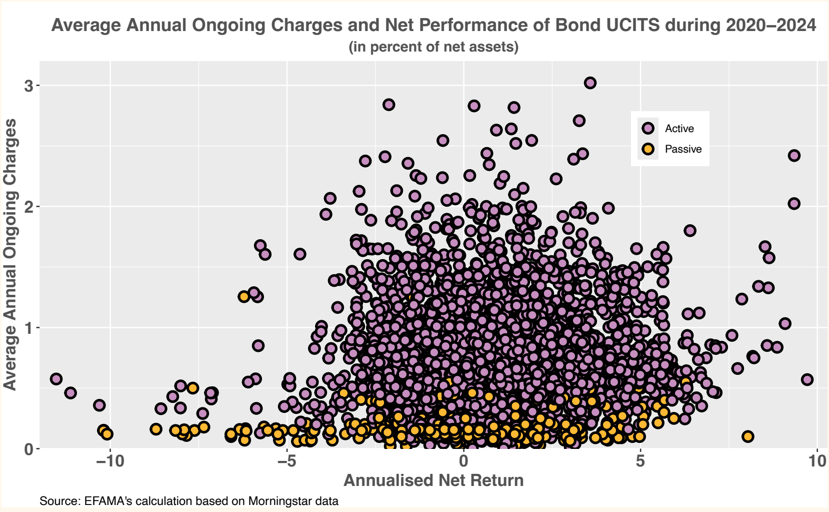
Box 4
Net Returns and Fund Costs: A Nuanced Look at Value in UCITS

Author: **Vera Jotanovic**

Given the emphasis on costs and value for money for European investors, we have examined whether lower fees consistently translate into better net performance. Our analysis shows that this is not always the case; less-expensive funds do not necessarily deliver the highest returns, and in some instances, higher-cost funds outperform.

This finding is illustrated in the scatterplots below, which show the average annual ongoing charges and average annualised performance (net of fees) of equity and bond UCITS over the period 2020–2024.[1] The charts demonstrate the wide variations in both costs and net performance between UCITS funds. Lower-cost funds do not consistently deliver the highest net returns, while some higher-cost funds achieve superior results. Our analysis also reveals a weak negative correlation between ongoing charges and net performance among equity UCITS and a weak positive correlation in the bond UCITS segment.[2]





The charts suggest that selecting the right fund is critical, given the broad disparity in net performance across

1 We selected a five-year investment horizon to capture a more-robust, long-term relationship between costs and performance. A ten-year analysis was not feasible due to a lack of consistent cost data over that period.

2 The Pearson correlation value amounts to -0.25 and 0.08 for equity and bonds UCITS, respectively.

the UCITS universe. The table below reinforces this, by comparing average net performance of different equity and bond fund categories. For example, between 2020 and 2024, Technology Equity UCITS delivered an average net return of 16.61%, while Europe Mid/Small-Cap Equity UCITS returned just 1.17%. This disparity shows that investment strategy has a far more significant impact on returns than fund cost alone. Cost becomes a meaningful decision-driver only when comparing funds with similar investment strategies and objectives.

Average annualised performance net of costs of UCITS during 2020-2024

	5-year Net Return during 2020-2024	
EQUITY UCITS		
Sectoral Allocation	**Passive**	**Active**
Energy Equity UCITS	7.90	8.59
Technology Equity UCITS	16.46	16.61
Healthcare Equity UCITS	7.00	5.71
Financials Equity UCITS	12.27	10.31
Regional and Market Allocation	**Passive**	**Active**
Europe Large-cap Equity UCITS	6.97	5.32
Global Large-cap Equity UCITS	12.05	9.72
Europe Mid/Small-cap Equity UCITS	1.17	3.48
Global Mid/Small-cap Equity UCITS	6.68	7.99
BOND UCITS		
Regional Allocation	**Passive**	**Active**
Europe Bond UCITS	-0.59	0.14
Global Bond UCITS	0.51	1.75

Notes: A few of the categories have a low number of observations. The reported averages are weighted.

The table also shows that in some cases, active funds outperform their passive counterparts and vice versa, depending on the segment. In other words, while passive equity funds tend to outperform active funds on average across the full equity UCITS universe, this trend does not hold consistently for all sectors and allocation strategies[3]. This reinforces that no single fund category consistently delivers superior performance, and that strategy and sector-specific analyses are essential when selecting a fund.

Rather than automatically opting for the lowest-cost fund, investors should focus on understanding the wide range of investment strategies and risk profiles available among UCITS. They should assess which funds best align with their risk tolerance, financial goals, personal convictions, sustainability preferences and investment horizon. Given the complexity of this task, many investors may benefit from seeking advice from qualified financial professionals.

In parallel, it is important for investors to carefully review the key fund documents – particularly the Key Investor Information Document – to fully understand the fund's objectives, underlying assets and investment style as well as any associated risks or constraints. Adopting such a comprehensive approach helps ensure that the selected fund not only meets cost expectations but also aligns with the investor's broader needs and long-term priorities.

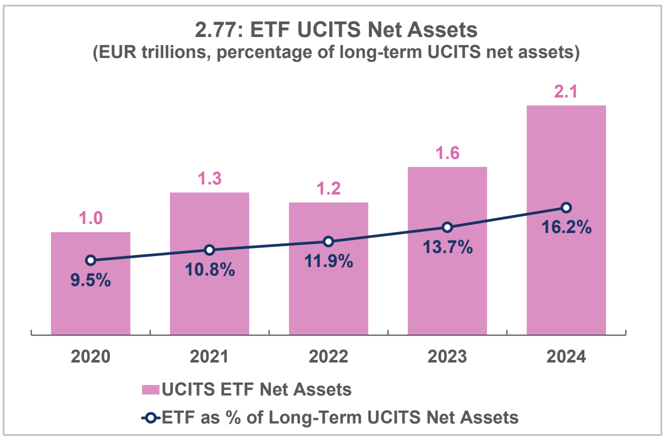
3 This finding was confirmed in a Market Insight (#19) entitled 'Industry sector matters when comparing the performance of active vs. passive equity UCITS'.

2.3.8 ETF UCITS

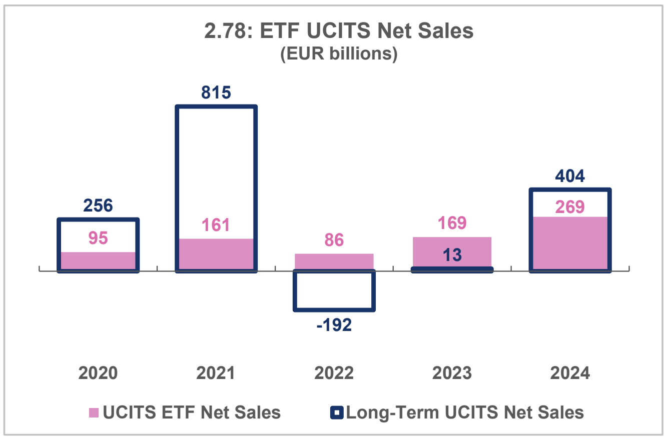
What are ETFs (Exchange-Traded Funds)? ETFs are pooled investment vehicles, with shares that investors can buy and sell on a stock exchange throughout the day at a market-determined price. ETFs usually track an index, with a portfolio of securities selected to mirror its rises and falls, which is why the vast majority of ETFs are passive. However, active ETFs are growing in popularity, with numerous new funds having recently been created. The share of active ETFs within the total ETF UCITS market rose from 1.9% by end 2023 to 2.4% by end 2024. ETFs are an increasingly popular investment instrument, thanks to their ease of access, flexibility, liquidity and cost efficiency. They combine the low cost and broad diversification of investment funds with the real-time pricing and trading of equities.

UCITS ETFs. The vast majority of European ETFs are created as UCITS and are therefore subject to a robust regulatory framework. Within EFAMA statistics, ETFs are included within their respective underlying fund types - equity, bond or other, but they are also identified separately as an 'of which' category.

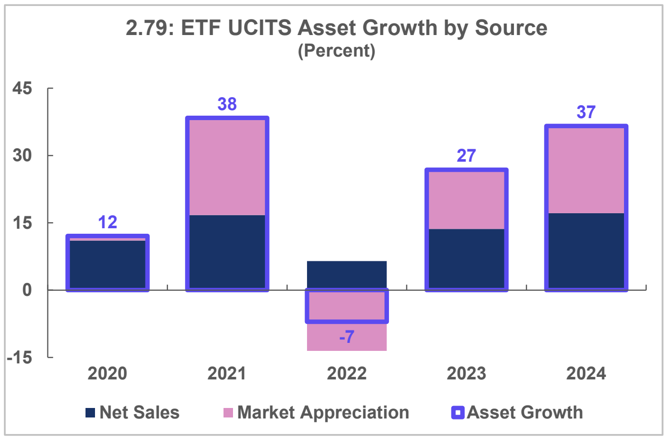
Net assets of ETFs. In recent years, ETFs saw rapid growth, with net assets more than doubling from EUR 1 tn in 2020 to EUR 2.1 tn by end 2024. As a proportion of long-term UCITS net assets, ETFs also rose sharply, from 9.5% in 2020 to 16.2% by end 2024.



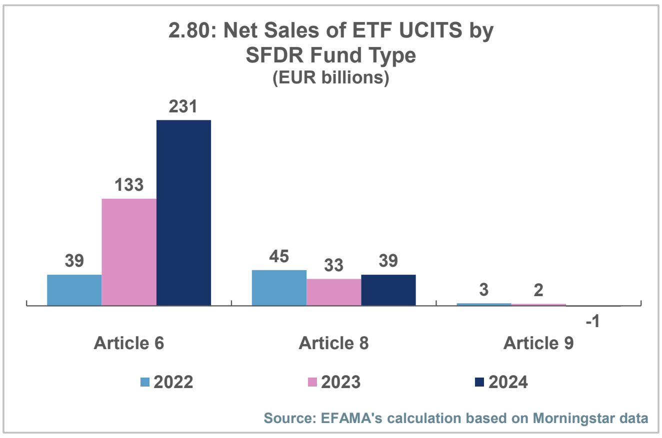
Net sales of ETFs. In 2024, ETF net sales soared to a new all-time high (EUR 269 bn), beating the previous 2023 high by EUR 100 bn. Over the past five years, ETFs have consistently recorded positive net sales, even during periods when overall long-term UCITS fund flows were negative, such as in 2022. This trend highlights the growing role of ETFs in investors' asset allocation strategies.



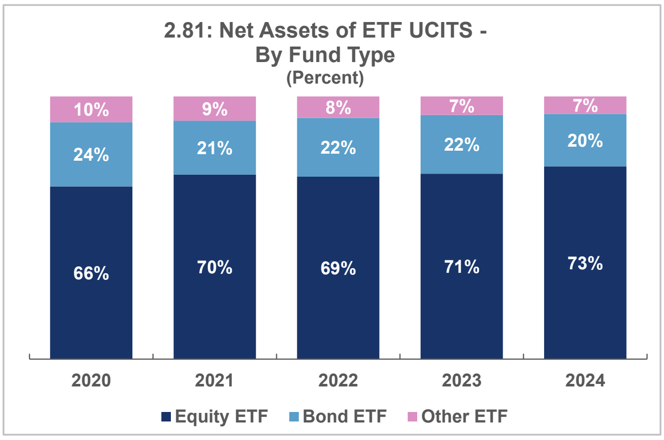
Breakdown of net asset growth. Net assets of UCITS ETFs rose by 37% in 2024, compared to 27% in 2023. Slightly less than half of the total growth was due to net sales, with slightly over half resulted from market appreciation. The annual asset increase of ETFs was more than double that of long-term UCITS in 2024 (37% versus 16%).



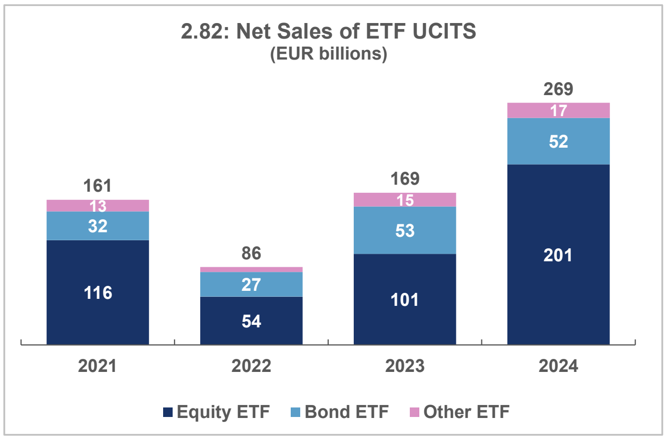
Net sales of SFDR funds. Net sales of ETF UCITS by type of SFDR fund indicate that Article 6 ETFs accounted for the bulk of net sales, particularly in 2024 (EUR 231 bn). This can be explained by the nature of ETFs, in particular equity ETFs, which track an index of a wide variety of stocks. Often, not all the stocks tracked by the ETF comply with the SFDR criteria. Net sales of Article 9 ETFs have always been notably low, since very few Article 9 ETFs exist. However, while net sales were muted but still positive in 2022 and 2023, 2024 saw them turn negative (EUR 1 bn).



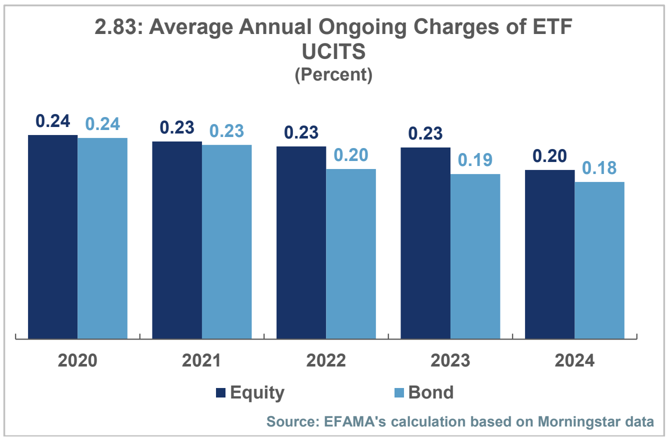
Breakdown of net assets per ETF type. Examining the specific categories of ETF funds, equity ETFs made up the largest share overall at end 2024, comprising 73%. This was followed by bond ETFs at 20%; other ETFs made up 7%. The share of equity ETFs has steadily increased over the past couple of years, primarily due to stronger growth in equity valuations compared to other asset classes.



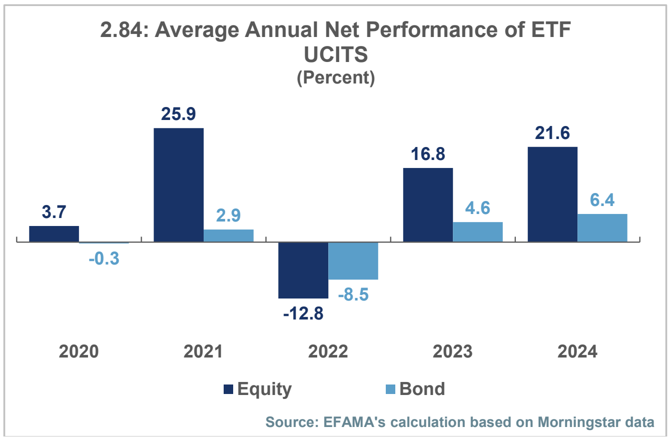
Breakdown of net sales per ETF type. Net ETF sales generally showed a similar picture to that of the net assets. Net sales of equity ETFs (EUR 201 bn) accounted for 75% of the total. Bond ETFs net sales (EUR 52 bn) made up 19% of the total, with other ETFs (EUR 17 bn) making up around 6%. This situation was broadly comparable with 2021-2022, when equity ETFs also accounted for the bulk of net sales.



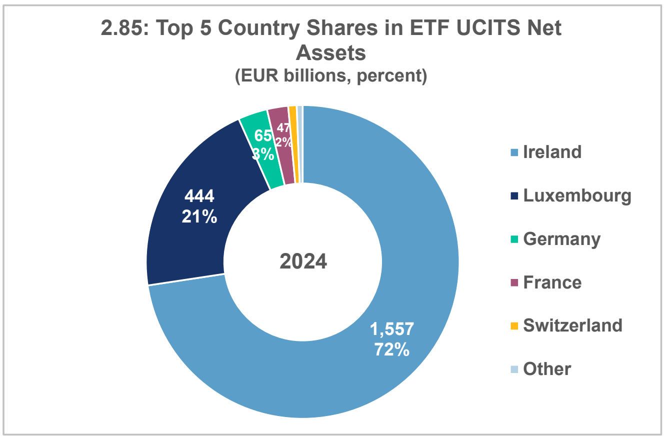
Cost of UCITS ETFs. Average annual charges of UCITS ETFs, like those of most fund types, have gradually declined over the past five years. Equity UCITS ETFs saw costs reduce from 0.24% in 2020 to 0.20% in 2024. For bond UCITS ETFs, this fall was even greater - from 0.24% in 2020 to 0.18% in 2024.



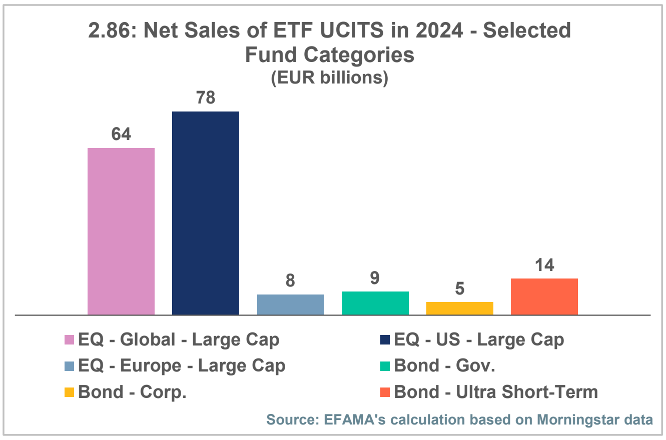
Net Performance of UCITS ETFs. Similar to overall equity and bond UCITS, the performance of ETFs increased in 2024 compared with 2023. Equity UCITS ETFs reported an average net performance of 21.6% in 2024, while bond UCITS ETFs returned 6.4%.



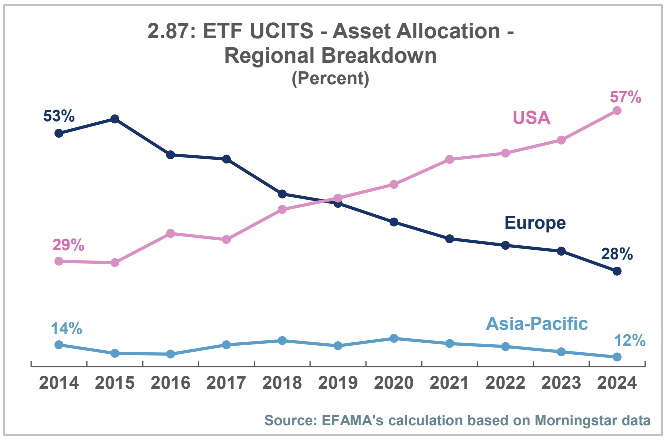
Breakdown by domicile. The European ETF market is heavily concentrated. At end 2024, Ireland domiciled 72% of all European ETFs. Luxembourg followed with 21%, then Germany at 3% and France at 2%. Other European domiciles play a negligible role in the ETF market.



Net sales of selected ETF categories. The bulk of new money went into equity ETFs tracking large-cap US-focused ETFs (EUR 78 bn), such as the S&P 500. Global large cap index ETFs, like those tracking the MSCI world, also saw substantial net inflows (EUR 64 bn). ETFs tracking a European stock index attracted relatively muted net inflows (EUR 8 bn). In the bond segment, all major bond fund types saw net inflows. Government bond ETFs attracted EUR 9 bn in 2024, while the net sales of corporate bond ETFs amounted to EUR 5 bn. In the riskier segment of the bond market, net sales of high-yield ETFs returned to positive territory (EUR 5 bn) after two years of net outflows. Ultra-short bond ETFs attracted the highest net inflows among bond ETFs, driven by an inverted yield curve.



Asset allocation – Regional breakdown. The regional asset allocation of ETF assets reveals trends similar to those observed in equity UCITS, although the shift from European to US assets has been even more pronounced. In 2014, European assets accounted for 53% of total ETF holdings, but by end 2024, this share had dropped sharply to just 28%. Over the same period, the proportion of US assets nearly doubled, from 29% to 57%. This dramatic shift is largely attributable to the superior performance of US stock markets over the past decade, which drew increasing investor interest toward those ETFs tracking US indices. The high weight of US stocks in most global indices also played a role, as strong inflows into global ETFs would automatically lead to a growing market share of US stocks and bonds in the asset allocation of European ETFs.



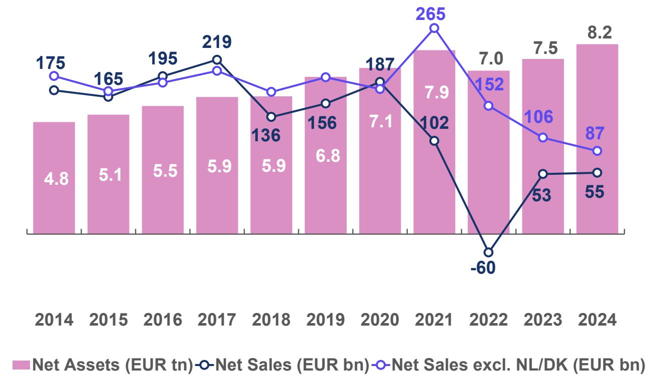
2.4 THE AIF MARKET

2.4.1 Overview

Trends in the AIF market tend to be less-directly impacted by capital market developments compared to UCITS. This is because AIFs allocate a larger share of their assets to alternative assets such as private equity and real estate. In addition, the primary investors in AIFs — pension funds and insurers (see Section 3.3.2) — often follow a somewhat counter-cyclical investment strategy, sometimes taking advantage of stock market downturns to increase their AIF purchases.

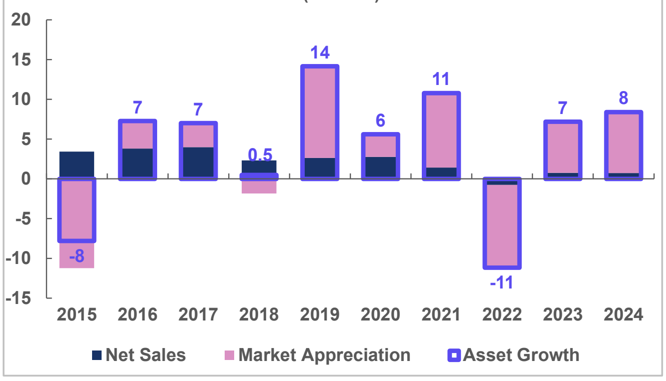
Net assets and net sales of AIFs. Net AIF assets rose to EUR 8.2 tn in 2024, from EUR 7.5 tn the previous year. Meanwhile, net sales in 2024 amounted to EUR 55 bn, compared to EUR 53 bn in 2023. Net AIF sales in 2021-2023 - but especially 2022 - were heavily impacted by the sizeable net outflows in the Netherlands and, to a lesser extent, Denmark. These were a result of the decision by certain large pension funds to manage their assets in segregated mandates, rather than in AIFs, due to changes in the IFR/IFD prudential rules. Although this trend still continued in 2024, it slowed considerably; total net inflows into AIFs without the Netherlands and Denmark would have been EUR 87 bn in 2024, a difference of some EUR 32 bn.

2.88: Net Assets and Net Sales of AIFs



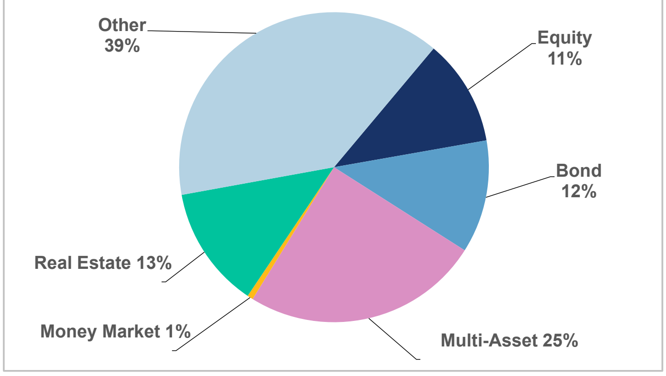
Breakdown of net asset growth. Net assets of AIFs grew by 8% in 2024, driven by relatively muted net inflows accounting for 1% and market appreciation for 7%. Asset growth was only marginally higher than in 2023, at 7%. The combination of relatively low net sales in 2024 and the lower equity exposure of AIFs compared to UCITS, resulted in AIF asset growth being around half that of UCITS (16%).

2.89: AIF Asset Growth by Source
(Percent)



Breakdown by type of fund. AIFs can be divided according to their overall investment strategy. At end 2024, 'other' AIFs were the predominant type, with a 39% share. Multi-asset AIFs accounted for 25% of the total market, followed by real estate funds (13%), bond AIFs (12%) and equity AIFs (11%).

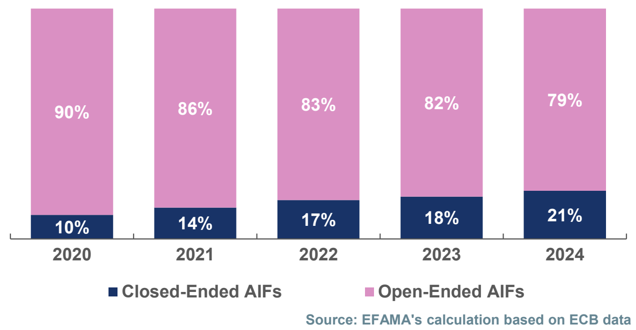
2.90: Net Assets of AIFs at End 2024
(Percent)



Open-ended and closed-ended AIFs. While open-ended funds continuously accept new investors, issue new fund shares and grow their assets, closed-end funds issue only a fixed number of fund shares to a limited number of investors. Compared to open-ended funds, closed-ended funds are a significantly less liquid investment option for investors, as fund shares cannot be redeemed directly by the fund. This means that closed-ended funds need not maintain cash liquidity buffers or sell securities to meet sudden investor redemption requests. Therefore, the fund has the flexibility to invest in less-liquid portfolio securities, such as infrastructure or private debt. UCITS must be open-ended funds, but AIFs can be either open-ended or closed-ended. The share of closed-ended

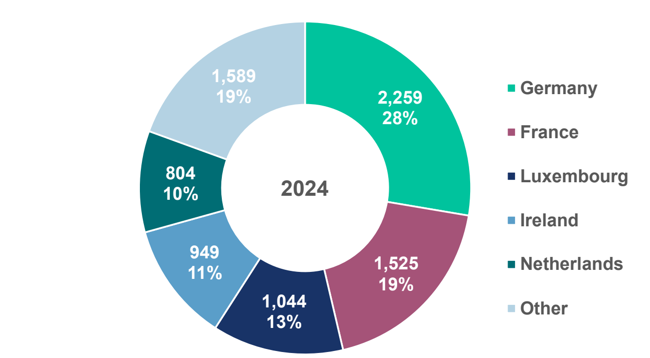
AIF net assets in the total AIF market has risen strongly over the past five years, more than doubling from 10% in 2020 to 21% at end 2024. The strong growth was mainly attributable to the rising popularity of private markets and alternative assets, with investors increasingly making use of Luxembourgish RAIFs (Reserved Alternative Investment Funds) to invest in these asset classes.

2.91: Net Assets of Open-Ended and Closed-Ended AIFs in the EA
(Percent)



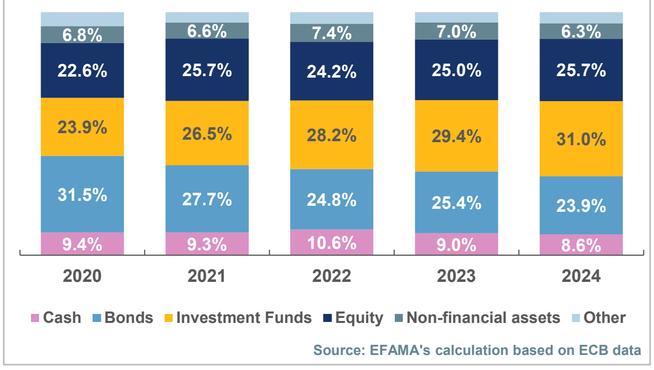
Breakdown by AIF domicile. The top five domiciles in the AIF market collectively held 81% of net assets at end 2024. Germany was the largest with a 28% market share, followed by France with 19%, Luxembourg with 13%, Ireland with 11% and the Netherlands with 10%.

2.92: Top 5 Country Shares in AIF Net Assets
(EUR billions, percent)



Asset allocation. Over the past five years, the proportion of directly held bonds in the asset allocation of EA (euro area) AIFs has generally declined, while allocations to directly held equities have fluctuated in response to shifts in stock market valuations. At the same time, the share of investment funds held by AIFs has steadily increased. This trend indicates that AIF managers are increasingly relying on the expertise of external fund managers and incorporating passive funds and ETFs into their allocation strategies.

2.93: Asset Allocation of EA AIFs
(Percent)



Net assets of AIFs by domicile. The table on the next page shows the net assets of AIFs per domicile at end 2024, the respective AIF market shares of each domicile and the net asset growth in 2024. Almost all AIF domiciles saw a growth in net assets over 2024, with a drop in net assets in only three countries. The larger domiciles all reported net asset growth, with France experiencing the strongest increase (12%), followed by Ireland (10%), the Netherlands (8%), Luxembourg (5%) and Germany (4%). Growth among the smaller domiciles showed a bit more variety; Croatia registered an annual growth of 110%, followed by Turkey -Türkiye (108%) and the Czech Republic (51%). The three countries registering a decline in net AIF assets were Belgium, Spain and Sweden. All three of these countries account for a tiny portion of the AIF market, since they are predominantly UCITS domiciles. Declines were most likely due to AIFs being converted into UCITS.

Net sales of AIFs by domicile. France (EUR 25 bn), followed by the UK (EUR 24 bn) and Germany (EUR 22 bn), accounted for the majority of the 2024 net inflows. In the smaller domiciles, strong net inflows were seen in Hungary (EUR 5 bn), Turkey -Türkiye (EUR 4 bn), Poland (EUR 4 bn) and Liechtenstein (EUR 3 bn). AIFs domiciled in the Netherlands and Denmark registered net outflows of EUR 19 bn and EUR 12 bn, respectively. As explained above, these net outflows were related to certain pension funds in Denmark and the Netherlands switching from AIF wrappers to segregated mandates. However, compared to 2023 and particularly 2022, net outflows appear to have slowed down.

2.94: Net Assets and Net Sales of AIFs by Country					
Country	Net Assets of Nationally Domiciled AIFs			Net Sales of Nationally Domiciled AIFs	
	EUR bn at End 2024	Market Share at End 2024	Growth Rate at End 2024	EUR bn, in 2024	Accumulated 2020 - 2024
Austria	121.8	1.5%	7.1%	1.2	8.6
Belgium	1.4	0.02%	-3.8%	0.03	0.2
Bulgaria	0.2	0.002%	15.7%	0.01	0.07
Croatia	1.2	0.01%	110.2%		
Cyprus	6.5	0.1%	12.6%	0.4	0.4
Czech Republic	4.0	0.05%	51.0%	0.4	1.0
Denmark	108.1	1.3%	5.6%	-12.4	-87.9
Finland	19.4	0.2%	5.9%	0.3	2.8
France	1,525.1	18.7%	11.9%	24.8	15.7
Germany	2,259.2	27.7%	4.3%	21.8	344.6
Greece	6.2	0.1%	10.0%		
Hungary	39.7	0.5%	13.3%	5.0	19.5
Ireland	949.2	11.6%	9.7%	-3.5	132.8
Italy	133.7	1.6%	9.4%	-0.03	10.6
Liechtenstein	105.8	1.3%	14.8%	3.4	50.6
Luxembourg	1,043.6	12.8%	5.0%	0.8	125.6
Malta	20.7	0.3%	22.4%	-0.3	2.9
Netherlands	803.8	9.8%	8.0%	-19.2	-363.1
Norway	16.3	0.2%	n.a.	3.1	4.8
Poland	51.9	0.6%	14.8%	3.8	8.0
Portugal	18.4	0.2%	20.7%	-0.1	0.0
Romania	3.7	0.05%	4.1%	-0.01	-0.01
Slovakia	3.6	0.04%	15.1%	0.3	1.2
Slovenia	0.8	0.01%	9.3%		
Spain	36.3	0.4%	-3.7%	-4.3	-4.8
Sweden	26.3	0.3%	-2.8%	1.0	1.8
Switzerland	206.5	2.5%	8.3%	0.2	22.5
Turkey	39.8	0.5%	107.8%	4.3	7.6
United Kingdom	617.2	7.6%	14.8%	24.4	31.5
Europe	**8,170.2**	**100%**	**8.4%**	**55.4**	**337.0**

Box 5
Brave New World... of Investing

Author: **Susan Yavari**

Imagine it is Saturday afternoon in the not-too-distant future; after noticing a high cash balance in your bank account, you decide to buy- via your mobile phone a couple of hundred euros worth of shares - of a mutual fund investing in Saudi real estate. The transaction is instantaneous. The fund units are now held in your mobile wallet. Wait, what? Is this a scene from the latest sci-fi blockbuster on streaming? In reality, no; yet many of the elements required to enable the scenario above are already in motion, and their future convergence will make the described use-case a reality.

Let's unpack this example. The consumer is investing on a Saturday, the asset in question is a private asset (real estate) yet it is available to retail, the investment amount is tiny and the transaction only takes a few seconds. This is precisely what a DLT-enabled (Distributed Ledger Technology) future holds; 24/7 trading, fractionalisation (fractional ownership of alternative assets), disintermediated transactions (bypassing clearing houses and custodians) and finally the ability to hold and settle transactions via a digital currency.

As any expert on DLT/tokenisation knows, for such DLT-enabled offerings to reach the retail investor, a few key milestones need to be cleared first. Interoperability between DLT platforms is one, the availability of tokenised assets at scale is another. Last, cash-on-chain is critical for closing the loop and enabling secure and instantaneous payments. In Europe, we are progressing – albeit piecemeal - toward these milestones, through a combination of enabling regulation and enterprising and visionary firms. As far as regulatory certainty and the role of the authorities, we can think of regulations such as MiCA (for crypto-assets and crypto-currencies), the DLT Pilot Regime (for DLT-enabled trading and settlement) and the pioneering work of the European Central Bank on a digital Euro.

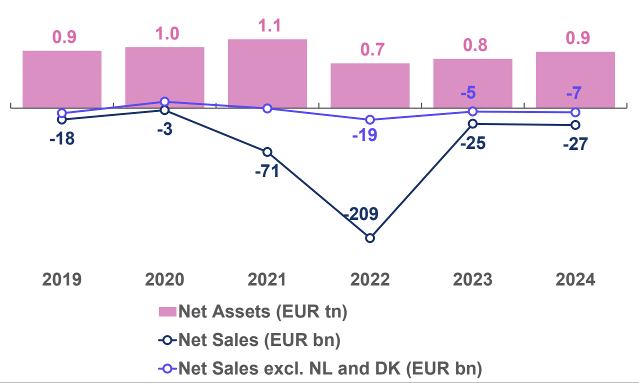
The US is similarly positioned, although arguably in a more centralised and visible form with a White House Crypto-asset working group, a dedicated SEC task force and key legislations under review in Congress. Beyond the EU and the US, other markets are competing for the top spot as regional DLT hubs, with highly developed DLT ecosystems: Switzerland, Singapore and Hong Kong, to name the most prominent. The good news is that these initiatives are not mutually exclusive. Most participants in the DLT-space would warmly welcome a global push for interoperability and standard-setting. Harmonised rules - or at the very least a global set of principles, combined with common standards (technology architecture design, smart contract standards and governance) – would provide a major boost to the much-desired network effects.

This means the only real risk is the risk of doing nothing at all. When your target market, the end investor, pulls out their mobile device on a Saturday afternoon and decides to invest a small amount of cash, your firm wants to be the one that has built and invested to take advantage of this very scenario.

2.4.2 Equity AIFs

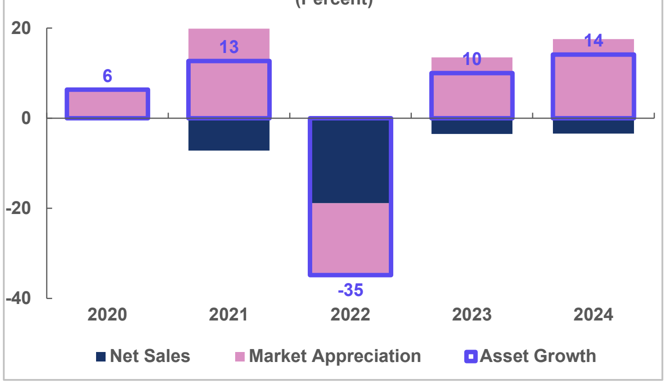
Net assets and net sales. Net assets of equity AIFs grew steadily in 2023 and 2024, recovering from the strong decline in 2022. Net sales were negative in 2024 (EUR 27 bn), just like over the past five years. They saw particularly high net outflows in 2022 (EUR 209 bn). These negative flows in 2022 - and to a lesser extent in the other years - were primarily attributable to developments in the pension fund sectors in the Netherlands and Denmark. Excluding these two countries, net sales of equity AIFs would have been close to zero in both 2023 and 2024.

2.95: Net Assets and Net Sales of Equity AIFs



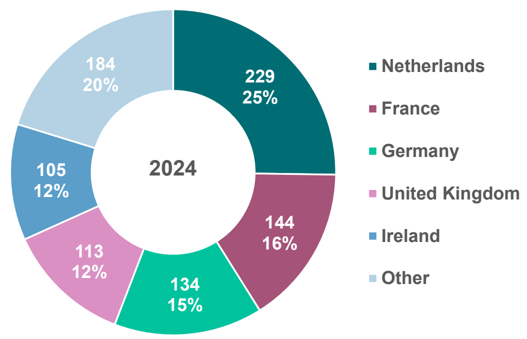
Breakdown of net asset growth. Net assets of equity AIFs rose by 14% in 2024. This was attributable to a 17.5% market appreciation, which offset the 3.5% decline caused by net sales. For most years, the net asset growth of equity AIFs was lower than that of equity UCITS, but this was mainly the result of negative net AIF sales. Indeed, the market appreciation for both fund types has been fairly similar in recent years. This suggests that - at an aggregate level - the asset allocations of equity UCITS and AIFs may be broadly aligned.

2.96: Equity AIFs Asset Growth by Source
(Percent)



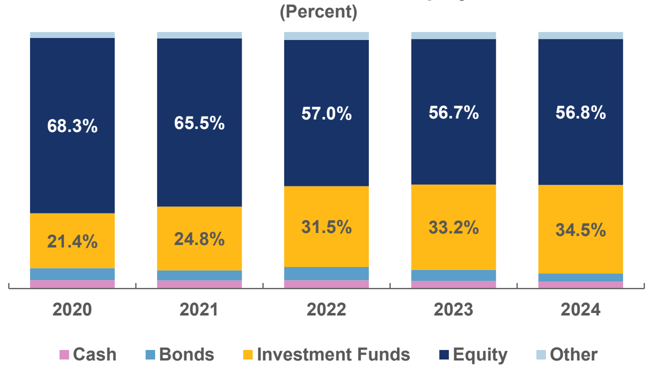
Breakdown by domicile. Looking at the AIF equity market by domicile at end 2024, the Netherlands continues to hold the largest market share (25%), despite a strong net asset drop in 2022. This drop was due to its sizeable pension fund industry, which often uses AIF wrappers for their pension funds. The Netherlands was followed by France (16%), Germany (15%), the UK and Ireland (both 12%).

2.97: Top 5 Country Shares in Equity AIF Net Assets
(EUR billions, percent)



Asset allocation. The asset allocation of equity AIFs in the euro area has undergone a notable shift in recent years. The sharp decline in directly held stocks - and the corresponding rise in investment fund holdings between 2021 and 2022 - can be largely attributed to the drop in net assets of Dutch equity AIFs, which traditionally have higher direct equity exposure. However, the upward trend in fund holdings has been consistent year-on-year, not limited to that specific year. This points to a broader shift among European AIF managers toward using investment funds as an easy and cost-effective way to access different stock markets.

2.98: Asset Allocation of EA Equity AIFs
(Percent)

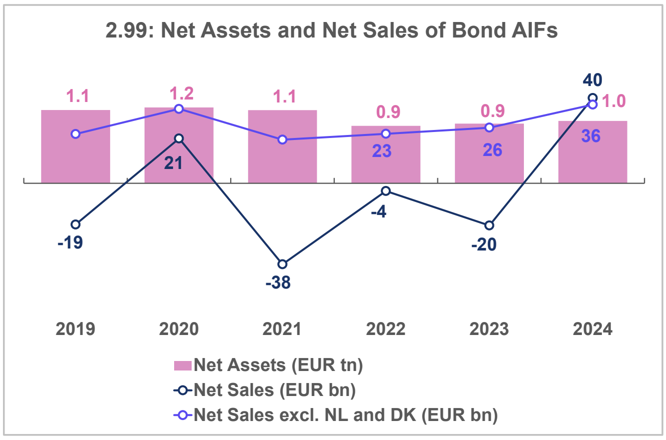


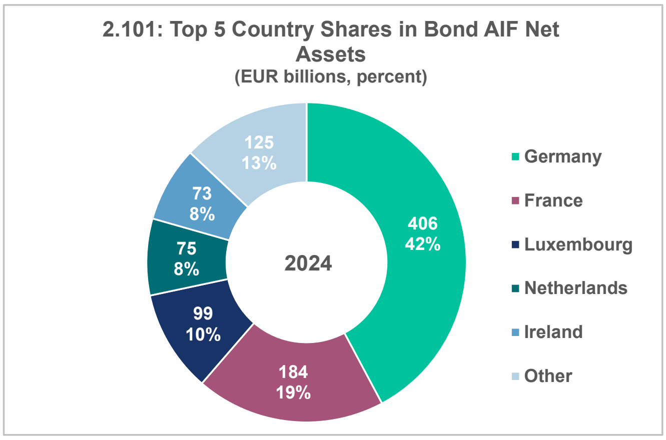
Source: EFAMA's calculation based on ECB data

2.4.3 Bond AIFs

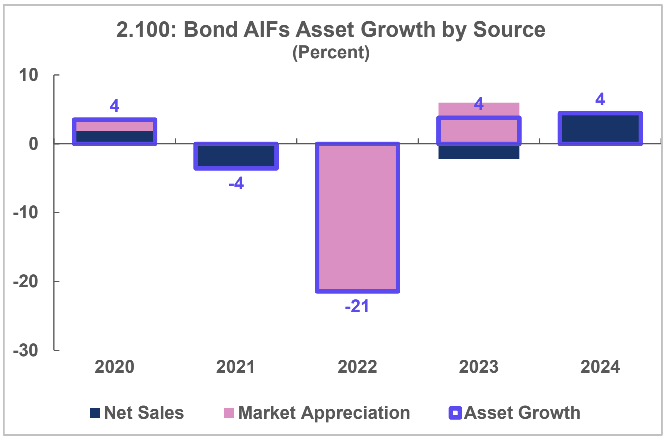
Net assets and net sales. Net assets of bond AIFs rose to EUR 1 tn by end 2024, but still lower than the EUR 1.2 tn of 2020. Net sales were negative in 2021-2023, but returned to positive territory in 2024 (EUR 40 bn). The net outflows in 2023 (EUR 20 bn) stand in contrast to the strong net inflows in bond UCITS but were – as in previous years - again primarily driven by Danish and Dutch pension funds moving away from AIF wrappers. Excluding Denmark and the Netherlands, net sales of bond AIFs would have been positive (EUR 26 bn).

Breakdown by domicile. Germany stands out as the leading domicile in the AIF bond market at end 2024, commanding a significant 42% share. This dominance is largely driven by its extensive institutional 'Spezialfonds' sector, which draws substantial investments from domestic insurers and pension funds. France followed in second place with a 19% share, supported by its large insurance industry. Luxembourg ranked third with 10%, while the Netherlands and Ireland rounded out the top five, each accounting for 8% of the market.

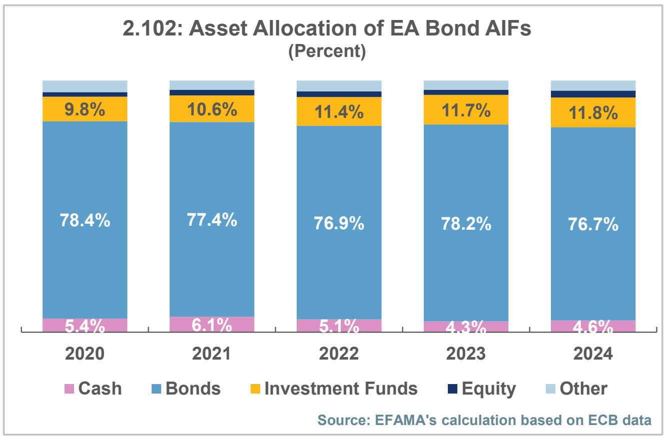




Breakdown of net asset growth. Net assets of bond AIFs grew by a little above 4% in 2024. Net sales were the reason behind this increase (4%), as a market appreciation effect hardly played in the total asset change this year. The significant market appreciation of bond AIFs in 2024 contrasts with the market appreciation of bond UCITS in the same year (5%), indicating that the asset allocations of bond AIFs and bond UCITS differ substantially.



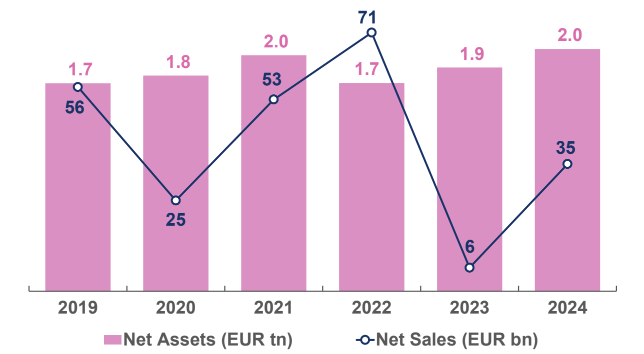
Asset allocation. Bond AIFs are heavily concentrated in debt securities, which made up 76.7% of their portfolios at the end of 2024. This allocation has remained relatively stable over the past five years, with the exception of 2022, when it temporarily declined due to a drop in bond valuations. Among the three main AIF categories, bond AIFs have the lowest exposure to funds. Nonetheless, the share of investment fund holdings has gradually increased—from 9.8% in 2020 to 11.8% in 2024—highlighting a slow but steady shift toward greater diversification.



2.4.4 Multi-asset AIFs

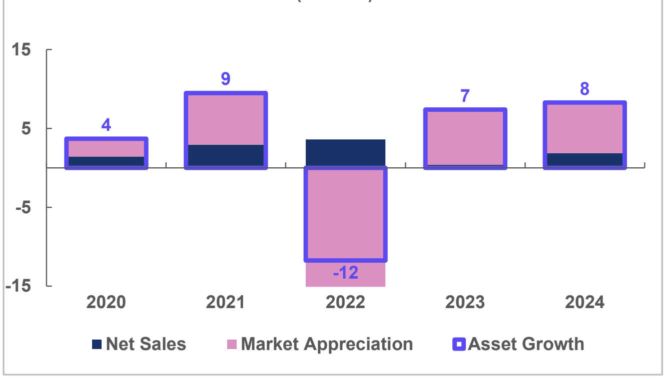
Net assets and net sales. Net assets of multi-asset AIFs grew to a new record in 2024 (EUR 2 tn), mainly thanks to rising stock markets. Net sales recovered somewhat in 2024 (EUR 35 bn) after the five-year low in 2023 (EUR 6 bn). This EUR 35 bn in net inflows contrast sharply with the EUR 40 bn in net outflows from multi-asset UCITS during 2024. The difference most likely stems from different investor types. Multi-asset AIF flows are exclusively driven by institutional investors, whereas multi-asset UCITS are targeted at both retail and institutional clients.

2.103: Net Assets and Net Sales of Multi-Asset AIFs



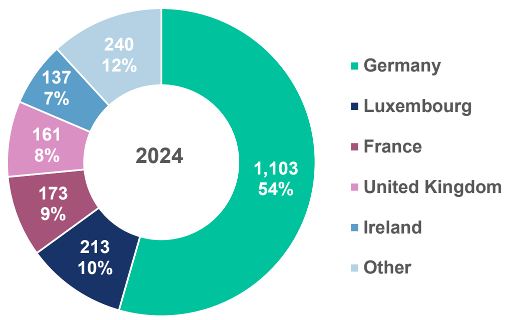
Breakdown of net asset growth. Net assets of multi-asset AIFs grew by around 8% in 2024, primarily driven by rising stock prices that accounted for 6% of the total asset growth. Net sales accounted for around 2%. With a market appreciation of around 10% for multi-asset UCITS, the figure for multi-asset AIFs was somewhat lower. These variations highlight the broader diversity in asset allocation strategies within multi-asset funds compared to equity funds.

2.104: Multi-Asset AIF Asset Growth by Source
(Percent)



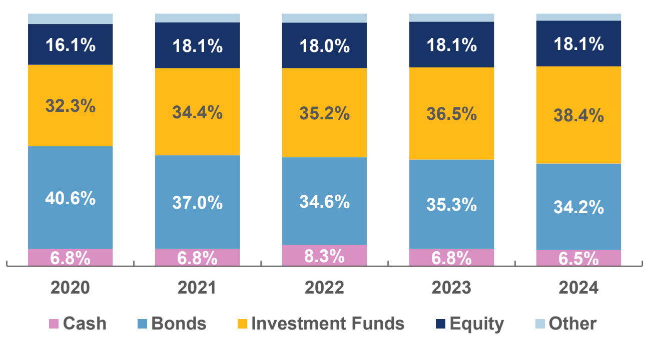
Breakdown by domicile. German institutional 'Spezialfonds' played an even more-dominant role in the European multi-asset AIF market than they do in bond AIFs, accounting for 54% of total assets in 2024. The other top five domiciles were Luxembourg (10%), France (9%), the UK (8%) and Ireland (7%). Collectively, the remaining European domiciles held a market share of only 12%, indicating that the multi-asset AIF market is far more concentrated than the multi-asset UCITS market.

2.105: Top 5 Country Shares in Multi-Asset AIF Net Assets
(EUR billions, percent)



Asset allocation. Analysing the asset allocation of multi-asset AIFs reveals a steadily increasing market share of investment funds, from 32.3% in 2020 to 38.4% in 2024. The market share of directly held stocks has been relatively stable in recent years, while debt securities have steadily declined. Compared to multi-asset UCITS, multi-asset AIFs had a lower share of directly held equity (18.1% versus 25% at end 2024) and higher shares of cash, bonds and investment funds. These differences in asset allocation help explain the disparities in market appreciation between multi-asset UCITS and AIFs.

2.106: Asset Allocation of EA Multi-Asset AIFs
(Percent)

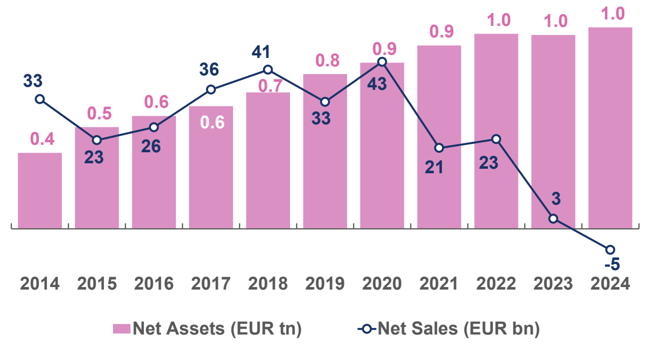


Source: EFAMA's calculation based on ECB data

2.4.5 Real estate AIFs

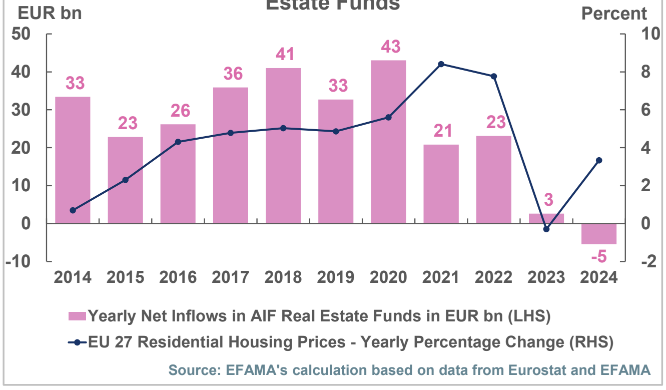
Net assets and net sales. Net assets of real estate funds closed 2024 at EUR 1 tn, slightly up on the 2023 level.[xiii] Real estate funds registered slightly negative net sales during 2024 (EUR 5 bn), compared to small but positive net sales in 2023 (EUR 3 bn). These were the first net outflows of the decade. Net sales gradually declined in recent years, down from a record of EUR 43 bn in 2020. In previous years, demand for real estate funds was boosted by low interest rate levels. However, the 2022 interest rate hikes - via their impact on real estate prices – negatively impacted demand for these funds.

2.107: Net Assets and Net Sales of Real Estate Funds



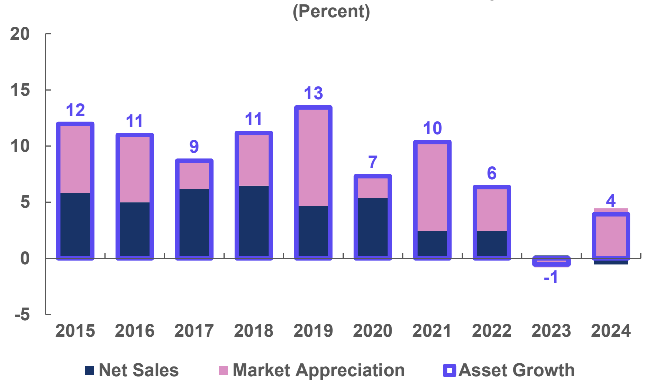
Demand for real estate funds and housing prices. Demand for real estate funds generally moves in parallel with housing market trends, rising house prices often driving higher net inflows and declining prices dampening investor appetite. This relationship was clearly evident in 2023, when Europe experienced its first decline in house prices of the decade, coinciding with a sharp drop in net inflows to near zero. Although housing prices rebounded by around 4% in 2024, net sales of real estate funds turned negative, an indication that investor sentiment was still heavily impacted by the previous year's downturn.

2.109: Housing Prices and Net Inflows into Real Estate Funds



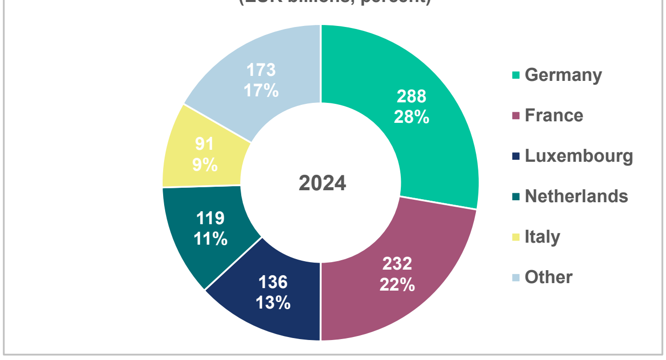
Breakdown of net asset growth. Real estate fund assets saw a modest recovery in 2024, growing by 4% following a contraction in 2023. This rebound was entirely driven by market appreciation (4%), as net sales were close to zero. The decline in both residential and commercial property prices in 2023 - and the resulting dip in real estate fund valuations - clearly continued to weigh on investor confidence in 2024, resulting in net outflows for the year.

2.108: Real Estate Fund Asset Growth by Source
(Percent)



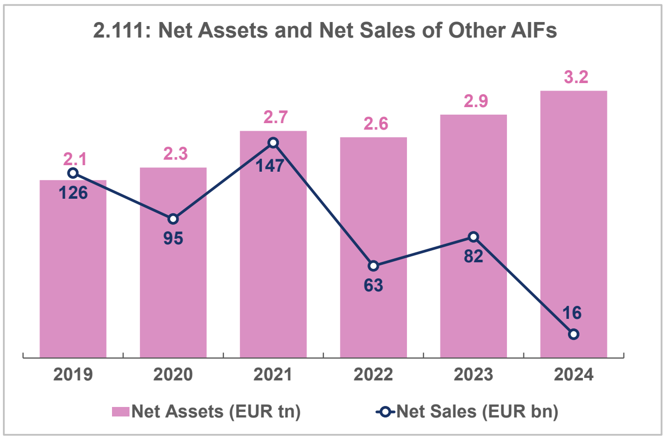
Breakdown by domicile. As of end 2024, Germany held the largest share of the European real estate fund market, at 28%. France followed with 22%, while Luxembourg, the Netherlands and Italy accounted for 13%, 11% and 9%, respectively. The remaining 17% was divided across the other European domiciles.

2.110: Top 5 Country Shares in Real Estate Fund Net Assets
(EUR billions, percent)

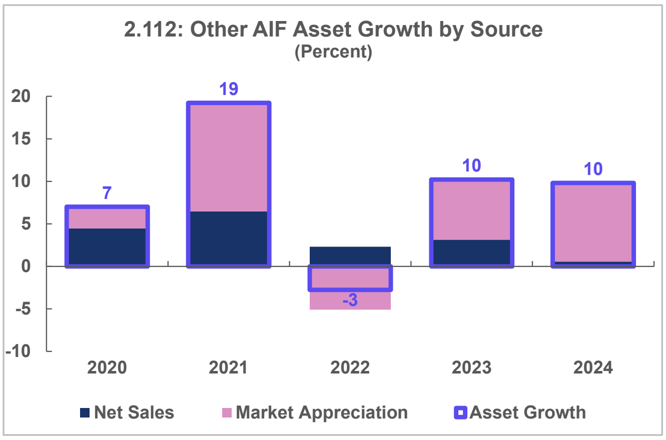


2.4.6 Other AIFs

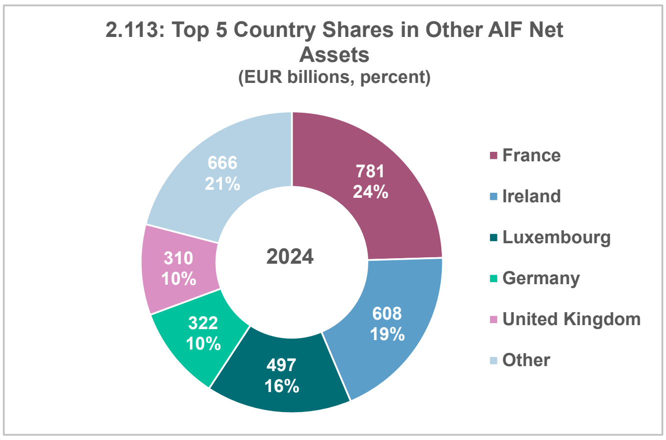
Net assets and net sales. 'Other' AIFs are the predominant type of AIFs. These encompass a diverse array of fund categories, including securitisation, private equity, debt/loan and hedge funds as well as others, such as commodities funds. What these funds have in common is that they chiefly invest in alternative, less-liquid assets. Net assets of 'other' AIFs experienced robust growth in recent years, reaching a record level of EUR 3.2 tn in 2024. In most years, asset growth is supported by strong net sales; however, 2024 saw net inflows drop to EUR 16 bn, the lowest for the past five years.



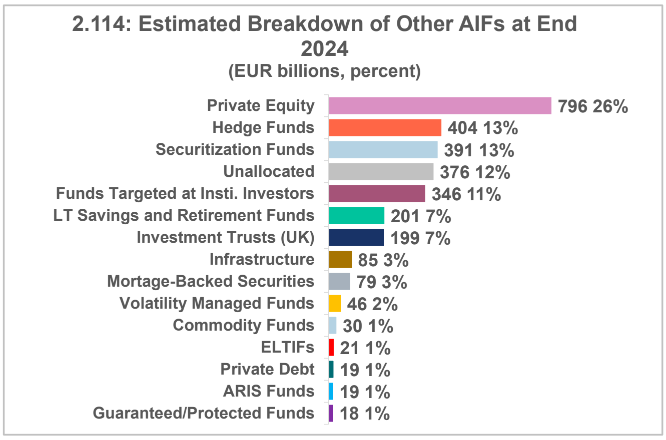
Breakdown of net asset growth. Net asset growth was 10% in 2024, driven mainly by a 9% market appreciation.



Breakdown by domicile. In 2024, France held the largest share of the 'other' AIF sector, with 24% of the total. Ireland followed with 19%, then Luxembourg (16%), Germany (10%) and the UK (10%) completing out the top five. Other European domiciles accounted for around 21% of the total.



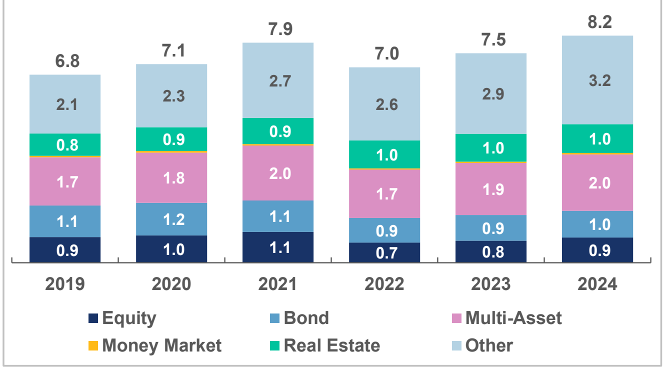
Detailed breakdown of 'other' AIFs. Drawing on data from various national associations, we can take a more-detailed look at the wide range of fund types falling under the category of 'other' AIFs. Private equity funds, the largest segment, make up more than a quarter of all 'other' AIFS. European private equity funds are primarily domiciled in Luxembourg, France and Ireland. Several other fund types with notable asset volumes are specific to individual countries. For example, German Spezialfonds and SIFs in Luxembourg are specifically tailored for institutional investors. Often structured as funds-of-funds, they are mostly classified as 'other' AIFs due to their mix of investments in both financial securities and real assets. Securitisation funds and long-term savings or retirement funds are predominantly based in France, while investment trusts and volatility-managed funds are unique to the UK market. Despite strong growth in recent years, ELTIF net assets still only make up around 1% of 'other' AIFs.



2.4.7 AIFs by type of fund

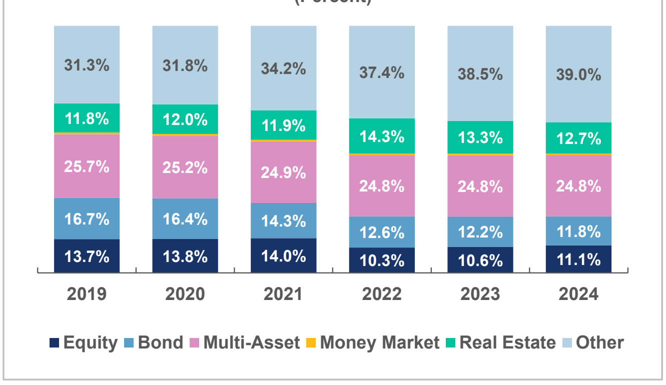
Net assets by AIF type. Compared to UCITS, the evolution of net assets of AIFs by fund type is much less influenced by financial market trends. Net assets grew in almost all of the past five years following overall capital market growth. In 2022, a combination of stock market decline and strong net outflows saw asset growth turn negative. In 2024, the net assets of all major types of AIF funds increased over to the year before and total AIF net assets rose to a new record.

2.115: Net Assets of AIFs by Fund Type
(EUR trillions)



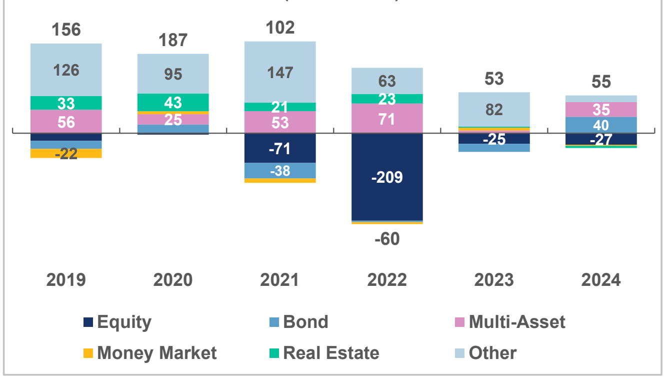
AIF type - market share evolution. The evolution of the market shares of each AIF type also shows a different picture to that of UCITS. 'Other' AIFs saw their market share increase steadily over the past five years, driven by solid growth in the alternatives markets. The share of equity and bond AIFs dropped, mainly in 2022, due to the large net outflows caused by pension funds switching to mandate wrappers. The share of multi-asset AIFs remained relatively stable. Real estate funds have seen their market share decline since 2022, from a combination of flat net sales and low market appreciation.

2.116: Net Assets of AIFs by Fund Type
(Percent)



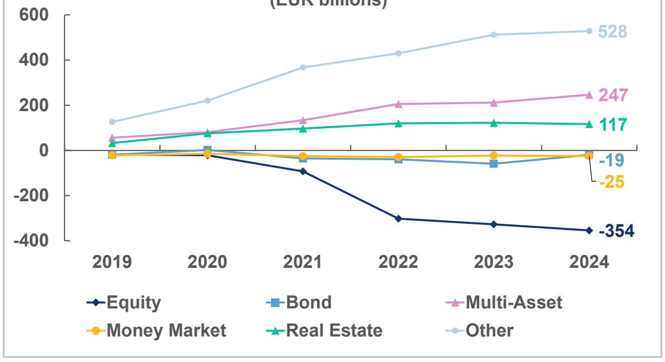
Net sales by AIFs type. AIF net inflows were relatively subdued in 2024. Bond AIFs attracted the highest net inflows (EUR 40 bn), recovering from net outflows in 2023. Net sales of multi-asset AIFs also recovered (EUR 35 bn) compared to 2023, indicating that - conversely to UCITS - AIF investors still see the asset allocation benefits of multi-asset funds. Net sales of equity AIFs remained negative at EUR 27 bn; but as in previous years, outflows were mainly due to the continuing switch by Dutch and Danish pension funds from AIF structures into segregated mandates.

2.117: Net Sales of AIFs by Fund Type
(EUR billions)



Six-year cumulative net sales. Other AIFs attracted the highest cumulative net inflows over the past six years (EUR 528 bn), thanks to robust net inflows in almost every year. Multi-asset AIFs were second, with cumulative net inflows of EUR 247 bn, followed by real estate funds (EUR 117 bn), despite net sales turning negative in 2024. Cumulative net sales of bond and MMF AIFs were negative over the past six years. Equity AIFs experienced the most-significant cumulative net outflows (EUR 354 bn), primarily driven by the exceptional net outflows in 2022 (EUR 209 bn).

2.118: Cumulative Net Sales of AIFs in 2019-2024
(EUR billions)



Box 6
Building resilience in capital markets: How to prevent 'dashes for cash' during financial crises?

Author: **Marin Capelle**

Financial stability is a public good. One that benefits all, including the industry. A system prone to frequent and deep crises requires that financial institutions be prepared for extreme market conditions, which implies particularly stringent risk management policies and exceptionally well-trained risk managers. Moreover, the 2008 financial crisis is most likely one of the primary causes of citizens' distrust in the financial system, resulting in many households stockpiling cash. According to Mario Draghi's recent report, Europeans keep an estimated EUR 33 trillion in their bank accounts.[1]

This poses a number of fundamental questions: Which are the risks that most deserve our attention (for example, bank solvency, real estate valuation, fund liquidity management, derivative markets or non-bank leverage)? How do we mitigate systemic risks while still allowing capital markets to grow to meet the EU objectives under the SIU (Savings and Investments Union) strategy (through macroprudential requirements or through regulatory reforms)? EFAMA explored these exact questions in its response to the European Commission's consultation on the adequacy of macroprudential policies in the Non-Bank Financial Intermediation, better defined in our view as Market-Based Finance (MBF).[2]

As a starting point, the Commission should develop a holistic and empirically driven macroprudential framework for identifying systemic risks. At its core, the GFC (Great Financial Crisis) was a solvency event in which markets no longer knew which banks were still solvent. This resulted in a liquidity crisis for banks most exposed to the sub-prime real estate market. Basel III has addressed this issue, by ensuring that banks finance their activities through more equity. It also introduced margin requirements to reduce the counterparty risks associated with derivative transactions. As a result, attention is now on (hidden) MBF leverage and the interlinkages between banks and capital markets.[3] This is usually justified by the failure of a significantly leveraged Family Office, Archegos Capital Management, which ultimately contributed to Credit Suisse's downfall.

However, financial institutions with such leverage and concentrated exposures are probably rare in European capital markets.[4] The vast majority of European insurance companies, pension funds and investment funds are unlikely to default due to leverage. They usually do not borrow, and engage in derivative transactions to hedge their physical portfolios. While there is probably insufficient data on MBF leverage, what data that is available is reassuring. For example, in the AIF (Alternative Investment Fund) sector, only 500 funds of 35,000 are significantly leveraged.[5] Their EUR 700 bn assets under management pale in comparison with the total assets in the AIF sector (EUR 9 trillion) and the total assets in the euro area financial sector (EUR 70 trillion). If exposed to a 300-basis point interest rate shock - one twice as large as the interest rate change during the GFC - and assuming that this shock is not correlated with other shocks (such as foreign exchange and equity shocks), only EU LDI (Liability-Driven Investment) funds would face significant losses (approximately 26%). Among these, only a few would default. Other substantially leveraged AIFs would remain mainly unscathed, with relative value hedge funds facing the most significant losses (approximately 10%).[6] Moreover, a stringent

1 European Commission, The Draghi report: A competitiveness strategy for Europe, September 2024.

2 EFAMA, Response to the EC consultation on macroprudential polices for Non-Bank Financial Intermediation, November 2024.

3 FSB, Leverage in Non-Bank Financial Intermediation: Consultative Report, December 2024; ECB, Macroprudential Bulletin 26, January 2025.

4 ESMA, Leverage and derivatives – The Archegos Case, TRV Risk Analysis, May 2022.

5 "Significantly leveraged AIFs" are funds that have assets under management (AuM) exceeding 300% of their Net Asset Value (NAV). This figure is calculated according to Art. 2 AIFMR by adding up their physical positions and notional exposures.

6 ESMA, EU Alternative Investment Funds, January 2024; ECB, Leveraged investment funds: A framework for assessing risks and designing policies, Macroprudential bulletin 26, January 2025.

default scenario, in which 77 (unspecified) non-banks would fail, shows that banks could absorb the losses associated with such an event. Losses would be concentrated among investment banks and wholesale lenders, with only five of them facing losses higher than 300 basis points in CETI 1 (Common Equity Tier 1).[7] While clearly not negligible, these losses remains moderate, because universal and retail banks would broadly be spared. The impacted banks could, moreover, absorb these losses if they have CETI 1 close to the banking average of 15%.[8]

Recent market disruptions were not solvency events but rather pure liquidity events. In its holistic review of March 2020, the FSB (Financial Stability Board) correctly highlighted that it was an imbalance between liquidity demand and supply that drove these 'dashes for cash'.[9] While authorities should seek to prevent such crises, their consequences are nothing close to those of a solvency crisis. For example, although volatility spiked during March 2020, trading volumes remained high, indicating that market participants did not rush for the exit. Instead, price volatility reflected the uncertainty associated with value chains breaking down across the globe due to the pandemic.[10]

During periods of stress, demand for liquidity spikes because investors face sizeable margin calls and adopt a risk-off attitude, exiting riskier markets such as corporate and EM bond markets. However, despite significant concerns for the liquidity demand from funds during these challenging times, the System-Wide Exploratory Scenario - conducted by the Bank of England in 2023-2024 - demonstrated that liquidity demand in government bond markets stems mainly from (variation) margin calls.[11] At the same time, liquidity supply stagnates - and sometimes even decreases - during these market stress episodes. GFC reforms have resulted in lower intermediary capacity in core bond and repo markets; this is because fewer banks are willing to operate as market dealers, and those that do tend to have lower balance sheet capacities than before. The situation worsens further during periods of stress, because increasing numbers of market dealers stop intermediating under these conditions. Principal Trading Firms and all-to-all trading platforms have grown in importance as liquidity providers during normal market conditions. However, their business models make it challenging to act as an intermediate during periods of stress (for example, dealing algorithms may no longer work due to price uncertainty, or other investors might not be able to buy assets because they also face a liquidity shock).[12]

As a result, EU policy interventions should reduce the imbalance between liquidity demand and supply rather than attempt to tackle 'excessive' MBF leverage. Yet, despite the growing interest in (macro-)prudential requirements (including capital/liquidity, buffers, leverage limits or margin requirements), regulatory reforms are better suited for addressing this imbalance. Historically, prudential frameworks were developed for the banking sector because removing the solvency and liquidity risks inherent to banking activities was impossible. It would require that banks only hold high-quality and short-term assets, something that would be commercially impossible. In contrast, removing the vulnerabilities that may arise in capital markets from specific sectors, such as investment management, is possible without introducing (macro-)prudential requirements. For instance, to the extent that it exists, it would be possible to remove the 'first-mover' advantage in the fund sector by ensuring that investment funds charge investors who are redeeming the transaction costs borne by the fund.[13]

That said, in capital markets, (macro-)prudential requirements may be necessary under specific circumstances (for example, to prevent selling spirals like the one in the UK gilt market in 2022). Nevertheless, one must

7 ECB, System-wide implications of counterparty credit risk, Macroprudential Bulletin 26, January 2025.

8 ECB, Supervisory banking statistics, September 2024.

9 FSB, Holistic review of the march market turmoil, November 2020.

10 BlackRock, A holistic approach to bond market resilience, Policy Spotlight, August 2020.

11 Bank of England, SWES final report, November 2024.

12 BlackRock, A holistic approach to bond market resilience, Policy Spotlight, August 2020.

13 IOSCO, Anti-dilution Liquidity Management Tools – Guidance for Effective Implementation of the Recommendations for Liquidity Risk Management for Collective Investment Schemes, December 2023.

remember that (macro-)prudential requirements can result in over-insurance if not adequately calibrated to reflect the risks associated with a specific entity or transaction. In such a situation, market participants would have to hold cash (in the form of deposits or short-term bonds), which could have been used to finance more-socially beneficial activities. For this reason, legislators tend to prefer micro-prudential rules, as these provide financial institutions with sufficient flexibility to adapt the prudential requirements to their specific situations while ensuring that supervisors retain sufficient scrutiny over these firms' prudential positions. For example, in capital markets, central clearing counterparties and clearing members can adapt margin requirements based on their counterparty credit risks (for example, is the counterparty significantly leveraged, or does it invest in a concentrated market?). In contrast, macroprudential requirements are less prevalent because these entail authorities setting minimum resilience requirements (such as countercyclical buffers for banks or yield buffers for LDI funds). As these only introduce a floor, they are less risk-sensitive than micro-prudential requirements and are more likely to result in over-insurance. To continue with the above example, introducing minimum margin requirements would face this precise problem. A minimum margin requirement calibrated on an 'extreme but plausible' stress scenario would result in creditworthy counterparties having to post more cash to prepare for a crisis. However, that crisis may never materialise, either because the stress scenario is not relevant for this specific entity or because that entity may exit its derivative positions ahead of such a shock materialising.

Given these limitations, there are several regulatory reforms that would be more effective and proportionate for reducing the imbalance between liquidity demand and supply during periods of stress. Under the condition of applying sufficiently conservative haircuts, using non-cash collateral in variation margin calls would significantly reduce the liquidity demand during market stress episodes. Instead of selling assets such as government bonds, market participants could simply post them as collaterals when a variation margin call arises. Similarly, allowing market participants such as UCITS funds to access repo markets could ensure that they do not have to sell assets when faced with significant spikes in margin calls. Through repo transactions, market participant can transform their assets into cash, which can in turn be posted as collateral when there is a margin call. Last, allowing market dealers to hold more assets on their balance sheets would ensure that these liquidity providers can absorb larger trades when the liquidity supply ascribed to buy-side investors weakens, including in repo markets.

CHAPTER 3: CROSS-BORDER FUNDS AND FUND OWNERSHIP

3.1 OVERVIEW

This chapter is divided into three main sections. The first analyses recent trends in the net assets and net sales of cross-border and domestic funds in the European Union (EU).[xiv]

In the second section of the chapter, we examine the ownership of investment funds in the EU, focusing on where funds are bought and who owns them, irrespective of their country of domiciliation.

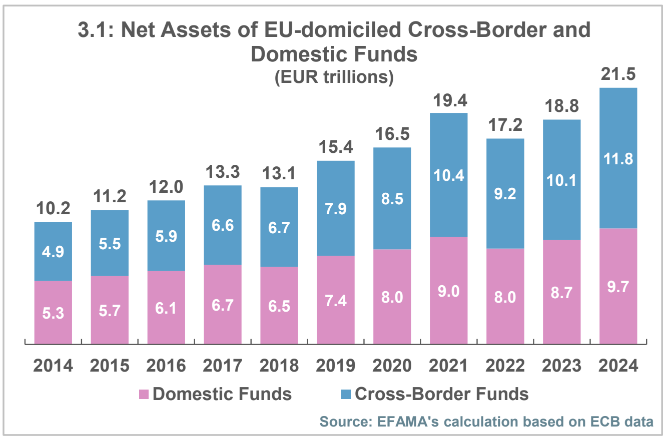
The last section explores how the portfolio composition of the key investors in investment funds - households, insurers, pension funds, long-term investment vehicles and other financial intermediaries - has evolved over time.

3.2 CROSS-BORDER FUNDS

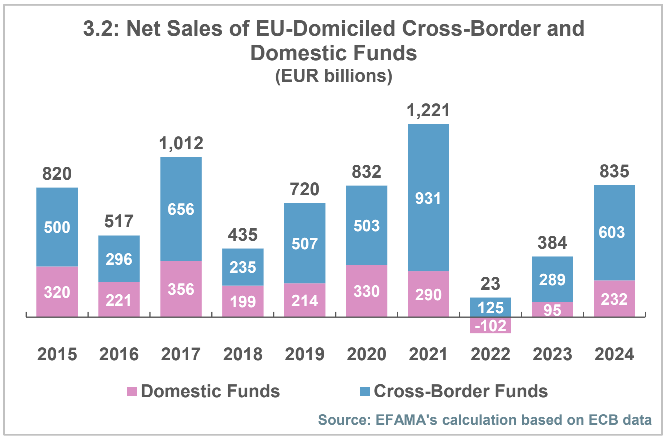
3.2.1 The cross-border fund market

Funds can be sold in either within the country where they are domiciled or internationally, in another country. The first type is commonly referred to as domestic funds; the latter cross-border funds. The capability of cross-border funds to be sold internationally stems from their EU passport, which allows distribution beyond their country of origin.

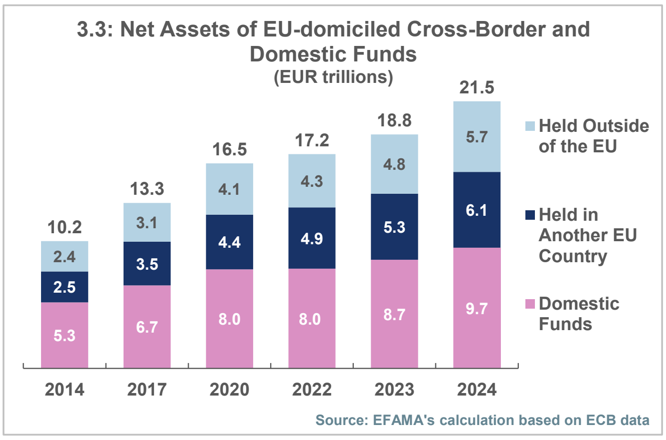
Net assets of cross-border funds. Net assets of cross-border UCITS and AIFs amounted to EUR 11.8 tn at end 2024 compared to EUR 9.7 tn for domestic funds. The proportion of cross-border fund assets has grown consistently over the past decade, rising from 48% in 2014 to almost 55% by 2024.



Net sales of cross-border funds. The rising market share of cross-border funds has been fuelled by consistently stronger investor demand. Over the past decade, cross-border funds have regularly outpaced domestic funds in terms of net sales. Domestic funds registered net outflows in 2022, for the first time in the decade (EUR 102 bn). Although net sales of cross-border funds also declined that year, they remained in positive territory at EUR 125 bn. In 2023, both fund types recovered; in 2024, cross-border funds recorded net sales (EUR 603 bn) that were more than twice the net inflows into domestic funds (EUR 232 bn).

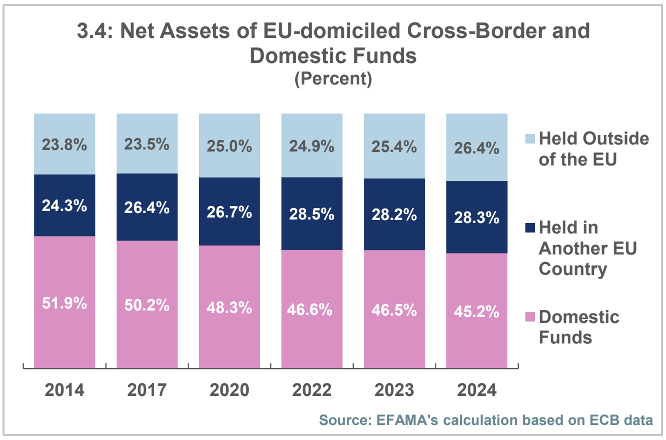


Cross-border funds inside/outside of the EU. EU-domiciled cross-border funds[xv] can be divided into two categories; those sold and held in other EU countries and those distributed outside the EU. Domestic funds and both types of cross-border funds saw strong overall growth during the past decade.



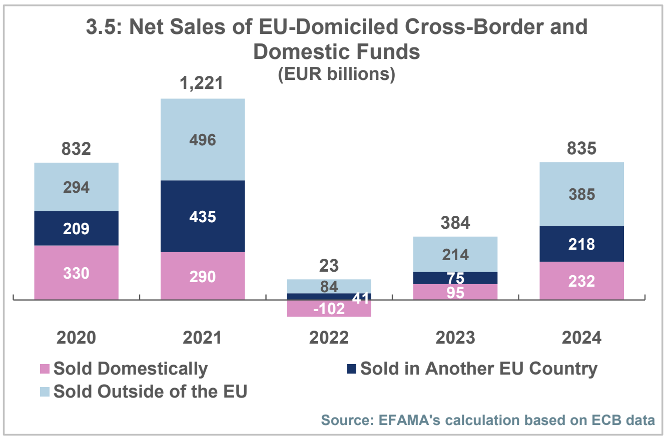
3.3: Net Assets of EU-domiciled Cross-Border and Domestic Funds
(EUR trillions)
Source: EFAMA's calculation based on ECB data

Cross-border funds inside/outside of the EU -Evolution. A decade ago, in 2014, the cross-border fund market was split more or less evenly, with around 24% of funds held in other EU countries and a similar share held outside the EU. By 2024, this distribution had shifted; while the proportion of funds held outside the EU grew to 26.4%, partly due to Brexit, the share of cross-border funds held within the EU rose higher, to 28.3%. The market share of cross-border funds held in another EU country appears to have stabilised in recent years, whereas the share of funds held outside of the EU has continued to grow steadily in 2023-2024.



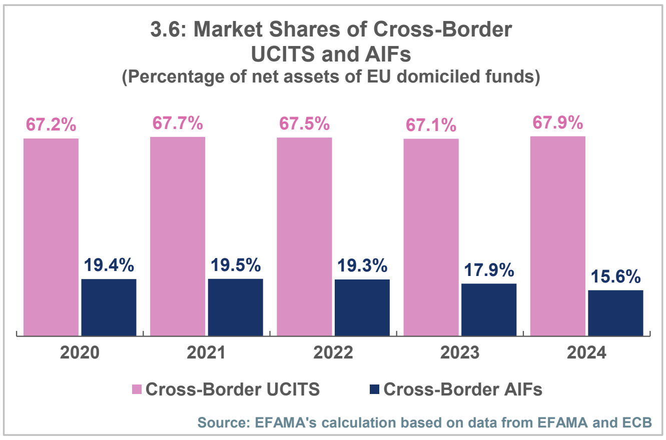
3.4: Net Assets of EU-domiciled Cross-Border and Domestic Funds
(Percent)
Source: EFAMA's calculation based on ECB data

Net sales of cross-border funds inside/outside of Europe. Cross-border funds sold outside the EU have consistently surpassed both domestic funds and cross-border funds sold within the EU, in terms of net sales. In 2021, net sales for both categories of cross-border funds hit record highs. The following year, however, marked a turning point, as domestic funds experienced net outflows, while cross-border funds - both within and outside the EU - managed to maintain positive, albeit marginal, inflows. In 2023, net sales across all fund types rebounded. In 2024, cross-border funds sold outside the EU emerged as the clear frontrunner, attracting EUR 385 bn in net sales. Net fund flows appear to have had a relatively minor impact on the shifting net asset market shares of the three fund types. This suggests that changes in net assets are driven more by asset allocation, market appreciation effects and exchange rate movements than by net sales alone.



3.5: Net Sales of EU-Domiciled Cross-Border and Domestic Funds
(EUR billions)
Source: EFAMA's calculation based on ECB data

Net assets of cross-border UCITS and AIFs.[xvi] The share of cross-border UCITS within the total EU-domiciled UCITS market has remained relatively stable in recent years, hovering around 67%-68%. This suggests that, between 2020-2024, cross-border and domestic UCITS experienced broadly similar net assets growth levels. In contrast, the share of cross-border AIFs declined over the same period - with a more notable drop in recent years - from 19.3% in 2022 to 15.6% by end 2024. Unlike the UCITS market, where around two-thirds of funds are cross-border, the AIF market remains mainly focused on home-domiciled funds.

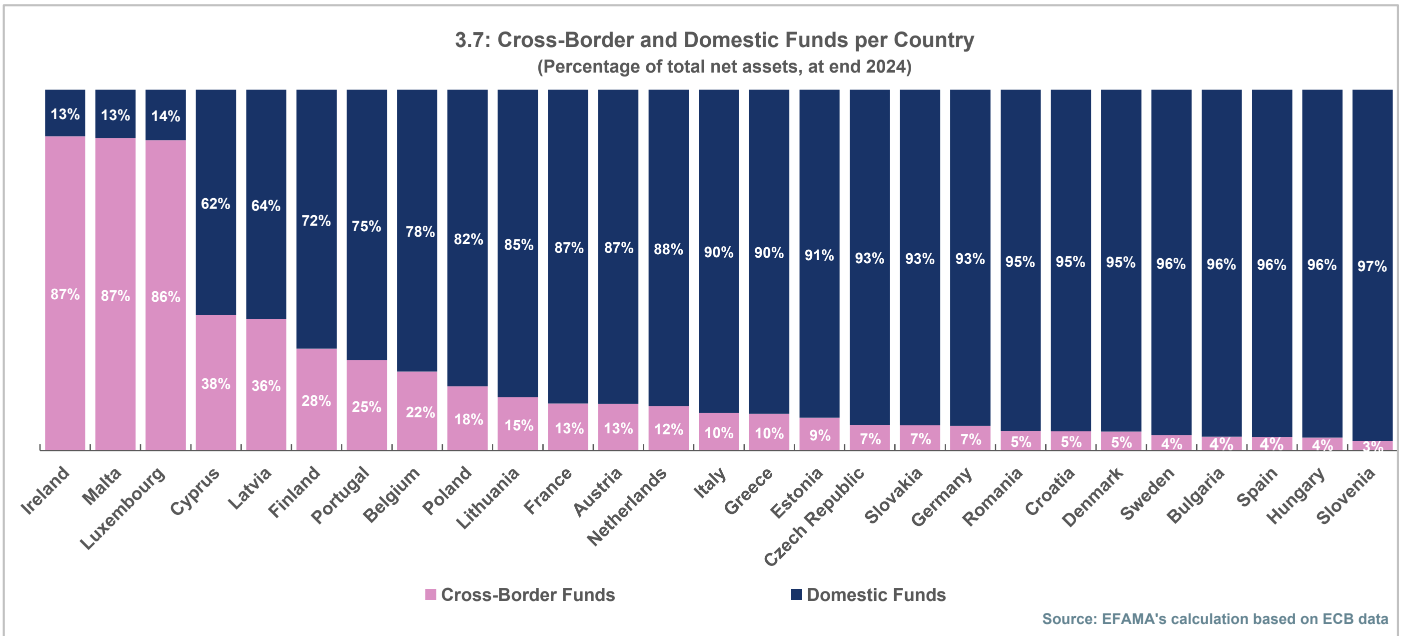


3.6: Market Shares of Cross-Border UCITS and AIFs
(Percentage of net assets of EU domiciled funds)
Source: EFAMA's calculation based on data from EFAMA and ECB

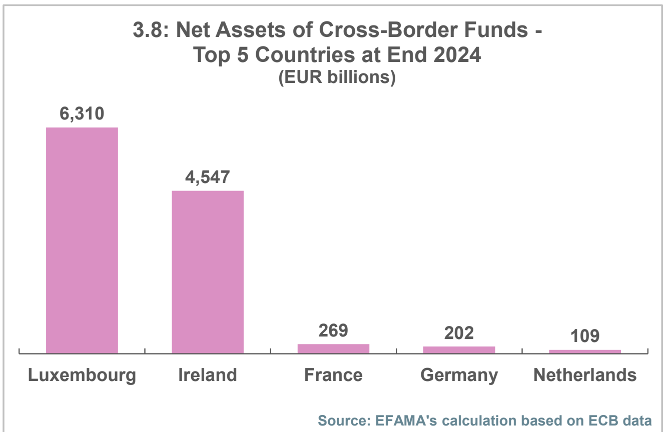
3.2.2 Cross-border funds at national level

Domestic-focused markets. The vast majority of funds are held in their country of domiciliation. In 14 countries, over 90% of home-domiciled fund assets are owned by local investors. This suggests that fund managers in these markets mainly serve domestic clients or choose to domicile their cross-border offerings in one of the jurisdictions where most cross-border funds are domiciled.

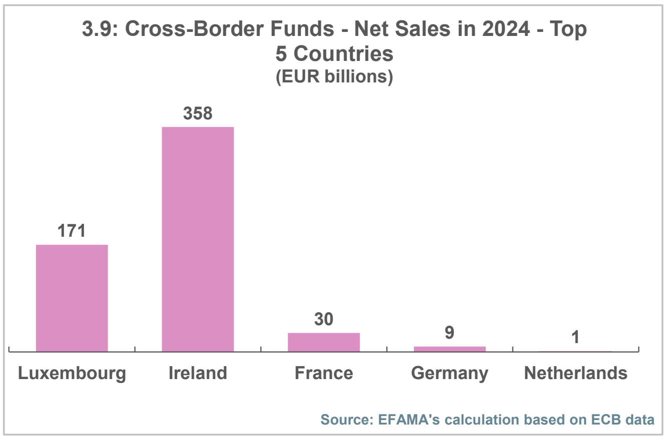
Cross-border domiciles. Luxembourg and Ireland remain Europe's leading cross-border fund domiciles. By end 2024, 87% of funds domiciled in Ireland and 86% of those in Luxembourg were held by foreign investors. European and global asset managers continue to take advantage of the scale, infrastructure and expertise available in these jurisdictions to domicile their internationally distributed funds. Malta - with, to a lesser extent, Latvia and Cyprus - also serve as cross-border hubs, with a large share of their domestically domiciled funds owned by investors abroad.



Top five cross-border fund domiciles. In 2024, net cross-border fund assets domiciled in Luxembourg and Ireland totalled about EUR 6.3 tn and EUR 4.5 tn, respectively. Together, these accounted for more than 95% of the European cross-border fund market. France, Germany and the Netherlands complete the cross-border top five, albeit with notably lower net assets.



Net sales of cross-border funds. Given the size of its cross-border fund assets and strong overall net sales that year, Ireland captured the vast majority of the cross-border fund sales (EUR 358 bn) in 2024. Luxembourg also saw net inflows totalling EUR 171 bn into cross-border funds, while France was third at EUR 30 bn.



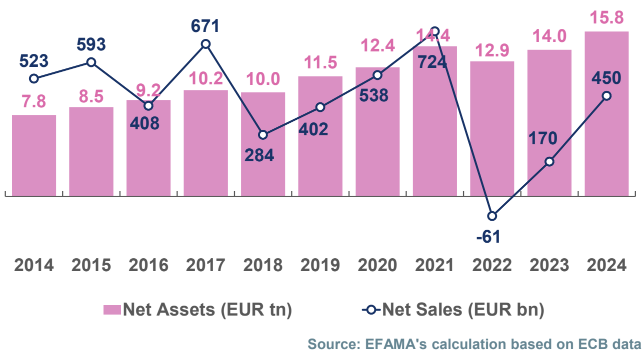
3.3 INVESTMENT FUND OWNERSHIP IN THE EU

3.3.1 Recent developments

Total fund ownership.[xvii] The value of investment funds held by EU investors has grown steadily over the past decade, reaching EUR 14.4 tn by end 2021. This upward trend was interrupted in 2022, with total holdings falling to EUR 12.9 tn amid declining market valuations. Fund net assets rebounded in 2023-2024. By end 2024, fund values stood at EUR 15.8 tn, thanks to 12.9% asset growth over the year.

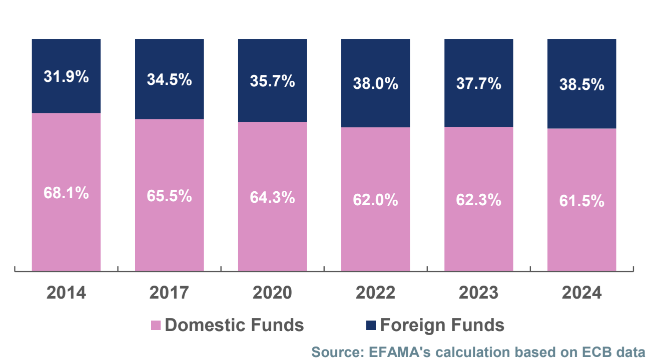
Net acquisitions of funds. From 2018, fund acquisitions by EU investors increased gradually, reaching a record EUR 724 bn in 2021, before turning negative in 2022 (EUR 61 bn). Fund acquisitions returned to positive territory in 2023 (EUR 170 bn). Acquisitions by EU investors rose further to EUR 450 bn in 2024.

3.10: Net Assets and Net Acquisitions of Investment Funds in the EU



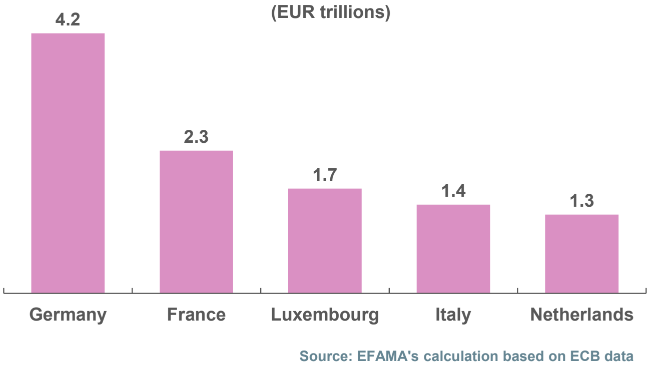
Domestic and foreign funds. Investors can invest in either domestic funds - held in the same country where they are domiciled - or in foreign funds, domiciled in a country different from that of the investor. At end 2024, domestic funds made up 61.5% of total fund ownership in the EU, down from approximately 68% in 2014. This gradual decline reflects the growing appetite for cross-border funds among EU investors, as outlined in the previous section. In 2023, there was a slight uptick in the share of domestic funds, driven by stronger net acquisitions of domestic funds compared to foreign ones during that year, but 2024 saw the general downward trend continue.

3.11: Ownership of Domestic and Foreign Funds
(Percent)



Fund ownership per country – top five countries. At end 2024, Germany, France, Luxembourg, Italy and the Netherlands recorded the highest levels of fund ownership among EU countries. This ranking includes the EU's three largest economies, both in terms of population and GDP. Luxembourg's third place is largely due to the ECB's classification of investment funds as a separate investor category; this means that funds held by other investment funds are categorised as funds held locally. Given Luxembourg's substantial fund industry, these constitute a considerable segment. The Netherlands rounds out the top five, driven by its substantial occupational pension sector, which allocates a large portion of its assets into investment funds.

3.12: Top 5 Investment Funds Markets in the EU at End 2024
(EUR trillions)



Fund ownership per country – All countries. The table below provides estimates of the fund assets holdings in each European country at end 2024, as well as the market share within Europe. In addition, it offers a breakdown of fund holdings per country, distinguishing between domestic and foreign funds.

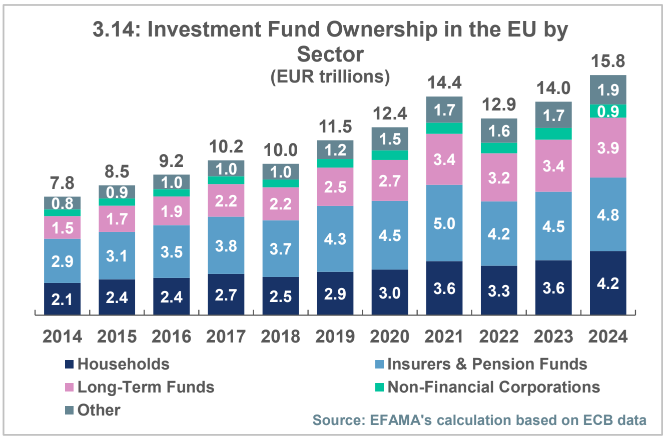
3.13: Ownership of Investment Funds in Europe at End 2024

Country(1)	Total Ownership of Investment Funds		Domestic Funds		Foreign Funds	
	Assets (EUR bn)	Market Share in 2024	Assets		Assets	
			EUR bn	percent	EUR bn	percent
Austria	325	1.5%	200	61%	126	39%
Belgium	577	2.7%	208	36%	370	64%
Bulgaria	6	0.03%	2	29%	4	71%
Croatia	8	0.04%	4.4	57%	3	43%
Cyprus	13	0.1%	4	33%	9	67%
Czech Republic	82	0.4%	55	67%	27	33%
Denmark	414	2.0%	329	80%	84	20%
Estonia	14	0.1%	8	55%	6	45%
Finland	381	1.8%	146	38%	235	62%
France	2,287	10.8%	1,801	79%	486	21%
Germany	4,164	19.8%	2,734	66%	1,430	34%
Greece	33	0.2%	17	53%	15	47%
Hungary	68	0.3%	54	79%	14	21%
Ireland	1,071	5.1%	672	63%	399	37%
Italy	1,422	6.7%	415	29%	1,008	71%
Latvia	10	0.05%	0.4	4%	9	96%
Lithuania	15	0.1%	3	19%	12	81%
Luxembourg	1,680	8.0%	1,029	61%	651	39%
Malta	16	0.1%	3	20%	12	80%
Netherlands	1,262	6.0%	779	62%	483	38%
Poland	82	0.4%	65	79%	17	21%
Portugal	86	0.4%	35	41%	51	59%
Romania	10	0.05%	8	79%	2	21%
Slovakia	37	0.2%	11	29%	26	71%
Slovenia	11	0.1%	7	58%	5	42%
Spain	822	3.9%	439	53%	383	47%
Sweden	894	4.2%	678	76%	216	24%
EU	**15,792**	**74.9%**	**9,707**	**61%**	**6,085**	**39%**
Norway	241	1.1%	168	70%	73	30%
Switzerland	2,118	10.0%	1,656	78%	462	22%
Turkey	122	0.6%	122	100%	0	0%
United Kingdom	2,810	13.3%	2,093	74%	717	26%
Europe	**21,083**	**100.0%**	**13,746**	**65%**	**7,337**	**35%**

(1) Data sourced from the ECB and the OECD. Data for Denmark is as at the end of Q3 2024.

3.3.2 Fund ownership per type of investor in the EU

Different types of investors. Fund ownership in the EU can be classified by main investor type. The three key investors are insurance and pension funds, households and long-term funds, each representing over a quarter of total fund ownership. Non-financial corporations play a more modest role, holding roughly a 5.5% market share. The 'other investors' category includes all other types of investors that do not make significant use of investment funds.

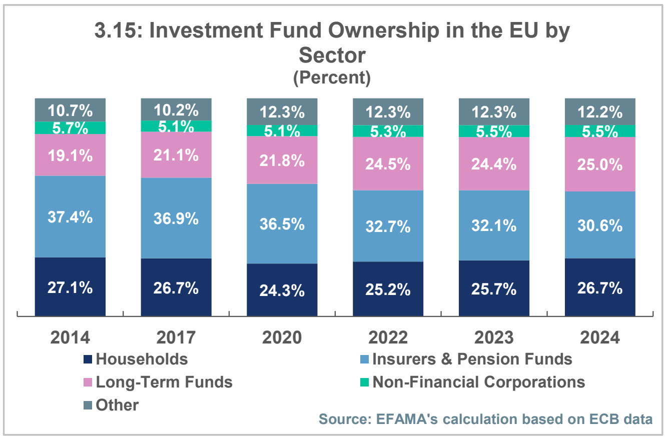


Insurers and pension funds. Insurance corporations and pension funds (ICPFs) are the largest investors in investment funds, holding slightly under 31% of the total funds in the EU. However, despite solid growth in absolute terms, the share of investment funds owned by insurers and pension funds has gradually decreased in recent years.

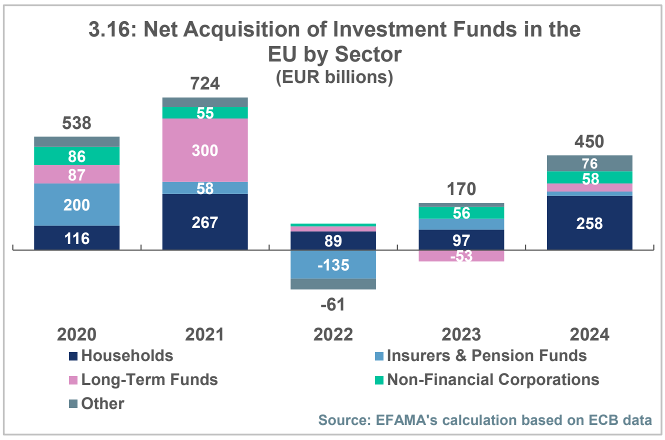
Households. Households are the second-largest group of fund investors. Their market share declined from approximately 27% in 2014 to 24.3% by 2020, but this has rebounded in recent years, reaching 26.7% at end 2024, driven by relatively strong net fund purchases during that period.

Long-term funds. The share of other long-term funds grew significantly from 19.1% in 2014 to 25% in 2024, driven by these funds increasing their allocation to other investment funds. Long-term funds are increasingly turning to ETFs and index funds to easily adjust their geographical or sector exposure. In recent years, however, the growth in market share has slowed somewhat.

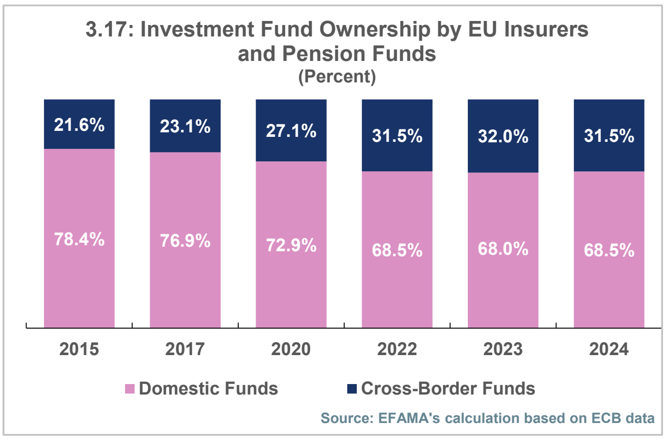
Non-financial corporations and other investors. Non-financial corporations saw their share stabilise recently at around 5.5%. The 'other investor' category combines all types not using investment funds extensively. It includes monetary financial institutions[xviii] such as commercial banks, governments and all remaining other financial intermediaries (OFIs).[xix] Their market share has also not fluctuated a great deal in recent years.



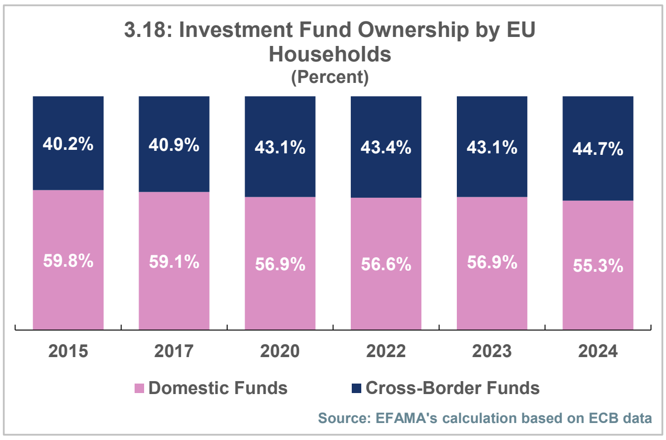
Net fund acquisitions. Households accounted for the bulk of net fund acquisitions in 2024 (EUR 258 bn), their second-highest fund purchases of the decade after 2021. Acquisitions by insurers and pension funds were only EUR 20 bn in 2024, impacted by net outflows from Dutch pension funds (see section 3.4.3). Long-term funds saw net acquisitions of EUR 38 bn in 2024. Non-financial corporations also invested in funds during 2024 (EUR 58 bn), often using MMFs for their internal cash management. Other investors saw solid net inflows (EUR 76 bn), mainly due to net acquisitions by banks and other remaining financial intermediaries such as captive financial institutions and holding companies.



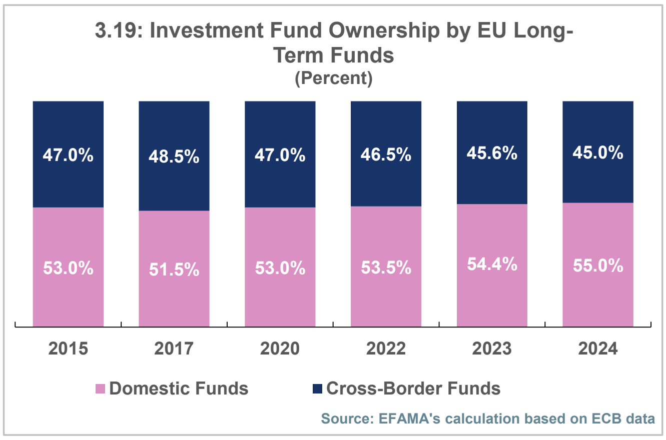
Fund ownership by insurers and pension funds – Domestic and cross-border funds. At end 2024, cross-border funds made up 31.5% of all fund holdings by EU insurers and pension funds, a significant increase from 21.6% in 2015. Despite this, insurers and pension funds invest less in cross-border funds than other major investor types. However, there are notable differences between countries. In Portugal, for example, 92% of fund holdings are cross-border, while in Austria the figure is 29%. This relatively low share of cross-border funds held by insurers and pension funds across Europe can be largely attributed to the structure of the market in the EU's largest countries in terms of ICPFs; Germany, France and the Netherlands. In Germany, cross-border funds account for only 22% of total holdings, as insurers and pension funds typically invest in 'Spezialfonds', domestic funds tailored for specific institutional investors. In France, cross-border funds make up just 16% of holdings, with insurance companies playing a significant role in providing workplace pension schemes; these predominantly invest in domestic funds. In the Netherlands, with a cross-border share of 25%, the large second pillar pension fund sector also tends to be structured around domestic funds.



Fund ownership by households – Domestic and cross-border funds. By end 2015, just over 40% of the funds held by European households were cross-border. This share has steadily increased, reaching nearly 45% by end 2024. This slow, steady growth underscores the effectiveness of the UCITS passporting regime in facilitating the distribution of funds to retail investors across different countries. It also highlights the increased demand for ETFs, which are mostly domiciled in Ireland and Luxembourg. As with ICPFs, there are sizeable differences between European nations. For example, 69% of funds held by Italian retail investors were cross-border at end 2024, in Poland, meanwhile, this figure was only 4%. These disparities can be attributed to various factors, including the structure of distribution channels in each country, the local presence of fund managers, and the extent of cross-border activities by national fund managers. Asset managers in for example, Italy make extensive use of round-trip funds in their fund demand vis-à-vis Italian retail investors.



Fund ownership by long-term funds – Domestic and cross-border funds. At end 2024, 45% of the funds held by long-term funds were cross-border, the highest share of among the three main types of fund investors (although this market share has actually edged down from a high of 48.5% in 2017). As with other investor categories, there are significant differences between EU countries. In Luxembourg - the largest holder of long-term funds in Europe - cross-border funds accounted for just 37% of fund holdings. In contrast, this share was substantially higher in countries such as Spain (87%) and Belgium (79%).



Fund ownership by country. The tables below present fund ownership by country at end 2024, categorised by investor type. Table 3.20 (A) gives the figures in EUR bn, with the European countries ranked alphabetically. Table 3.20(B) provides country rankings by how dominant each investor type is in the total fund ownership. These tables offer a detailed view of the structural makeup of the investment fund market across Europe. Three broad groups of European countries can be distinguished:

1. **Retail-dominated**: Households are the primary holders of investment funds in these countries, with institutional investors playing a relatively smaller role. Countries where households account for over 40% of fund ownership include Belgium, Croatia, the Czech Republic, Estonia, Greece, Hungary, Italy, Poland, Portugal, Romania, Slovenia, Spain and Turkey - Türkiye.

3.20 A: Investment Fund Ownership by Sector at End 2024
(EUR billions)

Country[1]	Households	Insurers & Pension Funds		Long-Term Funds	Non-Financial Corporations	Other			Total
		Insurers	Pension Funds			MFIs	General Government	OFIs (excluding funds)	
Austria	106	37	28	76	22	15	14	29	**325**
Belgium	309	80	39	111	32	1	3	2	**577**
Bulgaria	2	1	2	1	0.4	0.1	0.1	0.1	**6**
Croatia	3	0.4	3	0.3	0.2	0.1	1	0.05	**8**
Cyprus	3	2	2	1	2	0.4		2	**13**
Czech Republic	57	5	2	12	4	1	0.2	2	**82**
Denmark	103	82	62	58	24	21	6	56	**414**
Estonia	8	0.3		4	1	1	0.1	0.2	**14**
Finland	63	60	2	52	17	4	179	4	**381**
France	394	806	95	396	264	109	148	75	**2,287**
Germany	1,281	867	493	713	263	199	104	244	**4,164**
Greece	22	6	1	1	1	1	1	0.1	**33**
Hungary	33	4	2	14	8	4	2	1	**68**
Ireland	9	190	41	509	27	2	5	288	**1,071**
Italy	850	308	26	53	50	40	53	43	**1,422**
Latvia	1	1	8	0.01	0.1	0.4	0.1	0.1	**10**
Lithuania	2	1	8	1	2	2	0.1	0.4	**15**
Luxembourg	16	128	1	1,427	0.4	5	2	101	**1,680**
Malta	2	2	3	7	0.3	1	0.1	1	**16**
Netherlands	123	140	604	309	22	5	1	59	**1,262**
Poland	44	11	1	6	7	9		5	**82**
Portugal	38	11	7	7	7	3	11	1	**86**
Romania	6	1	1	1	1	0.3	0.1	0.3	**10**
Slovakia	13	3	13	4	0.3	3	0.0001	0.1	**37**
Slovenia	5	2	2	0.3	1	1	1	0.1	**11**
Spain	515	36	50	106	93	3	4	15	**822**
Sweden	211	135	416	79	23	1	26	3	**894**
EU	**4,218**	**2,917**	**1,909**	**3,948**	**872**	**433**	**562**	**933**	**15,792**
Norway	56	121		21	23	2	2	15	**241**
Switzerland	469	1,153		381	49	7	15	44	**2,118**
Turkey	76	2	5	7	30	2			**122**
United Kingdom	367	2,045		353	2	5		39	**2,810**
Europe	**5,186**	**8,153**		**4,710**	**976**	**448**	**579**	**1,031**	**21,083**

(1) Data sourced from the ECB and the OECD. Data for Denmark is as at the end of Q3 2024.

2. **Institutional-driven**: A second category is those countries where fund ownership is dominated by either the domestic insurance or pension fund sectors. These nations often have substantial second-pillar pension systems, such as the Netherlands, Sweden and the UK. Some, like France or Germany, possess highly developed domestic insurance industries. Retail markets can be important in those countries, but are generally smaller than the institutional market. Outside these countries, the share of fund assets held by insurers and pension funds is also higher than 30% in Bulgaria, Cyprus, Denmark, Latvia, Lithuania, Slovakia, Norway and Switzerland.

3. **Long-term fund domiciles:** A third category is those countries is where long-term funds make up the bulk of domestic fund ownership. All are cross-border fund hubs with a relatively small population—namely Luxembourg, Ireland and Malta.

3.20 B: Share of Investment Fund Held by Different Sectors at End 2024 [(1)]
(Percent)

Households		Insurers		Pension Funds		Long-Term Funds		Other (incl. non-fin. corp.)	
Czech Republic	69%	France	35%	Latvia	79%	Luxembourg	85%	Finland	54%
Greece	66%	Italy	22%	Lithuania	52%	Ireland	47%	Cyprus	36%
Spain	63%	Germany	21%	Netherlands	48%	Malta	45%	Ireland	30%
Turkey	62%	Slovenia	21%	Sweden	47%	Estonia	30%	Turkey	26%
Italy	60%	Denmark	20%	Slovakia	36%	Netherlands	24%	Denmark	26%
Romania	56%	Bulgaria	20%	Croatia	34%	Austria	23%	France	26%
Estonia	54%	Greece	19%	Bulgaria	32%	Hungary	20%	Portugal	26%
Poland	54%	Ireland	18%	Malta	18%	Belgium	19%	Poland	25%
Belgium	53%	Cyprus	17%	Cyprus	16%	Switzerland	18%	Austria	24%
Hungary	49%	Finland	16%	Denmark	15%	France	17%	Lithuania	23%
Slovenia	48%	Sweden	15%	Slovenia	13%	Germany	17%	Hungary	21%
Croatia	45%	Belgium	14%	Germany	12%	Czech Republic	14%	Germany	19%
Portugal	44%	Poland	13%	Romania	9%	Romania	14%	Norway	18%
Slovakia	37%	Portugal	13%	Austria	8%	Denmark	14%	Slovenia	16%
Austria	32%	Malta	12%	Portugal	8%	Finland	14%	Estonia	14%
Germany	31%	Austria	11%	Belgium	7%	Spain	13%	Spain	14%
Bulgaria	28%	Netherlands	11%	Spain	6%	United Kingdom	13%	Italy	13%
Denmark	25%	Lithuania	9%	France	4%	Slovakia	12%	Romania	13%
Sweden	24%	Romania	8%	Turkey	4%	Cyprus	10%	Malta	12%
Norway	23%	Luxembourg	8%	Ireland	4%	Bulgaria	10%	Croatia	12%
Switzerland	22%	Slovakia	7%	Hungary	3%	Norway	9%	Bulgaria	11%
Cyprus	21%	Hungary	6%	Czech Republic	2%	Sweden	9%	Greece	9%
France	17%	Latvia	6%	Greece	2%	Portugal	9%	Czech Republic	9%
Finland	17%	Czech Republic	5%	Italy	2%	Poland	7%	Slovakia	8%
Malta	14%	Croatia	5%	Poland	1%	Turkey	6%	Latvia	8%
United Kingdom	13%	Spain	4%	Finland	1%	Italy	4%	Netherlands	7%
Lithuania	12%	Estonia	2%	Luxembourg	0%	Croatia	4%	Belgium	7%
Netherlands	10%	Turkey	2%	Estonia	n.a.	Lithuania	3%	Luxembourg	6%
Latvia	7%	Norway	n.a.	Norway	n.a.	Greece	3%	Sweden	6%
Luxembourg	1%	Switzerland	n.a.	Switzerland	n.a.	Slovenia	3%	Switzerland	5%
Ireland	1%	United Kingdom	n.a.	United Kingdom	n.a.	Latvia	0%	United Kingdom	2%

(1) Data sourced from the ECB and the OECD. Data for Denmark is as at the end of Q3 2024.

Net fund acquisitions by country. Tables 3.21 (A) and (B) present the net fund acquisitions by investor type in 2024. 3.21 (A) provides the net fund acquisitions in EUR bn, with the EU countries ranked alphabetically. Table 3.21 (B) ranks the countries by the most-sizeable fund acquisitions for each investor type.

As shown in the previous tables, fund acquisitions generally align with each country's prevailing fund ownership structure. This means that the largest fund acquisitions by investor type are usually in those countries where that specific type of investor accounts for a significant part of total fund ownership.

3.21 A: Net Acquisition of Investment Funds by Sector in 2024
(EUR millions)

Country[1]	Households	Insurers & Pension Funds		Long-Term Funds	Non-Financial Corporations	Other			Total
		Insurers	Pension Funds			MFIs	General Government	OFIs (excluding funds)	
Austria	3,769	-207	581	911	1,578	-1,648	40	1,770	**6,794**
Belgium	5,170	1,553	-1,085	3,843	1,568	-44	104	-66	**11,043**
Bulgaria	284	74	140	35	18	-7	10	-3	**552**
Croatia	800	-43	61	14	50	-12	14	34	**919**
Cyprus	492	181	79	98	369	65		287	**1,570**
Czech Republic	6,968	-77	524	2,145	149	250	21	-46	**9,935**
Denmark	1,477	624	-2,417	-729	-264	897	-197	2,261	**1,653**
Estonia	689	-36		341	199	40	26	-1	**1,258**
Finland	3,302	4,003	453	3,966	3,734	1,040	-903	496	**16,091**
France	16,563	-13,590	2,895	3,416	20,353	22,308	2,450	26,315	**80,710**
Germany	96,356	18,276	9,155	8,552	6,462	3,171	1,386	7,043	**150,401**
Greece	5,555	344	59	23	-96	77	12	5	**5,979**
Hungary	5,257	171	54	1,869	1,409	387	51	148	**9,346**
Ireland	660	9,271	339	7,551	2,186	578	-332	36,092	**56,344**
Italy	34,726	-11,707	359	-4,262	6,390	3,130	4,511	2,117	**35,264**
Latvia	76	28	759	-9	-3	8	4	32	**894**
Lithuania	269	46	733	42	233	-77	30	109	**1,384**
Luxembourg	-1,624	5,367	33	12,267	-5,093	-1,200	91	-35,832	**-25,991**
Malta	53	32	157	-514	77	56	20	-299	**-418**
Netherlands	3,492	-1,087	-38,178	4,282	2,828	-435	-117	-13,375	**-42,590**
Poland	9,510	2	162	881	-320	3,974		544	**14,751**
Portugal	2,328	430	72	62	646	-479	1,891	175	**5,123**
Romania	1,439	87	-33	7	143	46	-4	27	**1,713**
Slovakia	1,552	52	2,169	-132	30	1,360		104	**5,135**
Slovenia	555	115	-8	-57	60	111	25.4	12	**814**
Spain	45,768	2,166	1,081	-2,995	13,868	1,455	-425	2,404	**63,322**
Sweden	12,708	11,415	14,375	-3,417	1,150	244	1,378	110	**37,962**
EU	**258,194**	**27,489**	**-7,483**	**38,189**	**57,723**	**35,293**	**10,086**	**30,463**	**449,955**
Norway	4,714	3,930		351	1,769	-20	-272	830	**11,300**
Switzerland	32,892	34,198		20,802	5,400	436	2,830	3,754	**100,313**
Turkey	35,439	2,627		764	15,165	501			**54,496**
United Kingdom	-10,546	38,134		6,455	11	27		5,176	**39,257**
Europe	**320,693**	**98,895**		**66,561**	**80,067**	**36,237**	**12,644**	**40,223**	**655,322**

(1) Data sourced from the ECB and the OECD. Data for Denmark is only available for Q1–Q3 2024.

In the retail market, German households were the largest purchasers of funds (EUR 96 bn), followed by Spain (EUR 46 bn), Turkey - Türkiye (EUR 35 bn), Italy (EUR 35 bn), Switzerland (EUR 33 bn), France (EUR 17 bn) and Sweden (EUR 13 bn). Fund purchases by insurers were positive in 2024, with insurers in Germany (EUR 18 bn) and Sweden (EUR 11 bn) accounting for the bulk of net acquisitions. Italian and French insurance companies saw negative net flows of EUR 12 bn and EUR 13.5 bn, respectively. The EU pension fund sector as a whole sold funds on a net basis in 2024, mainly due to net outflows in the Netherlands (EUR 38 bn) and to a lesser extent, Denmark (EUR 2.4 bn). Switzerland (EUR 21 bn), Luxembourg (EUR 12 bn), Germany (EUR 8.5 bn) and Ireland (EUR 7.5 bn) accounted for the majority of acquisitions by long-term funds. Among the 'other investors', the sizeable fund acquisitions by non-financial corporations - driven by French, Turkish and Spanish companies – in particular stood out. Also, commercial banks in France bought significant amounts of funds (EUR 22 bn), as well as the remaining OFIs in Ireland (EUR 36 bn) and France (EUR 26 bn). These are chiefly captive financial institutions such as holding companies, trusts and so-called 'brass plate' companies.

3.21 B: Net Acquisition of Investment Funds by Sector in 2024 (1)
(EUR millions)

Households		Insurers		Pension Funds		Long-Term Funds		Other (incl. non-fin. corp.)		Total	
Germany	96,356	Germany	18,276	Sweden	14,375	Switzerland	20,802	France	71,426	Germany	150,401
Spain	45,768	Sweden	11,415	Germany	9,155	Luxembourg	12,267	Ireland	38,524	Switzerland	100,313
Turkey	35,439	Ireland	9,271	France	2,895	Germany	8,552	Germany	18,062	France	80,710
Italy	34,726	Luxembourg	5,367	Slovakia	2,169	Ireland	7,551	Spain	17,302	Spain	63,322
Switzerland	32,892	Finland	4,003	Spain	1,081	United Kingdom	6,455	Italy	16,148	Ireland	56,344
France	16,563	Spain	2,166	Latvia	759	Netherlands	4,282	Turkey	15,666	Turkey	54,496
Sweden	12,708	Belgium	1,553	Lithuania	733	Finland	3,966	Switzerland	12,420	United Kingdom	39,257
Poland	9,510	Denmark	624	Austria	581	Belgium	3,843	United Kingdom	5,214	Sweden	37,962
Czech Republic	6,968	Portugal	430	Czech Republic	524	France	3,416	Finland	4,367	Italy	35,264
Greece	5,555	Greece	344	Finland	453	Czech Republic	2,145	Poland	4,198	Finland	16,091
Hungary	5,257	Cyprus	181	Italy	359	Hungary	1,869	Sweden	2,882	Poland	14,751
Belgium	5,170	Hungary	171	Ireland	339	Austria	911	Denmark	2,697	Norway	11,300
Norway	4,714	Slovenia	115	Poland	162	Poland	881	Norway	2,306	Belgium	11,043
Austria	3,769	Romania	87	Malta	157	Turkey	764	Portugal	2,232	Czech Republic	9,935
Netherlands	3,492	Bulgaria	74	Bulgaria	140	Norway	351	Hungary	1,994	Hungary	9,346
Finland	3,302	Slovakia	52	Cyprus	79	Estonia	341	Austria	1,740	Austria	6,794
Portugal	2,328	Lithuania	46	Portugal	72	Cyprus	98	Belgium	1,562	Greece	5,979
Slovakia	1,552	Malta	32	Croatia	61	Portugal	62	Slovakia	1,494	Slovakia	5,135
Denmark	1,477	Latvia	28	Greece	59	Lithuania	42	Cyprus	721	Portugal	5,123
Romania	1,439	Poland	2	Hungary	54	Bulgaria	35	Czech Republic	374	Romania	1,713
Croatia	800	Estonia	-36	Luxembourg	33	Greece	23	Lithuania	294	Denmark	1,653
Estonia	689	Croatia	-43	Slovenia	-8	Croatia	14	Estonia	264	Cyprus	1,570
Ireland	660	Czech Republic	-77	Romania	-33	Romania	7	Romania	212	Lithuania	1,384
Slovenia	555	Austria	-207	Belgium	-1,085	Latvia	-9	Slovenia	209	Estonia	1,258
Cyprus	492	Netherlands	-1,087	Denmark	-2,417	Slovenia	-57	Croatia	87	Croatia	919
Bulgaria	284	Italy	-11,707	Netherlands	-38,178	Slovakia	-132	Latvia	40	Latvia	894
Lithuania	269	France	-13,590	Estonia	n.a.	Malta	-514	Bulgaria	18	Slovenia	814
Latvia	76	Norway	n.a.	Norway	n.a.	Denmark	-729	Greece	-1	Bulgaria	552
Malta	53	Switzerland	n.a.	Switzerland	n.a.	Spain	-2,995	Malta	-146	Malta	-418
Luxembourg	-1,624	Turkey	n.a.	Turkey	n.a.	Sweden	-3,417	Netherlands	-11,099	Luxembourg	-25,991
United Kingdom	-10,546	United Kingdom	n.a.	United Kingdom	n.a.	Italy	-4,262	Luxembourg	-42,034	Netherlands	-42,590

(1) Data sourced from the ECB and the OECD. Data for Denmark is only available for Q1–Q3 2024.

Box 7
Less bureaucracy, more accessibility: Making investing work for everyone

Author: **Kimon Argyropoulos**

Towards a successful Savings and Investments Union

A successful Savings and Investments Union has the potential to transform how European citizens save and invest. However, its success hinges on making investment accessible and understandable for everyone. For retail investors – particularly younger generations and first-time savers - investing remains unfamiliar territory, intimidating and unnecessarily complex. As a result, too many EU households remain on the sidelines, with their savings stuck in deposit accounts or even unused altogether.

The real challenge is not convincing people *why* they should invest, but rather building solutions that make the process simple, accessible and understandable. Retail investors shouldn't need to become experts to take control of their financial future. The investment experience should be designed around the way that people live and make decisions today. This means online, guided by clear digital experiences, with tools that help them understand and navigate options, not overwhelm them with technical detail.

Too often, policymakers and regulators assume that more information is the same as better. Yet for most people, what matters is understanding. They want to know "Is this right for me?", "What will it cost?", "What are my options?" and "How do I get started?".

Better regulation as an enabler

Regulation can play a crucial role in facilitating access and fostering trust, but when it creates excessive hurdles and confusion, it risks undermining its objective. Ultimately, it can become a deterrent, rather than an enabler. The RIS (Retail Investment Strategy) is a case in point. While its intention is to empower retail investors and increase their participation in European capital markets, the current proposal is in danger of creating greater complexity and more bureaucracy. A key area of focus here is the investment journey – the full process and experience that retail investors have to go through when deciding to invest - from initial interest to ongoing engagement. A successful investment journey should be intuitive, informative and accessible, supporting investors each step of the way. In practice, this means giving investors the information they *need*, not overwhelming them with excessive disclosures, risk warnings and technical jargon.

Rather than simplifying the investment journey, the RIS could – albeit unintentionally - further complicate the investment process. As currently drafted, it could extend its length, add further administration and disclosures, and provide investors with information that obscures, rather than clarifies. Simplification here is not merely a compromise; it's a prerequisite for easier access. Sometimes, less is more.

No need for new toys, build on what works

This propensity to over-engineering now threatens to extend to products themselves. Recent discussions around the potential creation of a new 'simple, low-cost product' may be well-intentioned, but risk missing the mark entirely. The idea is to develop a streamlined, easy-to-understand product for retail investors in order to build trust and increase participation. Yet this overlooks a critical fact; Europe already has a globally respected, simple and accessible investment product - UCITS.

UCITS funds are widely regarded as transparent, well-regulated and investor-friendly. Their strong investor protections, standardisation and portability across the EU have made them a cornerstone of the retail investment landscape for decades. Introducing yet another product risks fragmenting the market, creating confusion for investors and undermining the success and recognition of the UCITS brand.
In reality, such simple and low-cost products already exist, including - but not limited to - passive ETFs, many of which fall under the UCITS framework. Recent EFAMA statistics[1] show that all inflows into equity UCITS

1 EFAMA 2025 Fact Book - Chapter 1 - What happened in the UCITS market in 2024?

now go to ETFs. This shows that market demand is already driving adoption of low-cost solutions, without the need for regulatory engineering. The case for yet another product framework has therefore been far from convincingly made.

Rather than inventing something new, the priority should be to make existing investment solutions more accessible, particularly by improving how investors can interact with them. This means focusing less on the products themselves, and more on the accounts and infrastructure through which people invest. To that end, ISAs (Investment Savings Accounts) offer a promising path forward.

Evidence from the Nordic region - particularly Sweden and Finland - illustrates the powerful impact ISAs can have. These accounts have helped turn millions of savers in Sweden and Finland into investors.[2] The success of ISAs lies in their simplicity and usability; individuals can manage their investments through familiar banking applications, switch between funds without triggering tax consequences and monitor their savings through clear, intuitive dashboards. These features make investing feel like a natural extension of personal finance, not a specialist activity.

Importantly, these accounts are not tied to new products or labels. Rather, they offer a modern, tax-efficient wrapper for a broad range of regulated investment products, such as UCITS. It is therefore positive that the European Commission is considering ways to encourage Member States to create national ISAs. What is clear is that ISAs - when well-designed - can support long-term investing, encourage better financial habits and bring citizens closer to capital markets.

Conclusion: from red tape to real impact

As EU policymakers move forward with planned reforms, they should not judge success by the number of new products created or disclosures issued, but by how easily and confidently people are able to invest. The focus should be on real outcomes; getting more citizens to participate, helping them prepare for retirement and making investing feel relevant and accessible to all.

Ultimately, the answer is not more, but *better*, regulation, designed with the investor's perspective in mind. Policymakers should resist the urge to create yet another product, label or disclosure template. Instead, the focus should be on reducing friction, building confidence and increasing financial literacy. Citizens should view capital markets not as something alien or risky, but as a natural part of building their financial future.

The experience of countries such as Sweden and Denmark shows that significantly higher retail participation is achievable, and with it a genuine pathway to a successful Savings and Investments Union. Europe doesn't need to reinvent the wheel; it simply needs to replicate what already works.

Europe has the blueprint for success. It's time to follow it.

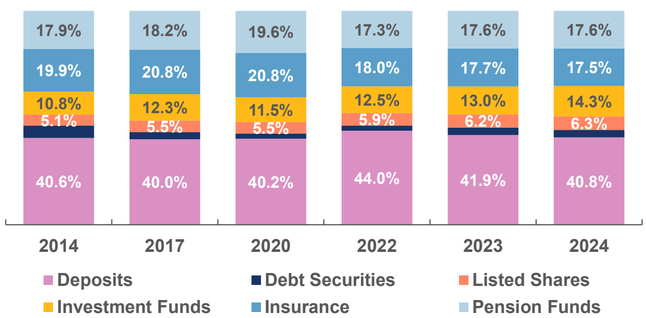
2 Finns eager to save and invest - Finanssiala , isk-rapport-okt-2024_eng.pdf

3.4 LOOK-THROUGH THE FINANCIAL PORTFOLIO HOLDINGS OF EU INVESTORS

3.4.1 Households

Financial assets. Examining the financial assets of EU households[xx] reveals that the average share of deposits - which rose to 44% in 2022 due to steep declines in bond and stock valuations over that year - fell back to 40.8% in 2024, as markets rebounded. Over the past decade, the share of financial assets that households invested in funds has steadily increased, from 10.8% in 2014 to 14.3% in 2024 - a new all-time high - driven by consistent fund purchases and rising market values.

3.22: Financial Assets Ownership by EU Households (Percent)



Source: EFAMA's calculation based on ECB data

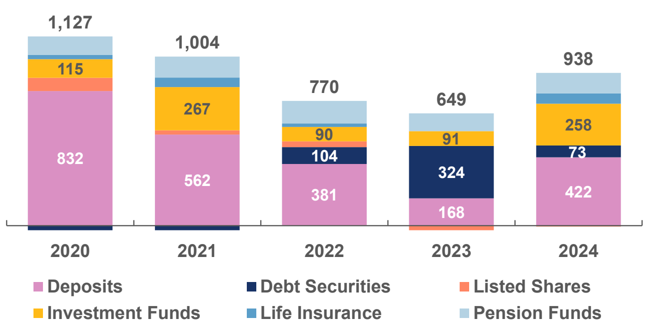
Net acquisitions of deposits. EU households saved a record amount (EUR 832 bn) in deposits in 2020, largely due to lockdowns that curtailed consumer spending. In the following years, deposit savings steadily declined to a low of EUR 168 bn in 2023. In 2024, net money flowing into deposits picked up again (EUR 422 bn).

Net acquisitions of debt securities. Until 2021, EU households gradually reduced their direct debt securities holdings because of persistently low interest rates and limited retail investment options. This trend reversed in 2022, when rising interest rates renewed the appeal of bonds, leading to EUR 104 bn in net acquisitions. The momentum continued in 2023, with net purchases soaring to a record EUR 324 bn. This surge was driven by government bond issuances aimed explicitly at domestic retail investors, particularly in Italy, Germany, Belgium and Spain. Governments successfully attracted household savers by offering higher yields than bank deposits, in some cases supported by tax incentives. Purchases of debt securities dropped down again (EUR 73 bn) in 2024; as Belgian households disinvested EUR 6 bn from debt securities during the year, putting some of the money they had invested during 2023 in one-year government bonds back into their saving accounts. Italian households remained the primary bond investors in 2024 (EUR 52 bn), but acquisitions were substantially lower than in 2023 (EUR 154 bn).

Net acquisitions of listed shares and pension products. Net acquisitions of pension funds have remained fairly stable over the last five years, as households tend to invest fixed monthly or yearly amounts in these products. Direct household investments in listed shares have, however, hovered near zero in recent years, despite strong stock market performances. This suggests that European retail investors rely largely on investment funds to gain exposure to equities, rather than purchasing them directly.

Net acquisitions of investment funds. European households bought record amounts of funds in 2021 (EUR 267 bn). Despite declining financial markets in 2022, retail investors in the EU continued to invest in funds (EUR 90 bn). In 2023, demand remained lacklustre at EUR 91 bn, as funds faced direct competition from government bond issuances in certain European countries. Household appetites for funds increased again in 2024 (EUR 258 bn), as acquisitions were positive in almost all EU countries (see tables 3.21 A and B).

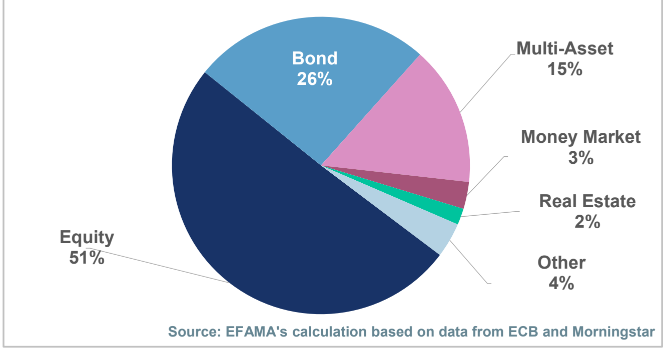
3.23: Net Asset Acquisitions by EU Households (EUR billions)



Source: EFAMA's calculation based on ECB data

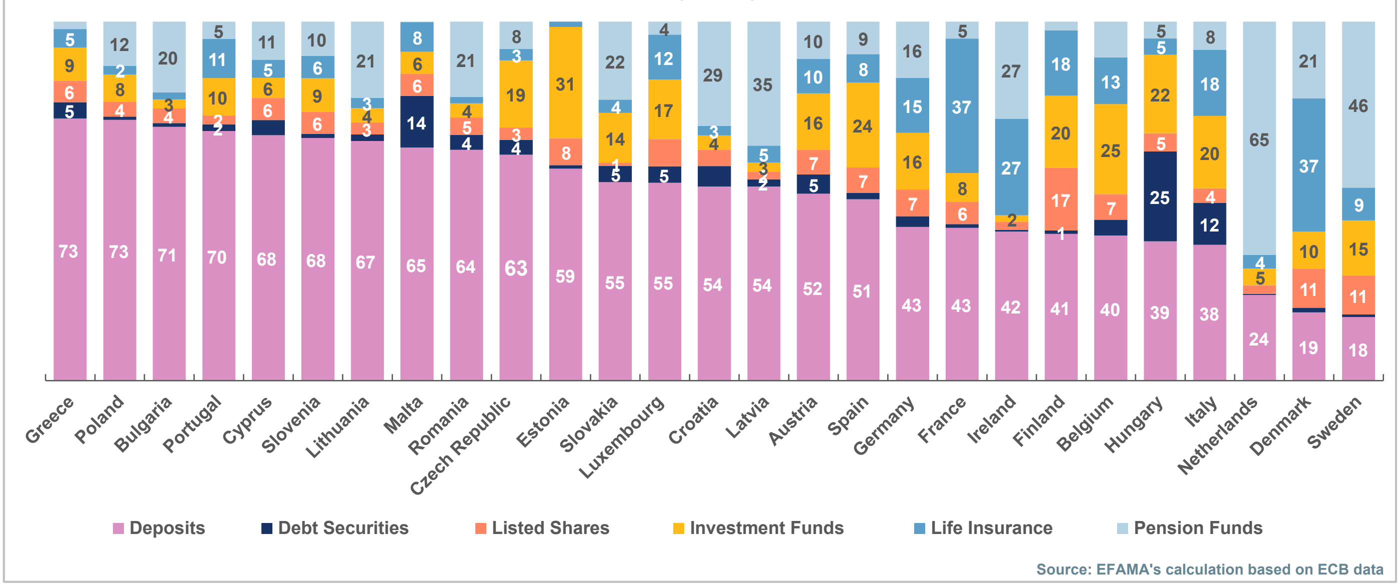
Types of funds held by households. Using a combination of ECB and Morningstar data[xxi], we can estimate the types of funds in which European households mainly invest. Equity funds made up more than half of household fund holdings in 2024 (51%). These were followed by bond funds (26%) and multi-asset funds (15%). Remaining fund categories accounted for significantly smaller shares; 'other' funds comprised 4%, MMFs 3% and real estate funds just 2%. Compared to 2023, the share of equity funds grew, largely driven by broad gains in stock market valuations over 2024.

3.24: Estimated Investment Funds Held by Households in the EA at End 2024
(Percentage of total funds held)



Country-level data. There are notable differences in how households across European countries allocate their financial assets. Generally, households in countries with lower income levels tend to keep a larger share of their savings in deposits. In contrast, countries with well-developed private, second-pillar pension systems - such as the Netherlands, Denmark and Sweden - have a much lower share of deposits. Households in these countries hold significant portions of their wealth in pension funds (the Netherlands, Latvia and Ireland) or life insurance products (Denmark and France). Investment funds are a common way for households to access capital markets in many European countries. Direct fund ownership is particularly prevalent in Estonia (31%), Belgium (25%), Spain (24%), Hungary (22%), Italy (20%) and Finland (20%). Direct stock market investments by households are relatively uncommon in most countries, except in the Nordics. Only in Finland, Sweden and Denmark do households allocate more than 10% of their financial assets into listed shares. In Hungary, the promotion of special government securities - only available to households and offering above-market interest rates - has led to an unusually high 25% allocation into debt securities.

3.25: Financial Holdings of Households - Asset Allocation at End 2024
(Percent)

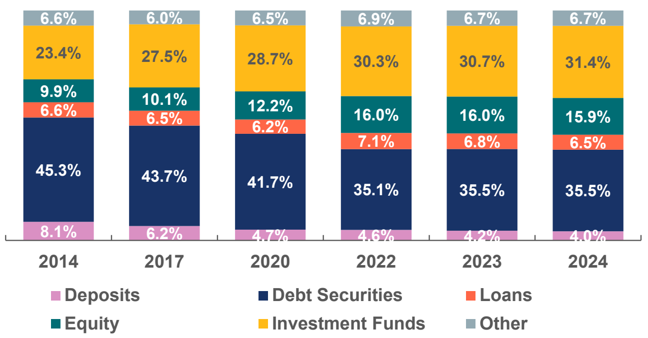


3.4.2 Insurers

Overview. Insurers are the leading institutional investors in the EU, collecting significant capital through insurance premiums, which must be invested in the financial markets. Traditionally, insurers favour debt securities for investing the bulk of their financial assets due to the fixed and predictable income stream these provide, which helps match liabilities with corresponding assets.

Financial assets. Looking at the asset allocation of insurers, the share of directly held debt securities dropped from 45.3% in 2014 to 35% in 2022, influenced by the low-interest rate environment. However, this share edged up again in 2023, as bond valuations increased. Over the past ten years, investment funds have become increasingly important in the asset allocation of insurance companies, increasing from 23.4% in 2014 to 31.4% in 2024. Investment funds provide insurers with an efficient means of expanding their sectoral or geographical exposure and diversifying risk, particularly in the equity markets. Costs also play a role; the average cost of investment funds - particularly in the institutional segment - has dropped significantly in recent years due to the widespread availability of products such as ETFs and index funds.

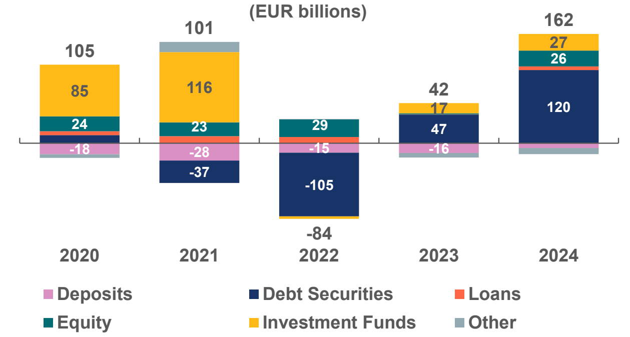
3.26: Financial Asset Ownership by EU Insurers
(Percent)



Source: EFAMA's calculation based on ECB data

Net acquisitions of financial assets. In 2020-2021, funds accounted for the vast bulk of the total acquisitions of financial assets. In 2022, however, net fund acquisitions turned negative, as insurers were spooked by rising interest rates and volatile stock markets. Fund acquisitions returned to positive territory in 2023-2024, but remained subdued. These relatively low fund acquisitions in recent years may be a result of the impact of the changed IFRS 9 and IFRS 17 accounting rules. These may have stimulated insurers into investing more into actively managed segregated mandates rather than investment funds.[xxii] A second reason for these relatively muted fund acquisitions was the increasing attractiveness of higher-yielding debt securities. Direct purchases of debt securities rebounded in 2023, turning positive following two years of disinvestment. They increased significantly in 2024 (EUR 120 bn), a direct consequence of higher interest rates.

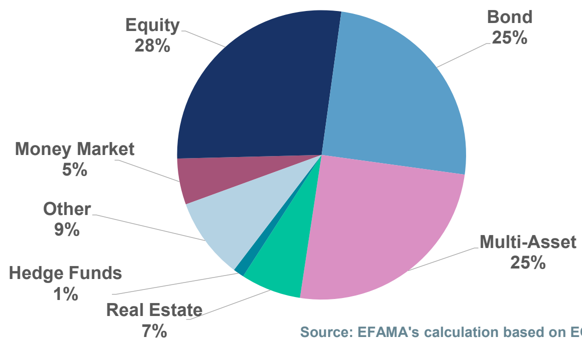
3.27: Acquisitions of Financial Assets by EU Insurers
(EUR billions)



Source: EFAMA's calculation based on ECB data

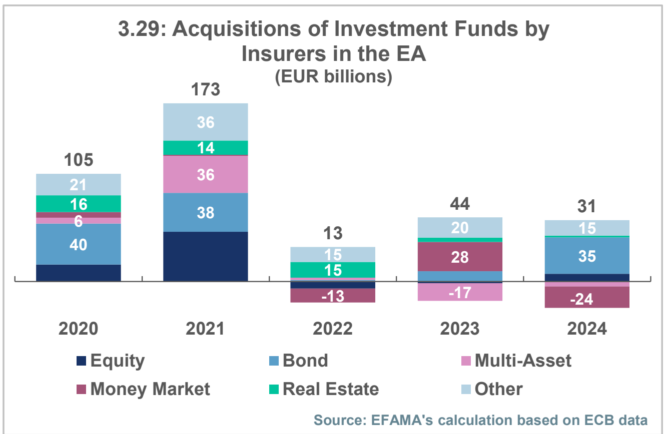
Types of funds held by insurers. ECB data allows us to look in-depth at the type of funds that EA insurers held at end 2024. Equity funds accounted for 28% of the total fund holdings of insurers, whereas bond and multi-asset funds each accounted for around 25%. These percentages indicate that insurers were making extensive use of investment funds to access equity markets, at least until 2021. Other funds, real estate funds and MMFs accounted for 9%, 7% and 5%, respectively.

3.28: Investment Funds Held by Insurers in the EA at End 2024
(Percentage of total funds held)



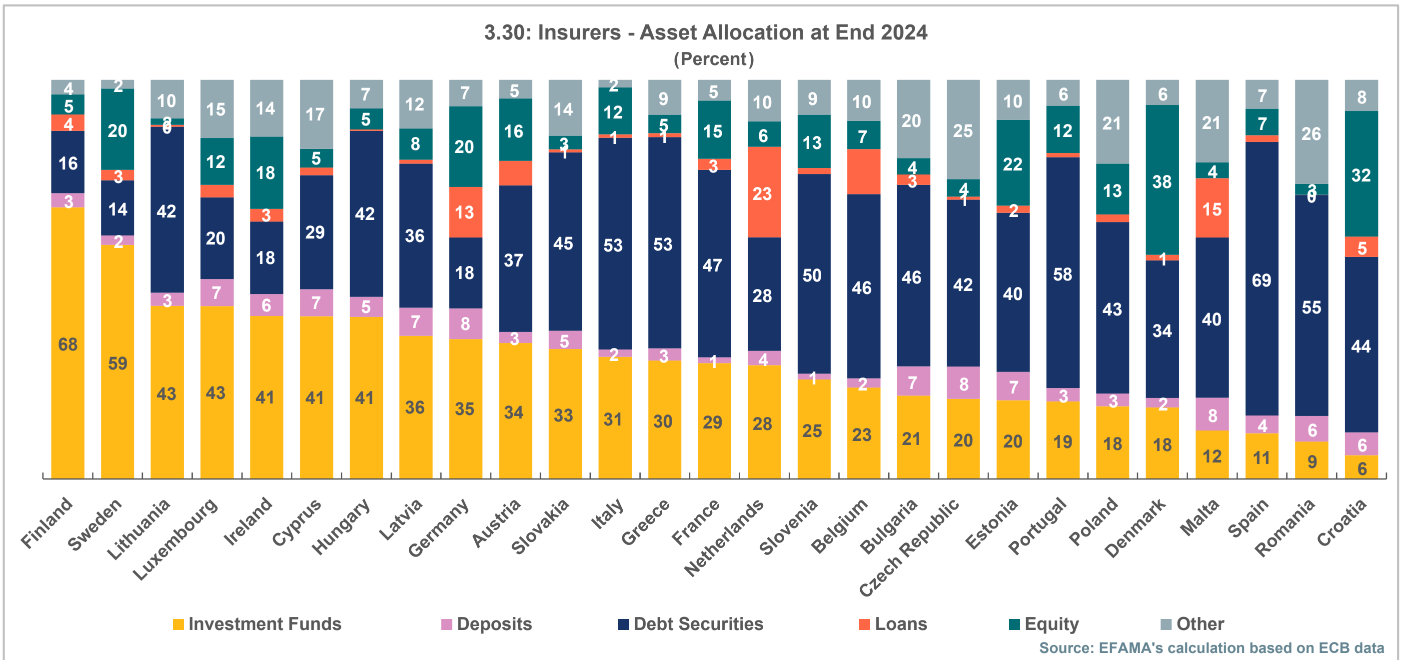
Source: EFAMA's calculation based on ECB data

Net acquisitions of funds by type. The chart below shows the types of funds EA investors have bought and sold over the past five years. In 2021, amid booming stock markets, there were significant purchases of bond, equity and multi-asset funds. Conversely, in 2022, with its steep declines in stock and bond valuations, net purchases of equity and bond funds dropped to close to zero. In 2023, insurers mainly bought MMFs, as the inverted yield curve made these funds attractive. Insurers also disinvested from multi-asset funds, reflecting their inability to shield investors from the simultaneous decline in typically uncorrelated asset classes in 2022 (see previous chapter, Section 2.3.5). In 2024, bond fund purchases again increased as insurers anticipated further rate cuts. Insurers invested in real estate funds during 2020-2022, but these purchases dwindled in 2023-2024, as real estate prices dipped. 'Other' funds, often alternative funds like private debt or infrastructure, saw consistent net inflows over the past five years, as these funds tend to offer attractive, steady yields.



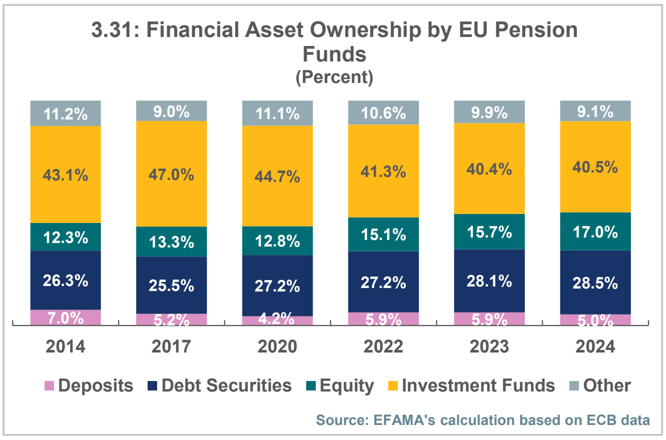
Solvency II is the legislation that codifies and harmonises EU insurance regulation. Crucially, it sets out capital requirements for the different asset holdings of insurance companies. The current framework heavily favours investing in traditional, low-risk bonds with low- or even zero-capital requirements in the case of holdings of certain government debt securities. Investment funds are subject to a look-through approach and treated in the same way as direct investments when calculating solvency capital requirements. All securities held by the insurer - either directly or indirectly via an investment fund - are subject to their relevant Solvency II risk requirements. The agreed revised Solvency II Directive resulting from the EU's Solvency II review is expected to be implemented by the beginning of 2027. This will create greater flexibility for insurers to invest in equities - particularly long-term, strategic equity holdings - by adjusting capital charges and technical provision rules.

Country-level data. In most European countries, insurers allocate the largest share of their financial portfolios to debt securities. This trend is most-pronounced in southern and eastern European countries, where holdings of debt instruments remain high, often with a strong home bias toward domestic bonds. In contrast, insurers in northern and western Europe -particularly in smaller countries - tend to invest a greater share of their assets in investment funds.



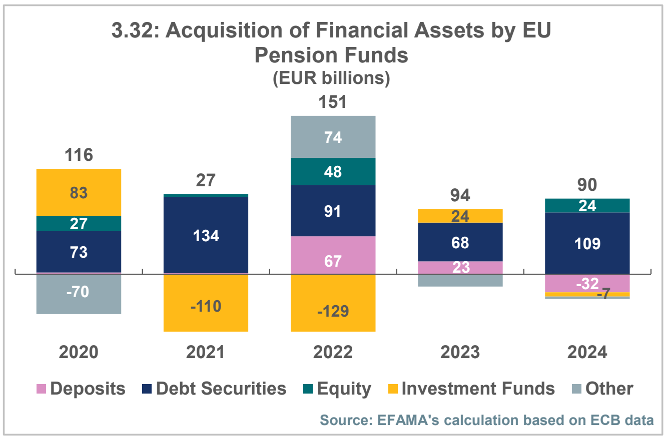
3.4.3 Pension funds

Financial assets. Investment funds remain the primary asset class in pension fund portfolios. Their share increased from 43.1% in 2014, to a peak of 47% in 2017, before gradually declining to 40.5% by end 2024. While the proportion of directly held debt securities and listed equities has edged up over recent years, their overall weight in pension fund portfolios remains well below that of investment funds. The continued dominance of funds reflects their ability to offer broad diversification across geographies and sectors, helping to manage risk effectively. In addition, falling fund costs have added to their attractiveness as an investment option.



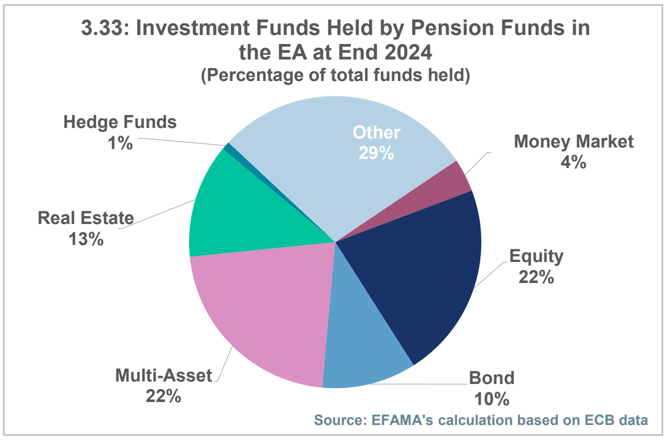
3.31: Financial Asset Ownership by EU Pension Funds (Percent)

Net acquisitions of financial assets. Pension funds saw substantial disinvestments during 2021-2022. This was mostly due to several large Dutch pension funds switching their portfolios from AIFs to segregated accounts. The significant scale of the Dutch pension fund sector - accounting for around 45% of the EU total - explains why this switch had such a significant impact on the overall net acquisitions of investment funds in 2021-2022. These disinvestments slowed during 2023-2024 in line with the switchover to mandates. Despite this, 2024 still saw negative net acquisitions of funds by pension funds. Deposit acquisitions shot up in 2022, as pension funds were forced to increase cash holdings to meet margin requirements under derivatives contracts, which had risen rapidly as a result of increasing interest rates. Net deposit acquisitions were lower in 2023, but remained positive as high money-market rates and a reverse yield curve made investing in cash an attractive option for pension fund managers. Net acquisitions of debt securities have remained consistently positive over the past five years. In 2024, bond purchases (EUR 109 bn) accounted for the majority of financial asset acquisitions of EU pension funds.



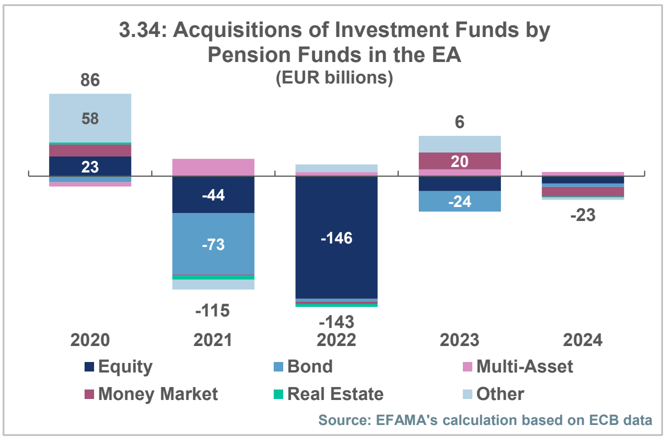
3.32: Acquisition of Financial Assets by EU Pension Funds (EUR billions)

Types of funds held by pension funds. In contrast to insurers, pension funds held a smaller proportion of equity funds, which made up just 22% of their fund portfolios at end 2024. Their allocations to multi-asset funds, and particularly bond funds, were also comparatively lower. Rather, pension funds chose to dedicate a larger portfolio share to 'other' funds (29%) - primarily focused on alternative assets such as private equity, private debt and infrastructure - as well as to real estate funds (13%). Both categories typically invest in less-liquid assets offering higher or more-stable yields. Given their long-term investment horizon and unencumbered by Solvency II constraints, pension funds are particularly well-suited to these types of investments.

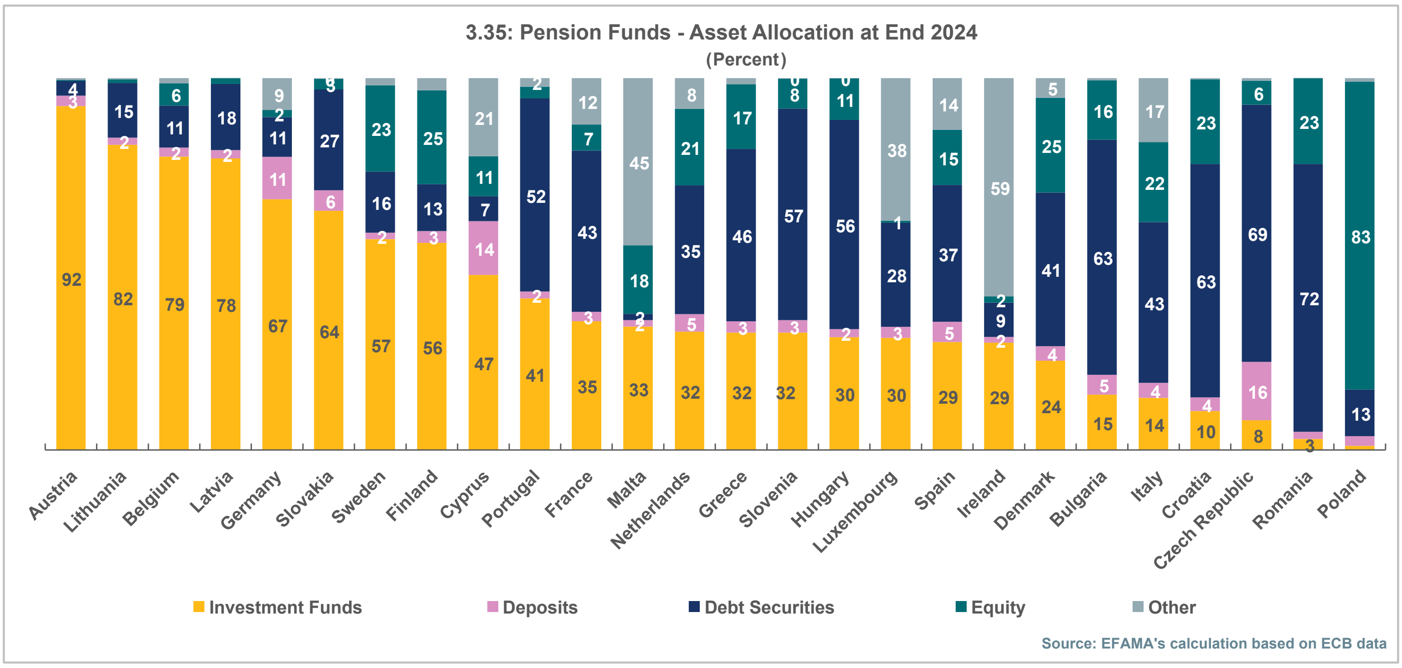


3.33: Investment Funds Held by Pension Funds in the EA at End 2024 (Percentage of total funds held)

Net acquisitions of funds by type. Exceptionally large net outflows from bond and equity funds occurred during 2021-2022, due to the developments in the Dutch and Danish pension fund markets discussed earlier. Fund acquisitions in the EA re-entered positive territory in 2023, only to reverse course once again in 2024. Pension funds sold mainly MMFs and equity funds during 2024.



Country-level data. Similar to insurers, pension funds in southern and eastern Europe tend to allocate a large share of their assets directly to domestic government bonds. Poland stands out as an exception, due to legal constraints that prohibit pension funds from investing directly in government debt. In contrast, pension funds in western Europe and the Nordics, as well as in the Baltic states, rely more heavily on investment funds, taking advantage of the diversification and flexibility that these vehicles provide.



Box 8
The EU Securitisation Review – Enhancing Opportunities for Investment

Author: **Gwen Lehane**

The European Commission's decision to review the EU legal framework for securitisation is a significant step in enhancing the European Savings and Investment Union and ultimately in increasing EU competitiveness. As recommended in the reports of Christian Noyer, Enrico Letta and Mario Draghi, this review is aimed at facilitating the greater use of securitisation in Europe. This would in turn allow banks to free up balance sheet capacity and ultimately enhance their lending capacity and support broader economic growth. From an asset management perspective, securitisations represent an attractive asset class that offer investors opportunities for diversification, enhanced yield and tailored risk exposure. To date, however, regulatory complexities and onerous due diligence obligations have rendered this asset class less attractive to investors.

Background

The EU securitisation framework was established in 2019, in the wake of the global financial crisis. It aimed to revitalise the EU securitisation market, which had shrunk from EUR 2.0 trillion in 2008-2009 to EUR 1.2 trillion at the end of 2023. The new framework introduced rules on due diligence, risk retention and transparency as well as creating the 'STS' label. However, despite this new framework, the European securitisation market has not recovered at the same rate as other jurisdictions such as in the US.

In October 2024, the European Commission launched a consultation on the EU securitisation framework, seeking to identify regulatory obstacles hindering the issuance and investment in securitisation transactions. The consultation received input from 133 respondents - including from asset managers - with a focus on several key areas; transparency, due diligence, capital requirements and overall regime flexibility. In addition, ESMA (European Securities and Markets Authority) launched its own consultation, with a closing date of March 2025, on potential amendments to disclosure templates for private securitisations. Also in March 2025, the ESAs (European Supervisory Authorities) released a joint report offering targeted recommendations for legislative changes.

Key Concerns for Asset Managers

European asset managers voiced the following concerns and recommendations during the consultation process:

1. **Principles-Based Due Diligence**: Asset managers strongly supported the adoption of a more- flexible, principles-based approach to due diligence under Article 5 of the SECR (Securitisation Regulation). The current rules set out an overly-prescriptive approach which is particularly inappropriate for private securitisations and repeat issuances. A more-flexible framework would allow asset managers to maintain a high standard of due diligence while exercising discretion in assessing the risks and quality of underlying assets, rather than adhering to a one-size-fits-all approach. This shift is viewed as vital for enhancing the attractiveness of securitisation for investors.

2. **Disclosure Templates for Private Securitisation**: ESMA's proposal for a simplified disclosure template for private securitisations is another area of interest for asset managers. While the new templates aim to reduce the complexity and regulatory burden associated with disclosure obligations, particularly for private transactions, EFAMA members advocate for a substance-over-form approach. This method which would permit those party to the securitisation to determine their own format for disclosures. This would align better with existing market practice, whereby investors in certain private securitisations continue to receive disclosures via bilaterally designed reports in addition to the SECR-mandated disclosure templates. These bilateral reports are viewed as much more useful than those mandated by the legislation.

3. **Geographical Scope**: Asset managers also stressed that any changes should not further broaden the divide between EU and non-EU securitisations. Currently, European investors are limited to investing in only 25% of the global securitised market; this is because as the remainder of the investible universe opts not to comply with SECR reporting templates. This forces EU funds to operate within a constrained market, meaning their investment strategies become less diversified and less scalable, limiting their ability to achieve optimal returns as a result. Enabling EU funds to invest in a broader range of securitisations would not only make their investment strategies more competitive on the global scale but also make securitisation investments more attractive and drive greater liquidity in the market. This in turn would increase demand and growth in this asset class.

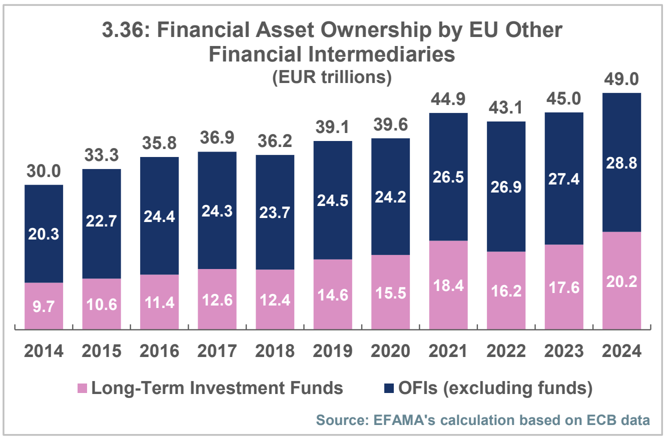
4. **Public Securitisation**: In the joint report issued by the ESAs in March 2025, there were recommendations to broaden the definition of 'public securitisation'. In EFAMA's response to the Commission's consultation in December 2024, asset managers emphasised that such an expansion to the definition of public securitisations would be counterproductive, as it would inadvertently include, within its scope, certain securitisations that should remain classified, notably certain CLOs which should remain classified as private in nature.

Looking ahead

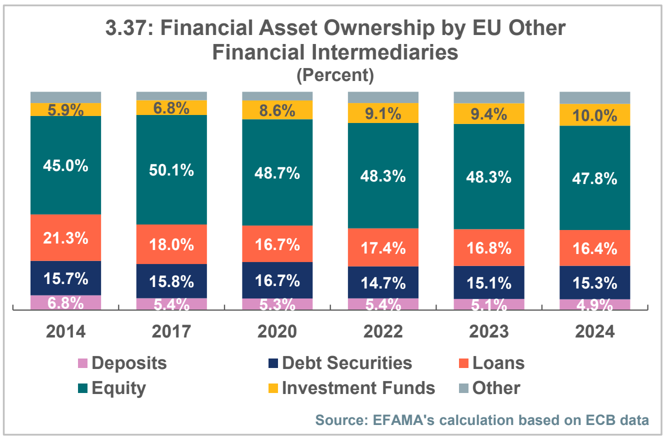
The revisions to the EU securitisation framework are expected to take a number of years to finalise, beginning with a legislative proposal by the Commission this year. Changes to the disclosure templates for private securitisations may take place in the meantime, as an interim measure. With the right regulatory changes, asset managers will be better able to leverage securitisation as a tool for diversification, risk management and liquidity, contributing to the broader goal of a more-integrated and competitive European capital market.

3.4.4 Long term funds and other financial intermediaries

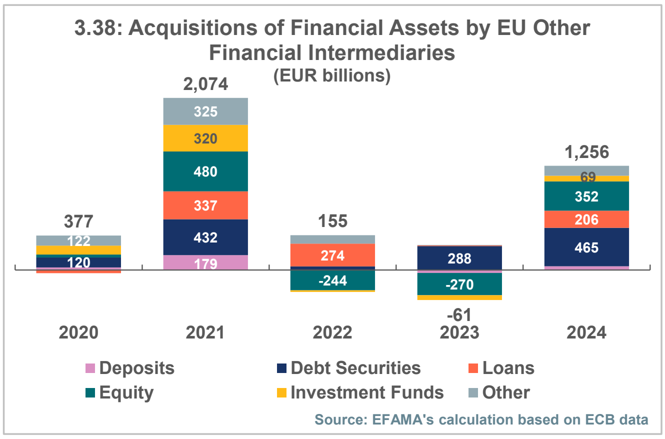
What are 'other financial intermediaries'? Other financial intermediaries (OFIs) form a broad and varied category of financial entities, one which doesn't fit neatly into one of the main categories. This group includes a wide range of financial actors such as holding companies, 'brass plate' entities, central counterparties (CCPs), securities and derivatives dealers as well as sovereign wealth funds. Long-term investment funds are the predominant type of investor within this diverse group of financial intermediaries. As of end 2024, long-term investment funds held financial assets worth EUR 20.2 tn, while the remaining OFIs accounted for EUR 28.8 tn.



Financial assets of OFIs. Among the main categories of investors in funds, OFIs allocate the smallest proportion of their financial assets to investment funds. Nevertheless, this share has nearly doubled over the past decade, from 5.9% in 2014 to 10% in 2024. This increase has been largely driven by long-term funds, which are allocating more of their portfolios into other investment funds (the remaining OFIs significantly less so). The most-likely factor behind this rise is the growing use of ETFs and index funds by actively managed investment funds when diversifying and optimising their portfolios. Equity holdings accounted for 47.8% of the total asset allocation of OFIs at end 2024. However, a significant portion of this allocation consists of unlisted equity. These are often concentrated in holding companies or in special purpose entities (SPEs) of multinational corporations, which are typically established for tax optimisation purposes. Such 'quasi-corporate' entities typically hold substantial equity positions, which often encompass all subsidiaries within their corporate structure.



Net acquisitions of financial assets by OFIs. Compared to their total net acquisitions of financial assets, OFIs typically acquire relatively modest amounts of investment funds An exception was seen in 2021, when net acquisitions of investment funds surged to EUR 320 bn. In 2024, OFIs invested EUR 69 bn of net new money into funds. Overall acquisitions of financial assets rose in 2024 (EUR 1,256 bn), following muted net acquisitions in 2022 and negative net sales of financial assets in 2023, due to net outflows from equity holdings.

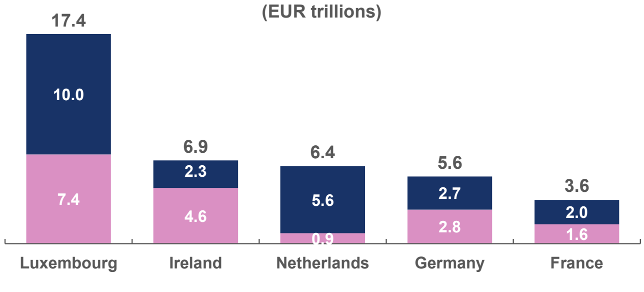


Country-level data. The asset allocation of OFIs varies significantly between EU countries, primarily influenced by the predominant type of OFI present in each (see chart 3.40). More relevant for the European aggregate are the respective sizes of OFI financial assets in each country.

OFIs - Long-term funds. Focusing on the long-term fund segment within OFIs, the EU countries with the largest amount of financial assets are also the key domiciles for UCITS and AIFs. Luxembourg and Ireland hold the majority, reflecting their status as Europe's leading cross-border fund hubs. Germany and France - the other sizeable fund domiciles in the EU - also accounted for a significant share of the European total.

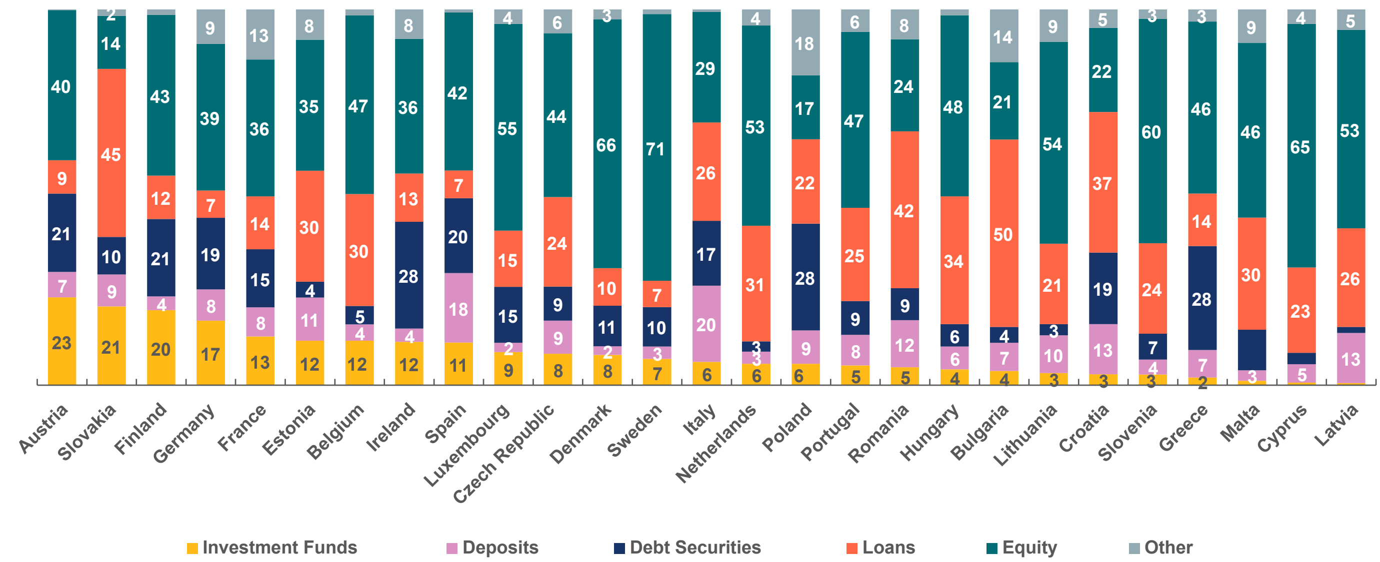
Remaining OFIs (excluding long-term funds). Among all other OFIs (excluding long-term funds), the majority of financial assets in the EU are concentrated in Luxembourg, the Netherlands and - albeit to a lesser extent - Germany, Ireland and France. Luxembourg and the Netherlands often play host to a substantial amount of holding companies, special purpose entities and headquarters of multinational corporations, many of which are established there for fiscal reasons.

3.39: Financial Asset Ownership by EU Other Financial Intermediaries - Top 5 Countries at End 2024
(EUR trillions)



Source: EFAMA's calculation based on ECB data

3.40: Other Financial Intermediaries - Asset Allocation at End 2024
(Percent)

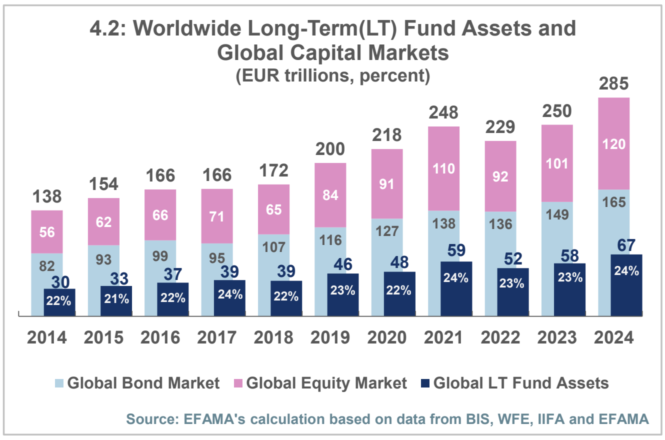


Source: EFAMA's calculation based on ECB data

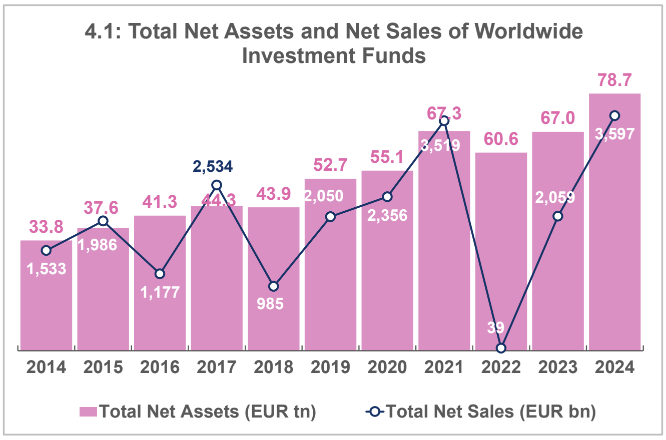
CHAPTER 4: WORLDWIDE INVESTMENT FUNDS

4.1 OVERVIEW

This chapter seeks to analyse the trends in the fund industry at world and regional level, focusing on four broad geographical fund domicile regions; Europe, the United States, (US), the Asia-Pacific region[xxiii] and The Americas.[xxiv] Developments in the larger countries of the Asia-Pacific region and The Americas are also discussed. The analysis in this chapter is based on data compiled by EFAMA in association with the International Investment Funds Association (IIFA). For comparability reasons, this data covers only substantively regulated, open-ended funds domiciled in the reporting countries.



Net assets and net sales of worldwide investment funds. Worldwide investment fund assets rose by 17.4% in 2024, reaching EUR 78.7 tn. Net sales were exceptionally strong in 2024, surpassing the previous 2021 peak and reaching a new all-time high of EUR 3,597 bn.



Investment funds and global capital markets. Long-term investment funds are a key source of financing for companies and governments worldwide. Over the past decade, these funds have bolstered their role in financing the global economy. Using the market value of global listed equities and bonds as a proxy for total capital markets, the share held by investment funds grew from 22% in 2014 to 24% by end 2017. This proportion has subsequently remained relatively stable at around 23-24%. The gradual increase in the earlier years of the decade was driven by a range of factors, which differ between regions.

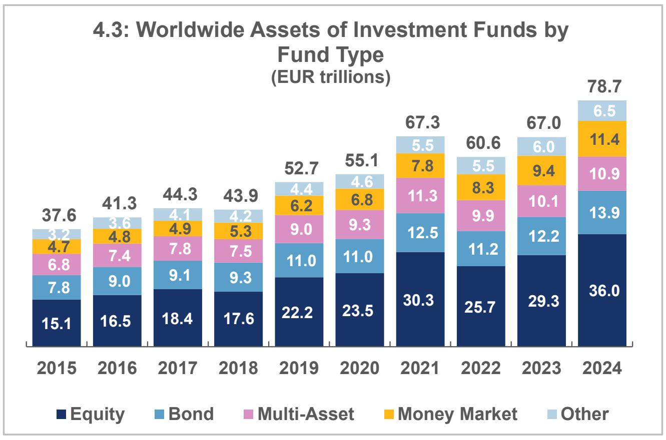
In the United States, the robust expansion of investment funds can be attributed to the increasing popularity of mutual funds in the US retirement system, notably in 401(k) pension plans and Investment Retirement Accounts (IRAs). In addition, the increasing demand for ETFs has contributed to this growth in recent years.

In Europe, the success of the UCITS brand, with its stable regulatory framework, has fuelled the growth of the investment funds industry. This is evidenced by the sustained demand for UCITS from investors outside of Europe. Another factor is the general trends among institutional investors - mainly insurers and pension funds - of outsourcing larger proportions of their assets to professional asset managers and making greater use of funds in their portfolio allocation.

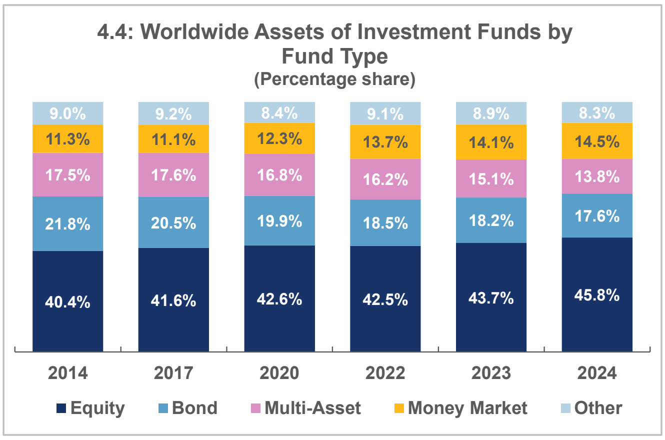
In emerging markets such as Brazil, China and India, the expansion of the fund industry is driven by the overall development and deepening of capital markets in those countries. Demand for investment funds tends to be strongly correlated to the level of capital market development in a country.

4.2 NET ASSETS AND NET SALES OF WORLDWIDE FUNDS BY FUND TYPE

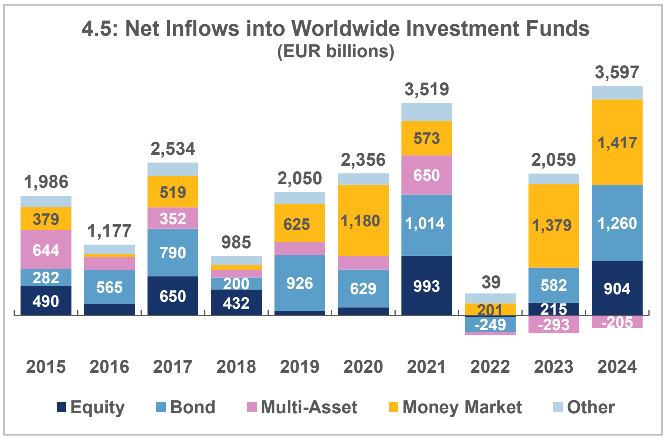
Net assets by fund type. By end 2024, the net assets of global equity funds totalled EUR 36 tn, making it the largest fund category in the world. Bond funds followed, with EUR 13.9 tn in net assets. MMFs totalled EUR 11.4 tn while multi-asset funds reached EUR 10.9 tn. 'Other' funds totalled EUR 6.5 tn. Across all fund types, net assets grew in 2024, driven by a combination of net inflows and rising global stock markets. However, multi-asset funds experienced the slowest growth, as they saw negative net sales during the year.



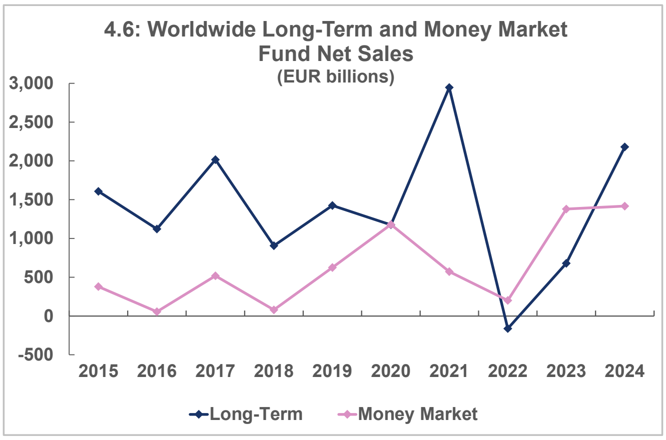
Market share evolution of fund type. The market share trends of different fund types over the past decade reveal distinct patterns. Equity funds saw a significant rise from 2014-2021, fuelled by the strong performance of global stock markets, before experiencing a drop in 2022. However, their market share rebounded to a new peak in 2024, reflecting strong equity market gains in 2023-2024. In contrast, bond funds have seen a gradual decline in market share over the decade, largely due to persistently low interest rates. Despite a rise in interest rates and a recovery in bond valuations in 2023, their market share continued to decline. Multi-asset funds also lost ground, falling from a 16.2% share in 2022 to 13.8% by end-2024, driven primarily by sustained negative net sales. Meanwhile, MMFs have gained considerable market share in recent years, buoyed by strong inflows throughout 2023-2024.



Net sales of worldwide funds. The record-breaking net sales of 2024 were fuelled primarily by unprecedented net inflows into MMFs (EUR 1,417 bn) and bond funds (EUR 1,260 bn), both all-time highs. Equity funds also experienced strong demand, attracting EUR 904 bn in net inflows. The only category to register net outflows globally was multi-asset funds, which saw redemptions of EUR 205 bn.

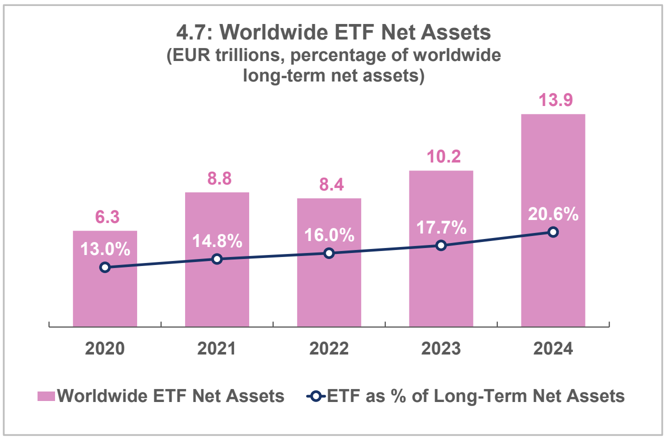


Net sales of long-term funds and MMFs. Comparing the net sales trends of long-term funds and MMFs reveals a generally synchronisation in the early years of the decade, with both rising and falling in tandem. However, this alignment broke in 2020, when the COVID-19 crisis hit. While long-term fund sales declined sharply, MMFs experienced exceptionally strong net inflows as investors fled to safety. In 2021, the situation reversed; net sales of long-term funds surged, while MMF inflows weakened. In 2022, net sales of long-term funds collapsed to negative territory, due to rapidly rising interest rates, while MMFs also saw reduced, yet still positive, flows. During 2023-2024, trends started to converge once more. In 2024, long-term funds rebounded firmly, while MMFs also saw increased demand, although net inflows only increased marginally over 2023.



4.6: Worldwide Long-Term and Money Market Fund Net Sales
(EUR billions)

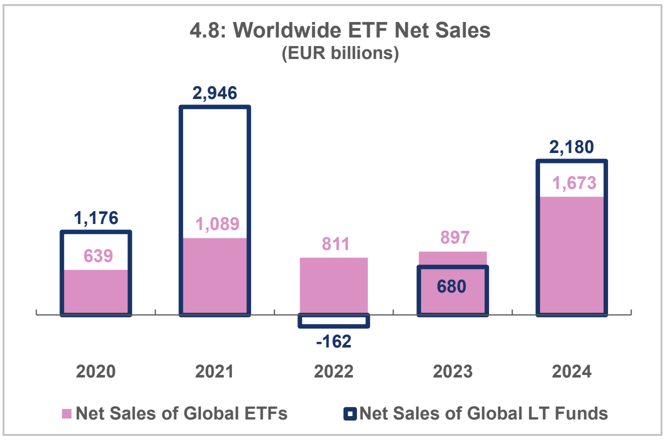
Worldwide ETF assets. ETF net assets soared by over 36% in 2024, reaching EUR 13.9 tn . By year end, ETFs accounted for 20.6% of the global long-term fund market. This marks a significant rise from 13% in 2020, underscoring the growing popularity of ETFs among investors worldwide.



4.7: Worldwide ETF Net Assets
(EUR trillions, percentage of worldwide long-term net assets)

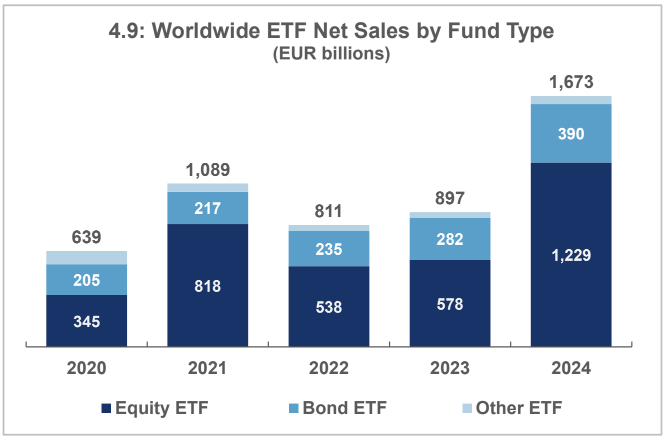
Net assets of ETFs by fund type. By asset type, equity ETFs dominated the global market at end 2024, with almost 79% of total assets. Bond ETFs followed at 17%, while other ETFs accounted for the remaining 4%. The share of equity ETFs has increased steadily over the past few years, rising from 76% in 2022, to 77% in 2023 and then to 79% in 2024. This was driven by strong net inflows and sustained stock market growth.

Net sales of worldwide ETFs. Net inflows of ETFs amounted to EUR 1,673 bn in 2024, easily breaking the previous record of 2021 (EUR 1,089 bn). Total net sales of global long-term funds were EUR 2,180 bn in 2024, meaning that the net worldwide sales of long-term non-ETFs returned to positive territory (EUR 506 bn) following two years of net outflows.



4.8: Worldwide ETF Net Sales
(EUR billions)

Net sales of ETFs by fund type. Net sales of equity ETFs across the globe reached EUR 1,229 bn in 2024, more than double the EUR 578 bn recorded in 2023. These accounted for roughly three-quarters of total ETF net inflows for the year. Bond ETFs also saw a surge in demand, attracting EUR 390 bn in net new investments, up from EUR 282 bn in 2023. Both equity and bond ETF inflows hit new all-time highs in 2024.



4.9: Worldwide ETF Net Sales by Fund Type
(EUR billions)

Box 9
The Omnibus Simplification Package and how to keep sustainable finance relevant

Author: **Ilia Bekou**

The European Commission's Omnibus Simplification Package marks a significant step in easing regulatory burdens for companies and boosting EU competitiveness in a highly volatile geopolitical context. The current uncertainty in global trade creates unpredictability and imposes additional costs on operations, highlighting the important role of the package in reducing administrative burdens to enhance European competitiveness. Therefore, this simplification exercise holds promise not only for reporting companies, but also for asset managers who could support EU industries championing global markets, **provided this simplification does not overly dilute the substance of reporting and due diligence obligations**.

A new holistic approach

In recent years, asset managers have made significant efforts to integrate ESG (Environmental, Social and Governance) considerations into portfolio setups and risk management. The CSRD (Corporate Sustainability Reporting Directive), together with the ESRS (European Sustainability Reporting Standards), has been instrumental in creating a more coherent and structured flow of sustainability-related information. However, the complexity and high volume of reporting requirements have created an information overload and – on occasions - sometimes low-quality disclosures that hinder, rather than help, investment decision-making.

The proposed streamlining of reporting obligations is therefore a welcome development. A more-proportionate approach to sustainability disclosures can help relieve unnecessary administrative pressure and redirect focus on meaningful risk management and value creation. Indeed, simplification must not come at the expense of undermining the data granularity required for investors to assess sustainability risks and impacts accurately. Asset managers should have at their disposal a core set of harmonised, verifiable and meaningful sustainability-related data points covering key climate, biodiversity, social and governance metrics. These data points provide the backbone for sustainable investment strategies and stewardship activities.

The Way Forward

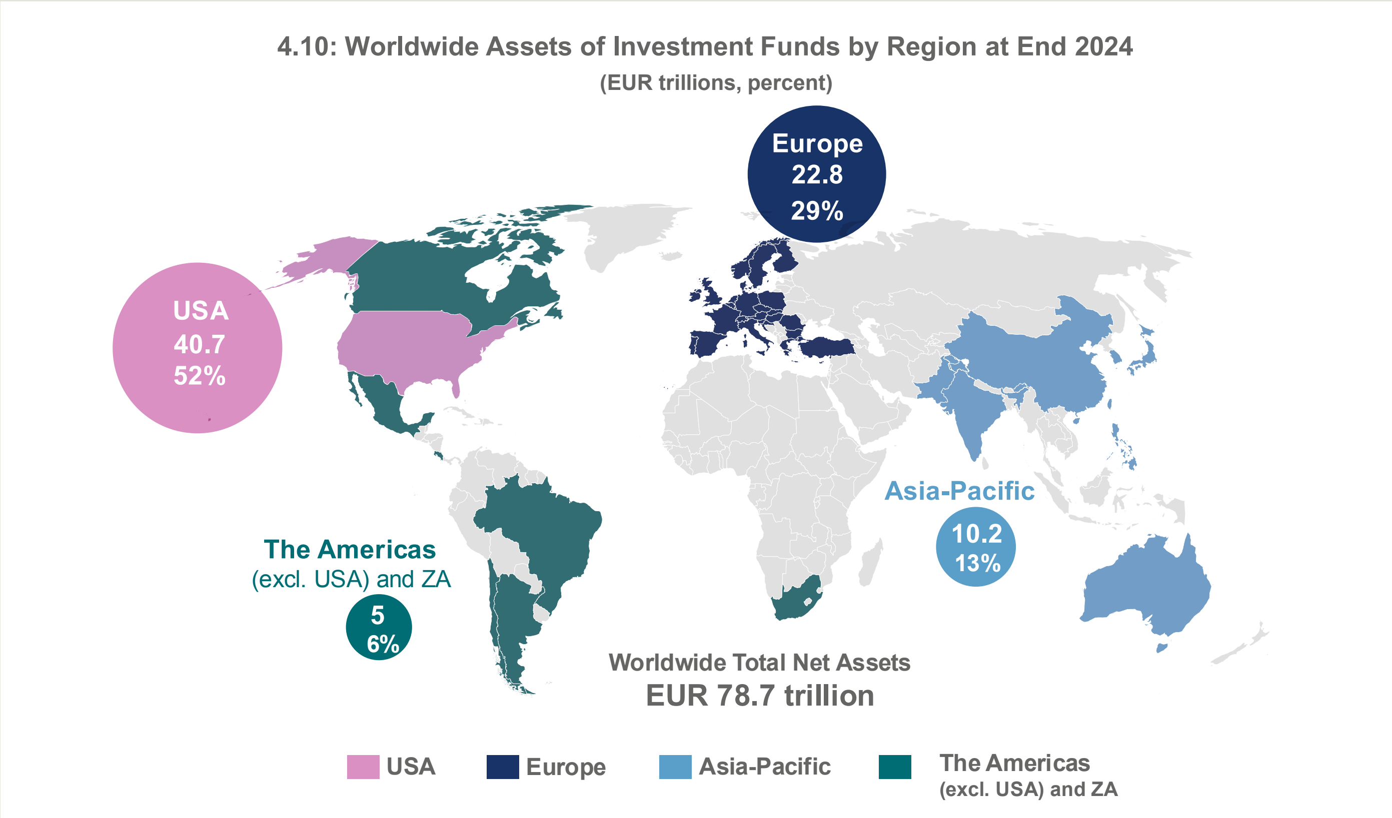
To preserve market confidence and transparency, any simplification must ensure that a minimum baseline of high-quality, sector-relevant disclosures remains intact. The double materiality principle, while complex, is crucial for capturing both the financial and societal dimensions of sustainability. Tailoring disclosure thresholds may be sensible, but the integrity of the overall reporting framework must be maintained. In addition, encouraging enhanced interoperability between the ESRS and the ISSB standards offers a valuable bridge between European and global reporting standards. This will reduce duplications and help asset managers operate across jurisdictions with greater clarity and efficiency.

Looking ahead, the Omnibus package should not be seen in isolation, but rather as a part of a broader optimisation of the EU's entire sustainable finance rulebook. In this spirit, the upcoming review of the SFDR (Sustainable Finance Disclosure Regulation) should align with the streamlined ESRS framework, ensuring that asset managers' disclosures can be based on the consistent data they receive from investee companies. Bridging the gap between corporate reporting and investment transparency is essential for driving capital flows towards genuinely sustainable economic activities.

The EU's simplification agenda is an opportunity to finetune without backtracking on its sustainability targets agenda. Asset managers support a regulatory framework that is both workable and rigorous. This simplification initiative should not only reduce unnecessary complexity but also empower sustainable finance by enabling more efficient capital allocation, improving data usability, and fostering long-term investment strategies that align with the EU's climate and competitiveness goals. To this end, a robust European financial sector will continue to support the green transition, while financing a competitive and innovative European economy capable of withstanding geopolitical instabilities.

4.3 NET ASSETS OF WORLDWIDE FUNDS BY REGION

Regional net assets in 2024. In the US, net assets of investment funds exceeded EUR 40 tn at end 2024 (EUR 40.7 tn), while European investment fund net assets[xxv] reached EUR 22.8 tn. In the Asia-Pacific region - which includes major Asian economies such as China, Japan and India - investment fund assets amounted to EUR 10.2 tn. Net assets of funds in The Americas - including the main economies of the region such as Brazil and Canada (but excluding the US) - stood at EUR 5 tn at year end 2024.



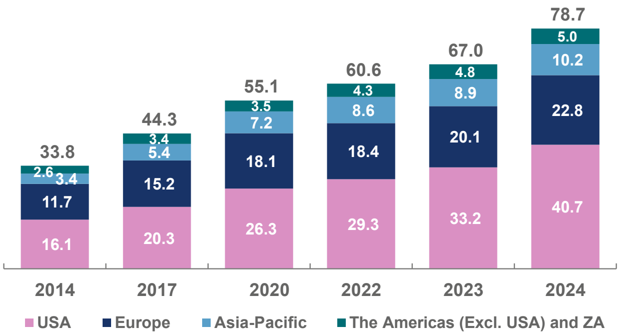
The United States. Over the past decade, the US has cemented its position as the world's largest investment fund market. Its global market share expanded from 47.7% in 2014 to 51.7% by end 2024, surpassing the 50% mark for the first time.

Europe. Europe's share of the global investment fund market has gradually declined over the past ten years, falling from 34.7% in 2014 to just under 29% by end 2024. This downward trend largely reflects the relatively slower growth of European stock markets compared to those in the United States.

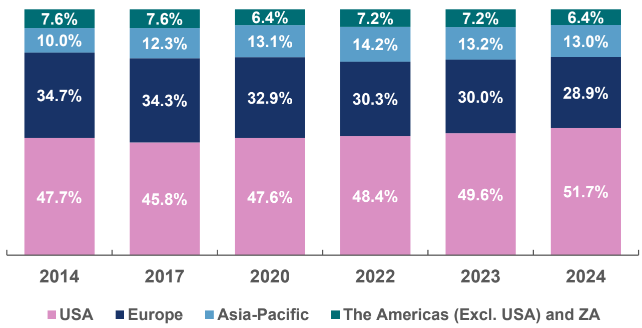
Asia-Pacific. The share of the Asia-Pacific region rose from 10% in 2014 to 14.2% in 2022. China and Japan held the largest shares of fund assets in this region, accounting for 5% and 3% of global assets, respectively. In 2023, however, this share dropped back again by a percentage point, mainly due to a decline in Chinese fund assets.

The Americas. The smallest region in terms of net assets, its market share dropped from 7.2% in 2023 to 6.4% in 2024. This was mainly due to a drop in the net assets of Brazilian funds (down 9.1% in 2024), attributable to an overall depreciation of the Brazilian Real and a lacklustre stock market performance.

4.11: Worldwide Assets of Investment Funds by Region
(EUR trillions)



4.12: Trends in the Worldwide Investment Funds by Region
(Percentage share)



Top-15 domiciles in 2024. The table below highlights the net assets and market shares of the 15 leading domiciles in 2024. It also shows net asset growth and net assets as a percentage of GDP. Seven European countries are represented; Luxembourg, Ireland, Germany, France, the UK, Switzerland and the Netherlands. In 2024, only Brazil recorded a net asset decrease - of 9% - as the Brazilian real fell sharply against the euro. All other main domiciles recorded an increase in net fund assets. The strongest yearly growth was in India (37%), followed by China (26%) and the US (22%). Among European countries, Ireland also recorded a substantial increase in net assets (22%).

4.13: Net Assets of Investment Funds in Top 15 Domiciles in 2024

Countries	Net Assets at End 2024 (1) (EUR bn)	Market Share at End 2024	Asset Growth in 2024	Net Asset in Percentage of GDP
USA	40,658	52%	22%	162%
Europe	22,765	29%	13%	97%
Luxembourg	5,820	7%	10%	6,759%
Ireland	4,993	6%	22%	936%
China	3,828	5%	26%	21%
Germany	2,786	4%	6%	65%
France	2,502	3%	10%	86%
Canada	2,402	3%	15%	111%
Australia (2)	2,394	3%		140%
Japan	2,256	3%	12%	58%
UK	2,152	3%	13%	62%
Brazil	2,083	3%	-9%	100%
Switzerland	855	1%	13%	99%
Netherlands	760	1%	10%	67%
India	750	1%	37%	48%
Korea, Rep. of	712	1%	5%	130%

(1) Net assets for European countries include UCITS and redeemable, open-ended, substantively-regulated AIF funds, representing approx. 91% of total AIF.
(2) Data for Australia is currently unavailable. Net assets represent values as of the end of Q4 2023.

Equity funds by region. In the worldwide equity fund market, the US held a market share of 64% in 2024, followed by Europe at 21% and Asia-Pacific at 12%. The Americas accounted for only 3%.

Bond funds by region. Among global bond funds, the US accounted for the largest share at 47%, followed by Europe with 33%. The market share of The Americas (11%) was larger than that of Asia-Pacific (9%).

Multi-asset funds by region. In the worldwide multi-asset fund market, the US led with a 40% share, closely followed by Europe at 39%. The Americas accounted for 16%, with the Asia-Pacific region making up the remaining 5%.

MMFs by region. At end 2024, the US held a 58% share of the global MMF market. The Asia-Pacific region accounted for a share of 21% and Europe for 18%.

Other funds by region. Europe held the largest market share of global other funds at end 2024 with 63%, followed by Asia-Pacific at 29%. The market shares of the US and The Americas were almost negligible, at 2% and 6%, respectively.

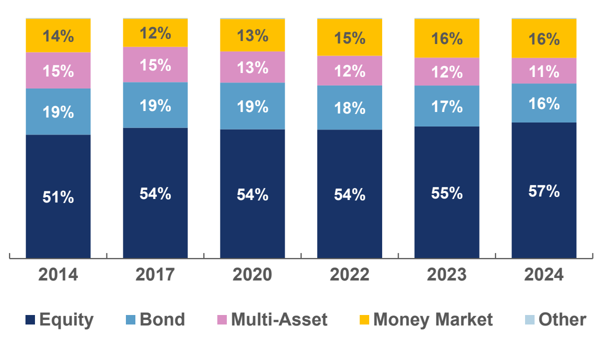
ETFs by region. In the worldwide ETF market, the US was by far the dominant country, accounting for 71% at end 2024. European ETFs held 16% and the Asia-Pacific region 10%. The ETF market in The Americas accounted for only 3%.

4.14: Worldwide Net Assets of Investment Funds by Fund Type at End 2024

Region	USA		Europe		Asia-Pacific		The Americas (Excl. USA) and South Africa		World
	EUR billions	percent	EUR billions	percent	EUR billions	percent	EUR billions	percent	EUR billions
Equity	23,003	64%	7,745	21%	4,174	12%	1,103	3%	36,025
Bond	6,571	47%	4,553	33%	1,251	9%	1,495	11%	13,870
Multi-Asset	4,327	40%	4,250	39%	597	5%	1,712	16%	10,886
Money Market	6,596	58%	2,084	18%	2,358	21%	369	3%	11,407
Other	161	2%	4,133	63%	1,860	29%	364	6%	6,519
Total Funds	**40,658**	**52%**	**22,765**	**29%**	**10,240**	**13%**	**5,044**	**6%**	**78,707**
of which - ETFs	9,919	71%	2,167	16%	1,421	10%	388	3%	13,896

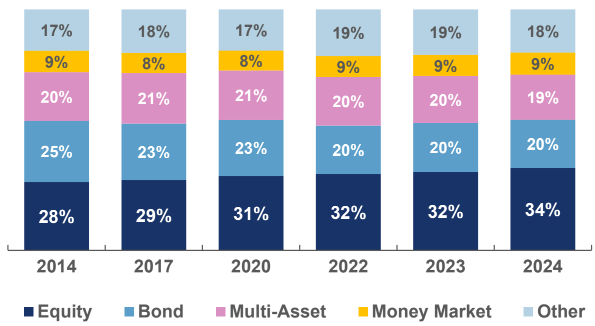
United States by fund type. At end 2024, equity funds comprised 57% of total fund assets in the US. The remaining portion of the fund market was divided between bond funds and MMFs, at 16% each and multi-asset funds at 11%. Recent trends have shown rising shares for both MMFs and equity funds in the US, driven by record-breaking inflows into MMFs and strong equity fund sales supported by bullish stock markets. In contrast, bond and multi-asset funds saw their market shares decline.

4.15: Net Assets by Fund Type - USA
(Percent)



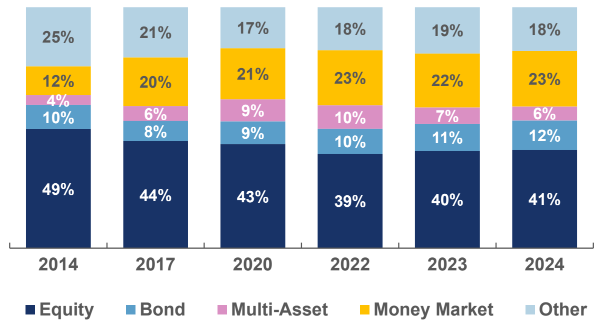
Europe by fund type. In Europe, equity funds accounted for 34% of total fund assets at end 2024, followed by bond funds with 20%, multi-asset funds with 19% and other funds at 18%. MMFs made up the remaining 9%. The share of equity funds rose by two percentage points compared with 2023, driven by the increase in equity valuations.

4.16: Net Assets by Fund Type - Europe
(Percent)



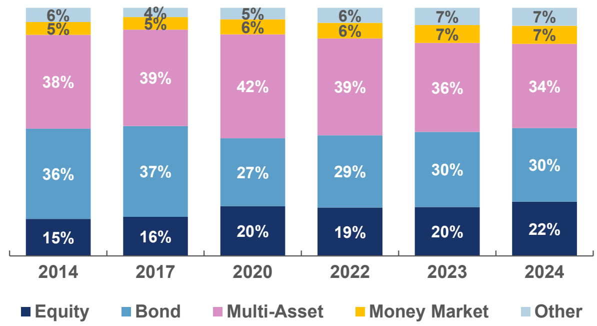
Asia-Pacific by fund type. Equity funds represented 41% of the fund market in the Asia-Pacific region at end 2024, largely reflecting their prevalence in Japan and Australia. The high market share of MMFs (23%) is due to China's well-developed MMF industry (see chart 4.19). 'Other' funds and bond funds accounted for 18% and 12%, respectively. Compared to 2023, shares of equity funds and MMFs increased. Meanwhile, multi-asset funds continued to lose ground - from 10% in 2022 to 7% in 2023, to 6% in 2024 - due to both net outflows and corresponding rises in the equity and bond fund shares, as these funds attracted net inflows.

4.17: Net Assets by Fund Type - Asia- Pacific
(Percent)

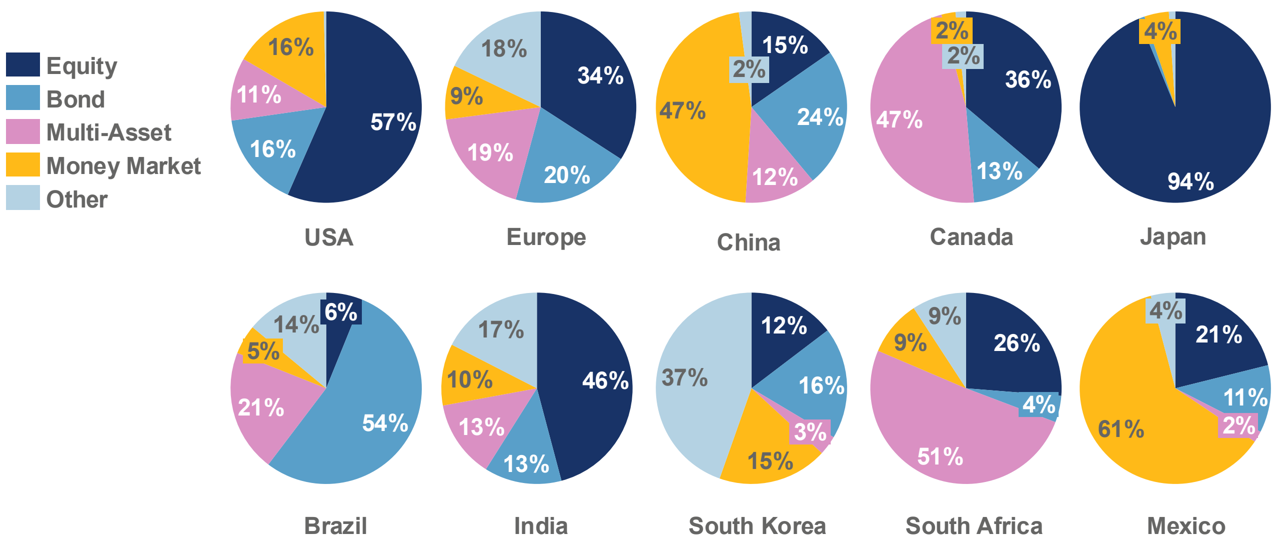


The Americas by fund type. The structure of the investment fund market in The Americas differs notably from other regions. Multi-asset funds held the largest share at 34%, largely driven by their popularity in Canada (see chart 4.19). Bond funds followed with 30%, while equity funds accounted for 22%. However, the market share of multi-asset funds declined significantly in 2024, continuing a trend observed over recent years.

4.18: Net Assets by Fund Type - The Americas (Excl. USA) and South Africa
(Percent)



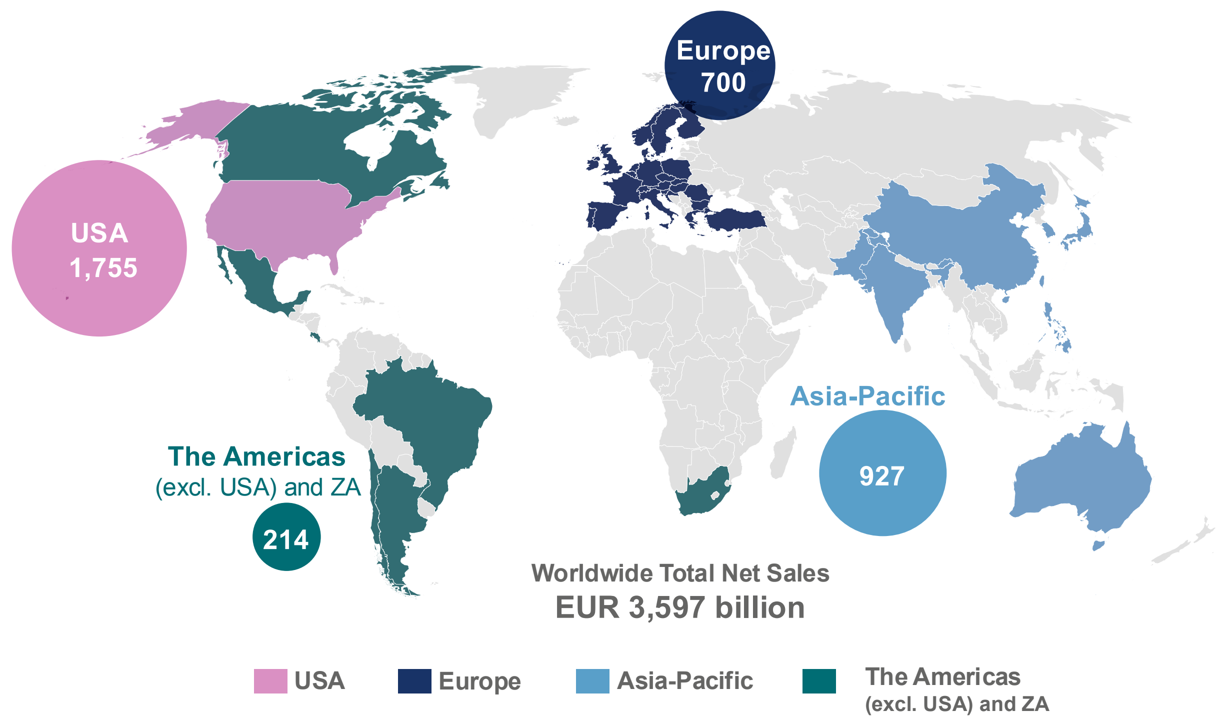
4.19: Net Assets of Investment Funds by Fund Type in Large Countries Worldwide at End 2024
(Percent)



4.4 NET SALES OF WORLDWIDE FUNDS BY REGION

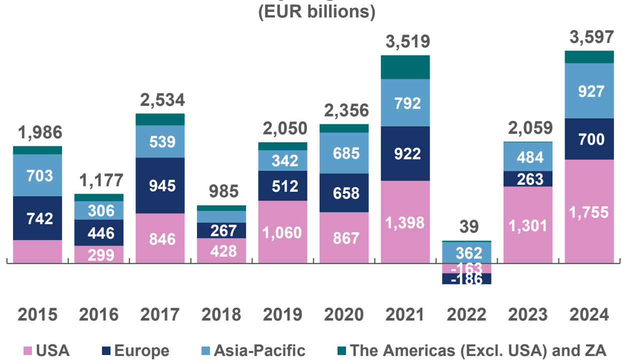
Regional net sales in 2024. A breakdown of worldwide net sales in 2024 shows that inflows were mainly concentrated in the US (EUR 1,755 bn). Net inflows in the Asia-Pacific region reached EUR 927 bn and Europe EUR 700 bn. Within the Asia-Pacific region, the bulk of net sales in 2024 were mainly the result of strong net inflows in China (EUR 582 bn) along with (to a lesser extent) Japan (EUR 112 bn) and India (EUR 93 bn). Net sales of funds in The Americas were EUR 214 bn, mainly thanks to solid net inflows in Canada (EUR 134 bn). Brazil, the other major fund domicile in that region, saw modest net sales (EUR 23 bn). Mexico had the second-largest net sales in the region (EUR 26 bn).

4.20: Net Inflows into Worldwide Investment Funds by Region in 2024
(EUR billions)

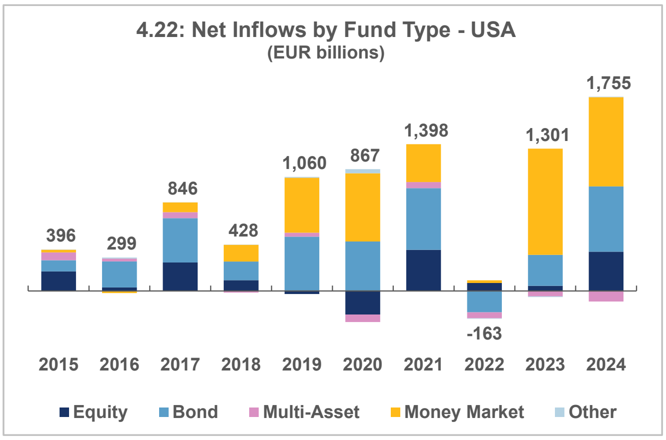


Evolution of worldwide net sales. Following the net outflows in 2022 – mostly concentrated in Europe and the US, due to rapidly rising interest rates and the war in Ukraine weighing on investor sentiment - global net fund flows recovered during 2023. A halt in rate hikes resulted in positive net sales in the three major global regions; the US, Europe and Asia-Pacific.

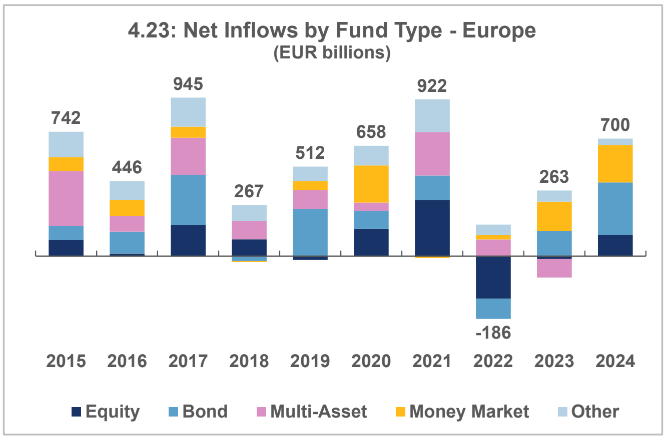
4.21 Net Inflows into Worldwide Investment Funds by Region
(EUR billions)



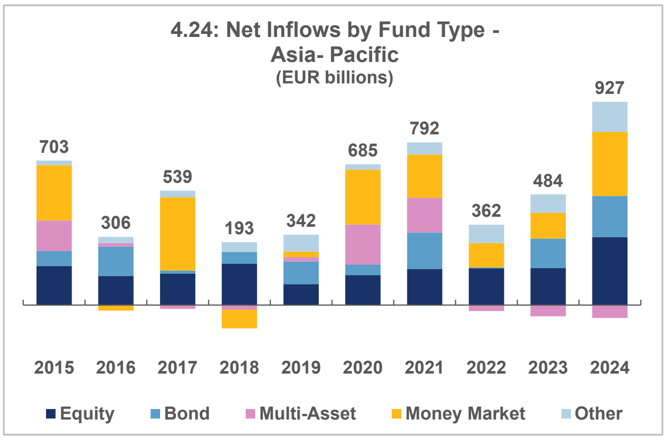
Net sales in the United States. Fund flows in the US soared to EUR 1,755 bn in 2024, up from EUR 1,301 bn in 2023. This marked the highest net sales ever recorded. MMFs accounted for the bulk of net inflows in 2024, attracting EUR 851 bn; this followed EUR 1,014 bn in 2023, two consecutive years of exceptionally high demand for MMFs. The surge into MMFs followed the collapse of the Silicon Valley Bank in March 2023, prompting many retail investors to shift from bank deposits to MMFs. This momentum continued throughout 2023-2024, fuelled by highly attractive yields.[xxvi] Meanwhile, bond funds saw record net sales in 2024 (EUR 624 bn), driven by several interest rate cuts by the Federal Reserve. Equity funds also saw strong inflows, reaching EUR 375 bn, buoyed by the robust performance of US stock markets. In contrast, multi-asset funds recorded net outflows in 2024 (EUR 100 bn), continuing the negative trend of the past two years.



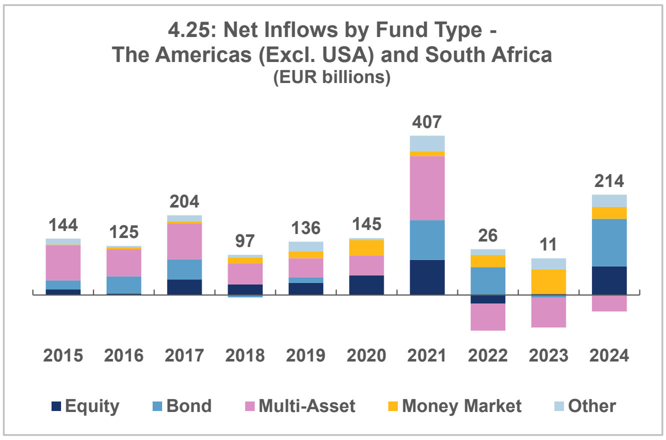
Net sales in Europe. Net sales of European funds more than doubled in 2024, reaching EUR 700 bn compared to EUR 263 bn in 2023. The strong inflows were largely driven by fixed-income products, with bond funds and MMFs attracting EUR 314 bn and EUR 224 bn, respectively. Equity funds also performed well, bringing in EUR 125 bn in net new money. In contrast, multi-asset funds continued to struggle, recording tiny net outflows (EUR 0.04 bn), ending in negative territory for the second year in a row.



Net sales in the Asia-Pacific region. Net fund sales in the Asia-Pacific region surged to a new record high of EUR 927 bn in 2024, almost doubling the EUR 484 bn recorded in 2023. This was driven by exceptionally strong net inflows into equity funds (EUR 331 bn) and MMFs (EUR 312 bn), alongside solid bond fund sales (EUR 200 bn). As in the previous year, multi-asset funds continued to see net outflows (EUR 63 bn). A significant portion of equity fund inflows came from Japan (EUR 110 bn), traditionally a strong equity fund market. However, Chinese equity funds led the region with EUR 167 bn in net inflows. This reflected renewed investor interest, as Chinese stock markets regained momentum in 2024. Bond fund inflows were also heavily concentrated in China (EUR 179 bn), as were MMFs (EUR 298 bn). China's well-developed MMF industry continues to attract retail investors, who increasingly use MMFs as a convenient and higher-yielding substitute to conventional bank deposits.



Net sales in The Americas. In The Americas (excluding the US), net fund sales reached EUR 214 bn in 2024—the third-highest level of the past decade. Bond funds led the way with EUR 121 bn in net inflows, while equity funds also performed well, attracting EUR 73 bn in net sales. In contrast, and similar to other regions, multi-asset funds saw net outflows (EUR 42 bn). Brazil and Canada were the main contributors to bond fund inflows, at EUR 63 bn and EUR 47 bn, respectively. Net inflows were influenced by central bank rate cuts. Equity fund sales were largely driven by Canada, which saw EUR 69 bn in net inflows. Brazil - the region's largest fund market - recorded significant net outflows from multi-asset funds (EUR 59 bn) and smaller outflows from equity funds (EUR 3 bn), as investors shifted to the relative safety of fixed-income products.



Net sales – regional and country breakdown. The following table highlights the 2024 net sales of investment funds in the four above-mentioned regions, broken down by main fund type. It also provides data on the net fund sales in the larger countries in both the Asia-Pacific and The Americas regions.

4.26: Net Sales of Investment Funds in 2024 by Region, Country and Fund Type
(EUR billions)

Regions/Countries	Long-Term				Money Market	Total
	Equity	Bond	Multi-Asset	Other (1)		
USA	375	624	-100	5	851	1,755
Europe	125	314	-0.04	37	224	700
Asia-Pacific	331	200	-63	147	312	927
Of which						
China	167	179	-84	22	298	582
India	44	4	16	15	13	93
Japan	110	-2		3	1	112
Korea, Rep. of	11	19	3	37	-7	63
The Americas (Excl. USA) and ZA	73	121	-42	31	30	214
Of which						
Brazil	-3	63	-59	22	-0.4	23
Canada	69	47	6	8	5	134
Mexico	6	2	1	1	16	26
South Africa	0.3	1	2	1	0.3	5
World	904	1,260	-205	221	1,417	3,597

(1) Includes real estate, guaranteed funds, funds that fall under a different category, or funds for which information is not available.

Box 10
The DEBRA Proposal and the Savings and Investment Union Action Plan

Author: **António Frade Correia**

The European Commission is embarking on the SIU (Savings and Investments Union) action plan, a comprehensive strategy designed to channel household savings into productive investments. From the information available so far, during the current European Commission mandate, to contribute to that plan TAXUD will work on tax policy measures to remove tax barriers to cross-border investments (such as FASTER – implementing acts, administrative guidance and exchanges of best practices).

The aim is to support Member States actions in simplifying tax legislation through, for example, exchanges of best practices, enforcement of free movement of capital and other single market freedoms. Also, with guidance on what types of tax incentives align with the EU acquis and State Aid rules. It is still unclear whether TAXUD will promote legislative initiatives, or if the policy measures will take the form of soft law (administrative guidance).

We already know some of the key files/areas that will be covered by the Commission Action Plan in the context of the SIU. These are i) the tax treatment of the Savings and Investment Accounts[1]; ii) the FASTER (Faster and Safer Tax Relief of Excess Withholding Taxes) Directive[2] and iii) the DEBRA (Debt-Equity Bias Reduction Allowance) Directive.

As the EU continues to refine its approach to corporate taxation, the DEBRA proposal stands out as pivotal. Introduced by the European Commission in May 2022, DEBRA aims to create a level playing field between debt and equity financing, by offering a tax allowance on increases in company equity and limiting the tax deductibility of interest payments. This proposal marks a significant step in reducing the over-reliance on debt, which has long been a structural issue within the EU's corporate sector.

The DEBRA proposal is currently under negotiation within the Council's Working Party on Tax Questions (direct taxation). The Council completed an article-by-article examination of the proposal in November 2022. However, in December 2022, it decided to suspend the examination of the DEBRA proposal, suggesting it might be reassessed within the broader context of corporate tax reform, particularly in relation to the Commission's BEFIT (Business in Europe: Framework for Income Taxation) proposal. This highlights the ongoing efforts to harmonise tax measures between Member States and leverage existing rules to tackle the debt-equity bias more effectively.

In March 2024, the Eurogroup released a statement on the future of the Capital Markets Union. This invited Member States to explore ways of reducing the debt-equity bias through their national tax systems and of sharing best practices and plans to address this bias. This collaborative approach underscores the importance of coordinated action to improve the EU's business environment and competitiveness.

The SIU seeks to bridge the gap between savings and investment needs, providing fertile ground for initiatives like DEBRA to thrive. EFAMA has been actively engaged in the discourse surrounding the DEBRA proposal to raise awareness on addressing the debt-equity bias and promoting a more balanced and resilient financial system. The DEBRA proposal's objectives are to be supported by all Member States. However, care needs to be taken in its implementation to ensure it does not inadvertently stifle investment or create new complexities for businesses.

As negotiations progress, stakeholders must remain informed and engaged. The interplay between the DEBRA proposal and the SIU action plan represents an opportunity to reshape the EU's financial landscape. By fostering a more equitable tax environment, and channelling savings into productive investments, these initiatives have the potential to drive sustainable growth and innovation.

These proposals and the SIU action plan are not just regulatory changes; they represent part of a broader vision for a more dynamic and resilient European economy. As these initiatives progress, EFAMA will continue to provide insights and advocate for policies that enhance EU's competitiveness.

The future of corporate taxation and investment in the EU is being written, and stakeholder engagement is key to shaping its success. Stay tuned for further updates as the negotiations progress and the Commission's action plan takes shape. Let's continue in a positive direction, together.

1 The Commission shall take action to promote retail participation in capital markets by improving access to savings and investment accounts. The Commission's proposed measures may include recommendations on tax treatment and regular monitoring of uptake.

2 Differences in national taxation systems create administrative burdens and barriers to cross-border investment. The aim is to make withholding tax procedures more efficient and secure. The challenges of these policy measures are still being considered during the drafting of Implementing Acts and Administrative Guidance. We are working with TAXUD, and the first set of implementing acts/guidance are likely to be released in Q1 2026 (TBC).

Notes

i We are grateful to EFAMA's Economics and Research Standing Committee for the valuable discussions on the issues addressed in this part. The views expressed here do not necessarily represent those of the committee, and any potential errors are ours.

ii Data for UCITS funds domiciled in the Netherlands are only included from 2015 onwards, due to the unavailability of data in 2014.

iii Based on the subset of funds for which this type of data is available and sourced from Morningstar.

iv Funds domiciled in Switzerland that fulfil the UCITS criteria are classified as UCITS. Non-traditional funds are classified as AIFs.

v Funds domiciled in Switzerland, Turkey -Türkiye- and the United Kingdom that fulfil the UCITS criteria are classified as UCITS.

vi Based on the subset of funds for which this type of asset allocation information is available and sourced from Morningstar.

vii Based on the subset of funds for which this type of asset allocation information is available and sourced from Morningstar.

viii Based on the subset of funds for which this type of asset allocation information is available and sourced from Morningstar.

ix Based on the subset of funds for which this type of fixed income asset allocation information is available and sourced from Morningstar.

x Based on the subset of funds for which this type of asset allocation information is available and sourced from Morningstar.

xi Based on the subset of funds for which this type of asset allocation information is available and sourced from Morningstar.

xii See EFAMA Industry Perspective #1: 'The rise of active ETFs in Europe – A short overview'.

xiii Data for real estate AIFs domiciled in the Netherlands are only included from 2015 onwards, due to the lack of availability of data. The year-on-year asset growth is calculated excluding Dutch data for the 2014-2015 period, and including Dutch data from 2016 onwards.

xiv This chapter is based on data from the ECB, which covers the Member States of the European Union, including the three Baltic countries, Estonia, Latvia and Lithuania. Five EFAMA member countries that are not part of the EU (Liechtenstein, Norway, Switzerland, Turkey -Türkiye and the United Kingdom) are not covered by this chapter.

xv Assuming that all foreign funds being held in a European country are domiciled in other European countries and not outside of the EU.

xvi Cross-border UCITS and AIFs are approximated here as all UCITS and AIFs domiciled in the two main cross-border domiciles - Luxembourg and Ireland - as well as a few smaller cross-border EU domiciles (Cyprus and Malta). The vast majority of the UCITS and AIFs domiciled in those domiciles are sold to non-domestic investors. Using ECB data, we can subtract the fund holdings of UCITS and AIFs domiciled in Luxembourg and Ireland that are held domestically to finetune our estimation of cross-border UCITS and AIFs.

xvii Sourced from ECB data based on the European System of Accounts (ESA 2010) and available via the ECB statistical data warehouse. The European aggregate covers all countries from the European Union, including the three Baltic countries - Estonia, Latvia and Lithuania - who are not EFAMA members.

xviii Monetary financial institutions are mainly deposit-taking corporations such as commercial banks, but also include central banks, other deposit-taking corporations and MMFs.

xix Remaining financial intermediaries consist of all other financial corporations or quasi-corporations that are principally engaged in financial intermediation by incurring liabilities in forms other than deposits, as well as those entities engaged primarily in long-term financing. Financial intermediaries listed explicitly as 'other' types of investors: insurers and pension funds, long-term funds and MFIs are excluded. This category mainly consists of financial vehicle corporations, security and derivative dealers, financial auxiliaries, such as central counterparties and stock exchanges as well as captive financial institutions, such as holding companies or money lenders.

xx The analysis focuses on those financial assets that are freely transferrable on the financial markets and widely available to households, i.e. currency and deposits, debt securities, quoted shares, investment funds, life insurance and pension products. Other categories of household financial assets, mainly unlisted shares and loans, are excluded because they are managed on the basis of criteria not directly related to savings management activities.

xxi The shares of MMFs and LT funds are based on ECB data on the fund holdings of EA households. The breakdown of LT funds by type is estimated on the basis of a subset of funds in Morningstar labelled as 'non-institutional' and registered for sale in one or several European countries.

xxii See An accounting ‘big bang’? The implications for insurance investors from IFRS 9 and 17, Axa Investment Managers, 11 July 2023.

xxiii The Asia-Pacific region is a part of the world that generally includes East Asia, South Asia, Southeast Asia and Oceania. Data is only available for those countries of the region that are IIFA members. The following countries are included: Australia, China, Chinese Taipei (Taiwan) India, Japan, Korea, New Zealand, Pakistan and the Philippines. Australian net assets data are unavailable for 2024; 2023 data were used as a proxy.

xxiv The Americas is an area of the world that includes North and South America. Despite being geographically in ‘The Americas’, the US is not included in the region but is treated as a region in its own right. South Africa is, from a geographical sense, not a part of The Americas. However, in this regional breakdown it was included with The Americas region, since it is the only African country for which data is available and, in terms of net fund assets, Africa would be too small to be treated as a separate region. Data is only available for the countries of the region that are IIFA members. The following countries are included: Argentina, Brazil, Canada, Chile, Costa Rica, Mexico and South Africa.

xxv To allow for easy comparability between countries, only substantially regulated, open-ended investment funds are included.

xxvi See Investment Company 2025 Fact Book.

Part 2

COUNTRY REPORTS

TABLE OF CONTENTS

AUSTRIA COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Austria
(EUR billion)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	201.5	229.6	198.7	211.4	227.7
Funds domiciled abroad and promoted by national providers					
Total net assets	201.5	229.6	198.7	211.4	227.7

Table 2: Net Sales of Investment Funds in Austria
(EUR million)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	6,125.7	15,244.8	-483.1	-818.5	1,314.0
Funds domiciled abroad and promoted by national providers					
Total net sales	6,125.7	15,244.8	-483.1	-818.5	1,314.0

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type
(EUR billion)

	2020	2021	2022	2023	2024
Equity funds	20.3	27.2	23.9	27.3	31.1
Bond funds	36.8	37.4	30.3	32.4	34.6
Multi-asset funds	31.5	39.8	35.0	36.2	38.4
Money market funds					
Guaranteed/protected funds	0.1	0.04	0.01		
Absolute Return Innovative Strategies (ARIS) funds	1.2	1.3	1.3	1.5	1.5
Other funds	0.2	0.2	0.2	0.2	0.2
Total	89.9	106.0	90.8	97.6	105.8
of which ➤ ETFs					
➤ Funds of funds	19.7	21.9	17.7	17.9	19.1

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	1,339.3	2,641.9	1,321.1	1,097.0	-76.0
Bond funds	-739.2	955.5	-2,368.4	568.7	1,354.7
Multi-asset funds	2,588.7	5,623.5	1,109.9	-1,465.5	-1,185.3
Money market funds					
Guaranteed/protected funds	-33.8	-11.3	-32.5	-1.2	
Absolute Return Innovative Strategies (ARIS) funds	-209.1	72.5	145.5	60.0	-9.9
Other funds	7.8	24.2	-20.0	-7.8	9.0
Total	2,953.6	9,306.2	155.6	251.1	92.5
of which ➤ ETFs					
➤ Funds of funds	266.6	1,250.3	28.5	-529.5	-441.2

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	13.4	16.9	12.5	13.5	15.9
Bond funds	30.8	30.6	26.6	30.2	33.0
Multi-asset funds	55.1	62.8	55.2	59.1	64.5
Money market funds					
Guaranteed/protected funds	0.2	0.2	0.2	0.1	0.1
Absolute Return Innovative Strategies (ARIS) funds	2.3	2.1	2.3	1.4	0.7
Real estate funds	9.6	10.7	11.0	9.3	7.6
Other funds	0.1	0.1	0.2	0.1	0.1
Total	111.5	123.5	108.0	113.8	121.8
of which ➤ ETFs					
➤ Funds of funds	11.6	12.0	9.3	9.4	11.0
➤ Institutional funds	98.8	108.8	93.6	100.6	109.8

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	-163.3	669.8	-718.0	-632.2	259.6
Bond funds	384.0	305.7	43.8	1,849.0	1,750.1
Multi-asset funds	2,993.8	4,310.6	-475.7	88.2	833.1
Money market funds					
Guaranteed/protected funds	-151.0	-24.3	-20.9	-23.6	106.1
Absolute Return Innovative Strategies (ARIS) funds	-215.5	-304.5	418.9	-610.4	-79.6
Real estate funds	340.0	969.6	98.8	-1,720.4	-1,641.4
Other funds	-16.0	11.7	14.3	-20.1	-6.3
Total	3,172.1	5,938.5	-638.7	-1,069.5	1,221.5
of which ➤ ETFs					
➤ Funds of funds	314.2	-671.3	-576.8	-628.8	228.1
➤ Institutional funds	2,878.1	4,498.1	-879.8	793.8	2,803.1

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	901	898	869	879	874
Home-domiciled AIFs	1,057	1,081	1,112	1,109	1,104
Foreign funds registered for sales				11,229	
➤ By national promoters					
➤ By foreign promoters					
Fund launches	70	76	68	50	56
Fund liquidations	217	298	129	303	248
Fund mergers & acquisitions	206	186	183	161	331

5. MARKET DEVELOPMENTS IN 2024

The volume of investment funds domiciled in Austria has increased by 8.8% since the beginning of 2024, reaching approximately EUR 219.9 billion; a new all-time high. Net inflows totalled EUR 3.1 billion. Bond funds recorded the highest net inflows at around EUR 3.1 billion, followed by equity funds with approximately EUR 0.2 billion. Total distributions in 2024 amounted to EUR 1.3 billion, while capital gains reached approximately EUR 16.0 billion.

Top performer: Equity funds with geographic focus on North America

The best-performing category over a one-year period was equity funds focused on North America, achieving a return of 21.3%. This was followed by equity funds focused on Asia and the Pacific at 17.6% and the Eurozone at 12%. Austrian equity funds with a European (EU) focus delivered a return of 6%. Dynamic-flexible mixed funds grew by 11.8%, while bond funds primarily invested in euros increased by 3.4%.

Over the past ten years, Austrian equity funds focused on North America delivered the highest annualized return at 7.7%, followed by Asia and the Pacific equity funds at 5.5%. Austrian international equity funds achieved 5.4%, while equity funds focused on Austria returned 5.0% (see appendix for detailed performance data).

Net inflows into sustainable investment funds under SFDR

Sustainable investment funds under SFDR Articles 8 and 9 reached a total fund volume of EUR 114.7 billion, a 15.7% increase since the beginning of the year. These funds recorded net inflows of EUR 3.3 billion.

The one-year performance of sustainable equity funds was 14.3% per annum, while sustainable mixed funds delivered 9.6% per annum. Sustainable bond funds returned 3.0% per annum, while sustainable real estate funds increased by 1.9% per annum. Over ten years, sustainable equity funds grew by an average of 5.2% annually', sustainable mixed funds by 2.2%, sustainable bond funds by 0.3% and sustainable real estate investment funds by 1.5%.

By the end December 2024, the 15 Austrian investment fund management companies managed a total of 1966 securities funds, including 986 retail funds and 980 institutional funds. A total of 178 investment funds were closed, 237 were merged and 55 new funds were launched over the course of the past year.

Net outflows from real estate investment funds
The volume of open-ended real estate investment funds has decreased by 17% since the end of 2023, reaching approximately EUR 7.8 billion. Net outflows totalled EUR 1.6 billion, while capital gains amounted to approximately EUR 69.0 million. The five real estate investment management companies managed 13 funds; eight retail and five special funds. The average one-year performance was 1.3%, while the ten-year performance stood at 2.0% per annum.

6. REGULATORY DEVELOPMENTS

6.1. UCITS/AIFMD

The Austrian Financial Market Authority updated the Minimum Standards for preparing an emergency plan for a potential change of the depository bank or custodian (FMA-Mindeststandards - FMA Österreich). These Minimum Standards are soft law, consisting of supervisory recommendations.

We have not observed any relevant regulatory developments around the focus topics (apart from the ongoing implementation process of AIFMD II).

6.2. Retail Distribution (MiFID II & IDD)

Both the FinDatEx EMT (European MiFID Template) and/or EET (European ESG Template) are widely used in the overall distribution and disclosure processes in Austria.

6.3. CSDR

Discussions have begun at a national level on the possibility of shortening the fund units settlement to T+1. This will also shorten the cycle for calculating the NAV of funds.

6.4. ELTIF

There has been no ELTIF launched to date. Nevertheless, due to the ELTIF review, we expect increased interest in these funds.

There are no current incentives to promote ELTIFs in place, and none are expected.

6.5. Sustainable finance

There are no major issues with SFDR implementation, aside from certain minor revisions required to keep pace with the evolving sustainability landscape, such as fund names. The main challenges arise from the inherent flaws within the EU regulation itself, rather than from the supervisory approach of our NCA.

The Austrian Financial Market Authority regularly supervises implementation of the SFDR, focusing on completeness, consistency and coherence. For example, to the best of our knowledge they use AI tools to scan prospectuses and PRIIPs-KIDs for discrepancies.

The Austrian FMA also initiated, in December 2024, a consultation on the review of the 2020 FMA guidelines on sustainability risks (going beyond SFDR).

On finding reliable ESg data, we believe the issue lies both in reliability and in diversity. As is widely recognised, ESG data and rating providers hold a de facto oligopoly in the market. They know that they are the gatekeepers to sustainable finance, which has led to skyrocketing prices. The ESG Rating Regulation addresses neither ESG data products nor competition, and may even reinforce this oligopoly by mandating extensive disclosures that smaller rating provider may not be able to fulfil to the required extent. Although the impact is yet to be fully assessed, financial institutions may also need to disclose ESG rating information should they wish to reference ESG ratings in marketing communications (new Art 13 SFDR). There is hope that the ESAP could act as a complementary tool.

6.6. Stewardship

The Austrian Corporate Governance Codex has been revised for ESG criteria and transparency. The new rules are applicable from 1 January 2025. For further information, visit: Kodex • Corporate Governance

6.7. Benchmarks

There were no notable developments in this area in 2024.

6.8. Anti-Money Laundering

The 'FATF-Prüfungsanpassungsgesetz 2024' (Austrian Law Gazette No I 2025/5, BGBLA_2025_I_5.pdfsig) implementing FATF Recommendations has been enacted (approved in 2024, published in 2025). As a result, the 'Sanktionengesetz 2024' has been enacted, modifying the existing Law on Sanctions, while changes to Banking Regulation have been adopted. In 2026, the Austrian Financial Market Authority will take over responsibility of supervising sanctions from the National Central Bank.

In addition, the national transposition of the Anti-Money-Laundering-Directive has been changed ('FM-GwG-Anpassungsgesetz', Austrian law Gazette No I 2024/151 BGBLA_2024_I_151.pdfsig), extending the applicable provisions to cryptoassets under MiCAR. Please note that these adaptions are a result of MiCAR, and further changes should be expected as a consequence of the AML Package.

6.9. Digital Finance & Cybersecurity

Austria's national legislation transposing MiCAR, the MiCAR Enforcement Act ('MiCA-Verordnung-Vollzugsgesetz'), was passed by the National Council (Nationalrat) on 3 July 2024 and entered into force on 20 July 2024. This designates the FMA as the competent supervisory authority in Austria.

Due to DORA, the Austrian Financial Market Authority has withdrawn its 2020 guidance on IT security.

6.10. Other regulatory developments

There were no new developments in 2024.

7. PENSIONS & PEPP

There were no notable developments in this area in 2024.

8. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

A law on a new tax reporting system of Austrian banks for domestic taxable persons came into effect at the beginning of 2025 (AbgÄG 2023, BGBl I 110/2023). The starting date for the first reporting is the beginning of 2026, covering all capital income received in the calendar year 2025. It will comprise income from all financial instruments in 2025 and income from transactions (sale of all financial instruments) in 2025.

Domestic and foreign investment funds/real estate funds are also integrated into tax reports as financial instruments. All tax-relevant data pertaining to domestic and foreign funds held with banks in Austria are recorded via the OeKB reporting system, and then transmitted to the banks for further processing. Where investment funds are held in foreign securities accounts, the customer must enter the OeKB tax data in their personal tax return.

Notably, the increase in tax reporting requirements for Austrian banks include a breakdown of investment income by financial instrument, including the tax base and any withholding tax levied on the respective income received (section 96 (4) and (5) of the Income Tax Act). Tax reports must also include the offsetting of losses. Comprehensive implementing guidelines have been published in BGBl I 213/2024 ('Steuerreportingverordnung').

Due to certain technical changes on the deduction of expenses in connection with dividends distributed by Austrian equities via investment funds, the calculation model of OeKB has to be changed simultaneously by 16 April 2025. Although the Ministry of Finance has disclosed the technical parameters, adoption of FondsmeldeVO has yet to be published.

9. FINANCIAL & INVESTOR EDUCATION INITIATIVES

Public authorities have introduced new financial literacy initiatives in 2024. A key development was the launch of the 'Finanznavi' portal, expanding access to financial education. As part of the National Financial Education Strategy, the portal offers verified content, interactive tools and practical guidance on key financial topics. It has also been backed by a nationwide campaign, supporting efforts to improve financial knowledge and decision making..

10. OTHER ACTIVITIES OF THE ASSOCIATION

Publications (reports, newsletters, surveys, research)

- Newsletter: monthly
- Annual report 2023

- Scientific publications:
  - *Mona Ladler*, Art 16-20, 24, 25, 34, 36-38 MiFID II, in *Kalss/Krönke/Völkel* (eds), Crypto-Assets: Kommentar (C.H.Beck 2024).
  - *Mona Ladler*, Maximale Transparenz? Investmentfondsrechtliche Reflexionen zur Transparenz-RL, ZFR (Zeitschrift für Finanzmarktrecht – Journal of Financial Market Law) 2025, 1.
  - *Mona Ladler*, Der „Best interest-Test" unter der MiFID II nach der Retail Investment Strategy, ZFR (Zeitschrift für Finanzmarktrecht – Journal of Financial Market Law) 2024, 568-573.
  - *Mona Ladler*, Pflichten der Banken und Verwaltungsgesellschaften von Investmentfonds gegenüber Kunden bei Kreditaufnahme und Wertpapierveranlagung, in *Amberger/Aschauer/Bertl/Eberhartinger/Eckert/Egger/Hirschler/Hummel/Kalss/Kofler/Lang/Novotny-Farkas/Petutschnig/Riegler/Rust/Schuch/Spies/Staringer* (eds), Nachhaltigkeit: Wiener Bilanzrechtstage 2024 (Linde 2024) 141-156.

Conferences, seminars and webinars

- VÖIG Fondstage 2024, 24/4/2024 - 26/4/2024
- Fit & Proper-Seminar for members of the management boards, supervisory boards and identified staff of management companies: (1/2 day) 3 times in 2024
- "Investmentfonds kompakt" (1 day) 2 times in 2024
- Regulatory Update for members of the board of directors of the Association
- VÖIG/ÖVFA-programme on asset management (ÖVFA)
- Teaching activities at different universities
  - *René Brunner*: University of Vienna
  - *Mona Ladler*: University of Liechtenstein, University of Klagenfurt

- Speeches at (scientific) conferences:
- *Mona Ladler*, Pflichten der Banken und Verwaltungsgesellschaften von Investmentfonds gegenüber Kunden bei Kreditaufnahme und Wertpapierveranlagung (Wiener Bilanzrechtstage 2024, 26/4/2024)
- *Mona Ladler*, Außenhaftung im Kapitalmarktrecht (Jahrestagung der Gesellschaftsrechtlichen Vereinigung Österreich, 6/5/2024)
- *Mona Ladler,* Update Bank- und Finanzmarktrecht (Business Circle: Recht und Steuern, 17/10/2024 (in collaboration with Prof. Olaf Riss & Dr. Martin Oppitz))
- *Mona Ladler,* Der neue „Best interest-Test" unter der MiFID nach der Retail Investment Strategy (Conference Retail Investment Strategy, DORA Attorneys at Law, 14/11/2024)


Beyond. Research.

BELGIUM COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Belgium (EUR billion)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs (1)	107.2	132.0	114.9	128.3	146.6
Funds domiciled abroad and promoted by national providers	124.5	143.4	127.0	143.6	154.8
Total net assets	231.7	275.4	241.9	271.9	301.4

(1) Net assets of nationally domiciled funds sold abroad are not included.

Table 2: Net Sales of Investment Funds in Belgium (EUR million)					
	2020	2021	2022	2023	2024 (2)
Home-domiciled UCITS & AIFs (3)	4,959.8	9,639.5	1,947.8	895.0	6,331.0
Funds domiciled abroad and promoted by national providers	6,416.2	7,141.1	543.5	-1,473.9	352.3
Total net sales	11,376.0	16,780.6	2,491.3	-578.9	6,683.3

(2) 2024 data are estimates

(3) Net sales of nationally domiciled funds sold abroad are not included.

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	54.7	76.3	62.1	72.6	85.1
Bond funds	12.1	12.9	11.2	15.5	18.8
Multi-asset funds	87.4	111.7	98.3	107.3	118.3
Money market funds	3.5	4.2	7.7	2.3	3.4
Guaranteed/protected funds	3.4	2.9	2.3	2.8	3.1
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	0.5	0.6	0.3	0.3	0.4
Total	161.7	208.5	181.9	200.9	229.1
of which ➤ ETFs	1.2	1.2	1.3	1.3	1.2
➤ Funds of funds	69.6	83.1	79.1	88.1	98.9

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	2,590.8	7,486.7	-2,016.8	4,195.5	2,121.1
Bond funds	732.9	985.4	285.8	2,821.8	2,110.9
Multi-asset funds	741.8	7,207.9	3,171.4	261.2	2,266.1
Money market funds	918.9	751.3	3,565.7	-5,184.0	-65.1
Guaranteed/protected funds	-755.7	-672.6	-893.9	370.3	-174.2
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	-79.8	-53.6	-57.9	-6.6	39.5
Total	4,148.9	15,705.1	4,054.2	2,458.2	6,298.3
of which ➤ ETFs	34.4	91.4	28.9	15.9	32.0
➤ Funds of funds	1,971.6	5,733.4	3,316.4	1,542.5	3,354.2

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	0.3	0.5	0.4	0.4	0.4
Bond funds	0.01	0.01	0.004	0.003	0.002
Multi-asset funds	2.1	1.8	1.3	0.7	0.5
Money market funds					
Guaranteed/protected funds	0.04	0.01			
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds					
Other funds	7.1	0.5	0.4	0.4	0.5
Total	9.6	2.8	2.1	1.5	1.4
of which ➤ ETFs					
➤ Funds of funds	2.8	2.2	1.6	1.0	0.9
➤ Institutional funds					

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	17.5	44.9	-13.1	20.5	9.7
Bond funds	0.6	0.6	0.1	0.6	0.2
Multi-asset funds	14.4	154.8	43.9	-1.0	13.1
Money market funds					
Guaranteed/protected funds	-41.7	-2.1			
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds					
Other funds	-29.7	-7.8	-9.8	5.2	9.7
Total	-38.9	190.4	21.1	25.2	32.8
of which ➤ ETFs					
➤ Funds of funds	69.5	191.9	68.5	17.3	31.7
➤ Institutional funds					

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	721	670	589	594	583
Home-domiciled AIFs	37	20	19	19	18
Foreign funds registered for sales ➤ By national promoters ➤ By foreign promoters	4,955	5,045	5,087	5,185	5,146
Fund launches	456	414	301	313	368
Fund liquidations					
Fund mergers & acquisitions					

5. MARKET DEVELOPMENTS IN 2024

Investment funds commercialised in Belgium (cf. tables 1 and 2)

At year-end 2024, investment funds commercialised on the Belgian market totalled EUR 301.4 billion (net assets corrected for double counting from funds-of-funds). Of the net assets of funds distributed in Belgium, 48.6% are attributable to investment funds under Belgian law, while the remainder is accounted for by the investment funds under foreign law.

Over 2024 as a whole, net assets increased by EUR 29.5 billion (10.8%), mainly driven by positive market effects which account for EUR 22.8 billion, besides net sales of EUR 6.7 billion.

Compared to net outflows during the years 2012 and 2013, the Belgian investment funds market has witnessed significant net inflows since 2014, with 2023 a slight outlier to this trend.

- *In Belgium, the importance of foreign investment funds has been gradually increasing over time.*

Investment funds according to Belgian law (cf. tables 3, 4, 5 and 6)

The Belgian UCITS investment funds industry totalled EUR 229.1 billion at the end of 2024, increasing by 14.1% - or EUR 28.3 billion - during 2024. This was mainly driven by positive market effects, which account for EUR 22.0 billion, compared to net sales of EUR 6.3 billion.

- *Funds-of-funds are important among Belgian UCITS funds, and seemed to have stabilised at around 43% of total net assets.*

The Belgian AIF investment funds industry totalled EUR 1.4 billion at the end of 2024, a decrease of 3.8% - or EUR 0.1 billion - during 2024.

- *The downward trend in the number of AIF funds has been ongoing for a few years, and seems to be stabilising at fewer than 20 funds. This trend has been driven by multiple AIF funds changing their legal investment type into UCITS funds and almost no new Belgian AIF funds being created nowadays.*
- *Until 2020, the AIF fund category classified as 'other funds' represented the largest fund type amongst the AIF funds. This was due this category mainly consisting of AIF pension-saving funds. In the meantime, almost all of these have become UCITS pension-saving funds.*

The number of Belgian investment funds is characterised by a downward trend, while the number of foreign funds registered for sale in Belgium continues to gradually increase.

6. REGULATORY DEVELOPMENTS

6.1. UCITS/AIFMD

Each manager (management company or self-managed UCITS) must appoint a **custodian** for each UCITS they manage. In February 2024, the FSMA published a new communication, providing clarification from the FSMA on the content of the appointment file. This includes a new questionnaire.

In August 2024, the FSMA published a communication on its findings following the review of **liquidity stress tests** conducted by Belgian managers and their framework. In April 2024, the FSMA also adopted the ESMA guidelines on stress-test scenarios under the Money Markets Funds Regulation.

In December 2024, the FSMA published a circular on the **notification procedure** for those collective investment institutions under Belgian law that comply with the conditions of Directive 2009/65/EC (UCITS). This contains information on the file that Belgian UCITS must submit to the FSMA under certain scenarios. These include when they intend to trade their participation rights in another Member State of the European Economic Area, in the event of changes to the information in the original notification letter or changes to the classes of participation rights to be traded and when they wish to withdraw the original notification.

6.2. Retail Distribution (MiFID II & IDD)

There has been no specific feedback/stance from the Belgian regulator regarding MiFID or IDD.

The FinDatEx templates are widely used in the Belgian asset management industry for information exchanges between professional parties.

6.3. CSDR

There has been no specific feedback/stance from the Belgian regulator regarding CSDR.

There has been no specific feedback/stance from the Belgian regulator regarding the move to the move to the T+1 settlement cycle.

6.4. ELTIF

No Belgian-based ELTIF has been launched since the regulation revision.

No initiatives to promote investments in ELTIFs are currently foreseen.

6.5. Sustainable finance

Belgium has a track record of over 20 years in sustainable and responsible investment. BEAMA formulated its first principles for funds with a profile of ethical investing in April 2001.
In 2013, the Belgian Financial Sector Federation (Febelfin) - of which BEAMA is a founding member - upgraded the BEAMA's sustainability methodology to cover all financial products marketed in the country. In subsequent years, the methodology was further updated, resulting in the 2019 publication of a **quality standard for sustainable financial products** under the independent supervision of the Central Labelling Agency (CLA). Products that adhere to this standard can obtain the '**Towards Sustainability**' label. (see: https://www.towardssustainability.be/en) By the end of 2024, more than 700 products from over 90 different institutions have obtained this status, making it one of the most comprehensive sustainability labels in the world. It is also mentioned as **an accepted ESG label** in the European ESG Template (EET).

By the end of September 2024, 72% of the Belgian funds (as weighted by assets) are either SFDR Article 8 or Article 9 products. This is more than 260 Belgian funds.
The figure is similar when calculating the funds commercialised on the Belgian market. Over **80%** of fund assets of commercialised in Belgium are either SFDR Article 8 or 9 funds, and investors have a choice between more than 1,200 sustainable funds.
The 21 pension savings funds available on the Belgian market are all SFDR Article 8 funds, meaning that each of the 1.8 million third pillar pension funds savers in Belgium are sustainably invested.

During 2024, BEAMA and its members allocated significant time to the following sustainability topics:

- Renewals of the 'Towards Sustainability' applications, in accordance with the new quality standard
- ESMA guidelines on fund names for ESG- or sustainability-related terms
- The SFDR Level 1 Review and the update of the SFDR RTSs
  The main comment from BEAMA and its members is to see the SFDR Level 1 Review and the update of the SFDR RTSs to be aligned. This would mean that the SFDR RTSs do not anticipate the SFDR Level 1 Review. On the SFDR Level 1 ideas of new product categories, there seems to be support for three ('sustainable', 'transition' and 'ESG collection') supplemented by a fourth, 'undefined' category. Yet, the name of the 'ESG collection' category may be unclear regarding its content.
- ESG Ratings Proposal
- CS3D
- PAB-CTB-benchmarks
- The ESA's report on greenwashing.

The majority of asset managers in Belgium who fall within the CSRD scope conduct their CSRD reporting within their financial group, on a consolidated basis.

Finding the reliable **ESG data and ratings** needed for the various reports and disclosures features high on the agenda of asset managers in Belgium.

6.6. Stewardship

There has been no specific role for BEAMA/stance from the Belgian asset managers regarding stewardship.

6.7. Benchmarks

In terms of the Benchmark Regulation (BMR), BEAMA passively tracks relevant EFAMA work and informs its members.

6.8. Anti-Money Laundering

Each year, the FSMA publishes a **newsletter** to inform AMLCOs of both recent developments in AML/CFT and of upcoming events. The FSMA also organised a new iteration of the 'AMLCO Days', a seminar intended for the asset management sector, which took place on 11 December 2024. To allow the FSMA to collect relevant information on AML, it published a **periodic questionnaire** on the prevention of money laundering and terrorist financing, applicable to all entities under its supervision.

The FSMA will also integrate the new, consolidated version of **the EBA guidelines on risk factors** (EBA/GL/2021/02) into its supervisory policy, effective December 30, 2024. The FSMA will use these specifically when assessing risk assessment adequacy and the policies and procedures developed by the relevant entities in relation to combatting money laundering and the financing of terrorism.

6.9. Digital Finance & Cybersecurity

There has been no specific feedback/stance from the Belgian regulator during the course of 2024 regarding MiCA.

The FSMA published educational documents on the DORA Regulation for financial entities. These address the main themes, key concepts and obligations arising from DORA. It can be consulted on the website of the FSMA.

In addition - following its first DORA survey in November 2023 - the FSMA launched a second awareness survey in October 2024, via the FiMIS-platform of the FSMA. This will allow both the FSMA and the entities under its supervision to gain a better understanding of the extent of implementation of the various DORA obligations and how this has evolved since the previous survey.

6.10. Other regulatory developments

In October 2024, the FSMA published the first edition of its Congress Columns, an extensive report on recent trends in the financial industry. In this, the FSMA addressed the asset management industry.

In January 2025, the FSMA and the National Bank of Belgium (NBB/BNB) published an update to their joint report on asset management and non-bank financial intermediation in Belgium. It included some interesting statements from the regulators:

- The Belgian asset management market can be considered fundamentally healthy.
- Our sector remains well equipped to face the challenging environment.
- Our sector starts from a solid foundation to help achieve the intended strengthening of the future European Savings and Investment Union: "A well-developed, diversified and resilient financial sector is essential for stable financing of the real economy and to meet the needs of savers and investors. For companies, governments and households, financial intermediation outside the banking system can provide a source of financing that is a valuable alternative to bank lending. At the same time, it offers them broader investment opportunities."

7. PENSIONS & PEPP

Third pillar pension saving

At the end of 2020, the Belgian Federal Government opted not to index certain maximum amounts for tax reductions applicable to income years 2020-23. However, indexation was reinstated for 2024 subscriptions. For 2025, two new ceiling amounts have been introduced for third-pillar pension savings, each qualifying for an annual personal income tax benefit:

- The tax reduction amounts to 30% for deposits amounting to a maximum of 1050 EUR.
- For deposits higher than EUR 1050 and up to a maximum of EUR 1350, a further tax reduction of 25% is granted.

The federal government agreement of the newly installed Belgian government of early February 2025 says that measures will be taken to increase the net return for pension savers by limiting both entry fees and management fees for savings. A more concrete explanation is still pending (status as of March 2025).

PEPP

The Pan-European Personal Pension Product (PEPP) was launched on 22 March 2022, in addition to the statutory pension of the first pillar, the work-related pension of the second pillar and the individual third pillar pension saving products.

Until now, however, no domestic Belgian PEPP has been launched. This is mainly due to doubts in the Belgian sector over the feasibility of a fee cap of 1%, combined with the complexity of setting up an equivalent tax regime for new pension products in both Belgian and European contexts.
The success of the PEPP depends on an equivalent tax treatment for the own national pension savings products within the EU national borders. This way, there should be no discrimination based on tax considerations.

8. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

General principle of tax neutrality

All forms of saving and investment available in Belgium should be treated as equally as possible for tax purposes, with a focus on the interests of the client.
For investment funds specifically, the sector stresses the importance of a level playing field for different types of investment funds, irrespective of the country of origin. This gives investors the freedom to choose those funds that best suit their needs and risk appetite, without tax considerations.

Tax rates/treatments impacting investors

Following the federal government agreement of the newly installed Belgian government in early February 2025, various new tax measures and related changes are expected throughout the year. The necessary legislative texts still need to be approved (status as of March 2025).

- The 'SICAV RDT/DBI BEVEK'[1] regime will remain in place. However, a 5% tax will be imposed on capital gains upon redemption. In addition – in order to offset the withholding tax on dividends from such an investment - the company must meet the new minimum remuneration requirement for its company director.
- A so-called 'solidarity contribution' of 10% will be introduced on capital gains from financial assets - including investments in cryptocurrencies - subject to various conditions and an exemption of EUR 10,000. Ahead of the formation of the new federal government, the sector has urged negotiators to ensure that this does not apply to collective investment funds on top of the existing capital gains tax on the fixed-income portion of such funds.
- The annual tax on securities accounts[2] will remain at 0.15%. However, the government will explore ways to combat tax avoidance in line with the recommendations of the Court of Auditors.

Double tax treaties

There are no local updates.

VAT regime and practices

There are no local updates.

1 Collective investment schemes under Belgian law focusing on companies that are part of the Belgian regime of 'Definitively Taxed Income'.

2 Tax due annually on securities accounts when the average value of the taxable financial instruments (including collective investment funds) on the account during the reference period exceeds EUR 1 million.

9. FINANCIAL & INVESTOR EDUCATION INITIATIVES

The FSMA has a coordinating role on financial literacy in Belgium, and has already launched several projects to promote this in schools. As of 2020, the educational system included financial literacy as an attainment target, meaning that children from first to sixth grade in secondary school receive financial training as part of their core curriculum.
The FSMA also launched the so called '**Wikifin programme**', made up of three pillars:

- Wikifin.be is for the general public, where consumers can find a treasury of neutral, reliable and practical information on money-related matters.
- Wikifin School is for students, offering a wide range of free material and training courses for to teachers to support them in their financial education efforts.
- Wikifin Lab is the new interactive experience centre for financial education of secondary school students, located in the FSMA buildings in Brussels. Students can experience on-site a wide range of financial situations they may encounter in daily life.

In an increasingly complex financial world, financial education is essential for individuals. Access to clear information is crucial to promoting financial literacy and enabling investors to make informed choices when managing their savings. Providing insight into investment concepts and the skills required to make considered financial decisions lays the foundations for building a financially healthier and more-resilient society. Educational institutions, government agencies and various sector initiatives play a crucial role in offering financial education programmes to all age groups. This is a collective effort to strengthen financial literacy and thus lay a solid foundation for long-term financial wellbeing. BEAMA strongly supports these general principles.

In 2024, in close collaboration the Belgian banking federation **Febelfin**, several projects on financial education were initiated to improve public understanding of wealth management. One of these was the '**Club Invest**' campaign. This features a dedicated website on investing, containing useful videos on key concepts. BEAMA also contributed to **Finances et moi / Mijn geld en ik**, a website for youngsters on personal financial affairs, including investing.

BEAMA also published the Dutch and French versions of the EFAMA brochure on its website, answering **nine frequently asked questions on sustainable investing**.

On the **revamped BEAMA website**, the section on to financial education has been expanded.

In addition to ongoing financial education for the general public, the Belgian sector also aims to invest in education for professionals. For example, within the framework of asset management, **various training programmes** are available on investment instruments, including by BEAMA on collective investment schemes.

10. OTHER ACTIVITIES OF THE ASSOCIATION

On its website, BEAMA provides quarterly in-depth **statistics** on the asset management industry in Belgium.

During 2024, BEAMA also published two editions of its **biannual newsletter 'Glance'.** This provides an overview of recent developments in the asset management sector, as well as a brief overview of the major topics handled by its various working groups. The newsletter also provides an overview of the most relevant regulatory initiatives at European and local levels.

For its members, BEAMA also organised a webinar, in January 2024, on 'Exploring Fund Distribution in Europe: Opportunities & Challenges', in October 2024 on 'The Retail Investment Strategy' as well as a seminar, in April 2024, on 'The 10-year anniversary of the Belgian law transposing the Alternative Investment Fund Managers Directive (AIFMD)'.

Throughout 2024, BEAMA also appeared frequently in the written press, on television and in podcasts, sharing its views on the overall concept of investing and of the Belgian asset management industry in particular.

BULGARIA COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Bulgaria (EUR billion)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	0.8	1.3	1.3	1.4	1.7
Funds domiciled abroad and promoted by national providers	0.2	0.2	0.2	0.2	0.3
Total net assets	1.0	1.5	1.5	1.6	2.0

Table 2: Net Sales of Investment Funds in Bulgaria (EUR million)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	23.5	289.5	27.6	36.5	163.7
Funds domiciled abroad and promoted by national providers					
Total net sales	23.5	289.5	27.6	36.5	163.7

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)

	2020	2021	2022	2023	2024
Equity funds	0.2	0.2	0.2	0.3	0.3
Bond funds	0.1	0.1	0.1	0.03	0.04
Multi-asset funds	0.6	0.9	0.9	0.9	1.0
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	0.001	0.002	0.002	0.003	0.003
Other funds	0.01	0.01	0.02	0.02	0.07
Total	0.8	1.2	1.2	1.3	1.5
of which ➤ ETFs	0.02	0.01	0.1	0.1	0.1
➤ Funds of funds	0.003	0.003	0.003	0.003	0.004

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	5.7	5.3	0.7	53.2	85.2
Bond funds	-9.0	4.6	-13.7	-4.2	-2.3
Multi-asset funds	26.4	239.8	15.7	-15.1	24.8
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	-0.2	0.6	0.4	-0.03	0.4
Other funds	0.7	1.4	0.6	2.2	48.3
Total	23.5	251.6	3.9	36.1	156.4
of which ➤ ETFs	-0.3	-3.9	3.2	1.0	1.3
➤ Funds of funds		-0.1	0.1	-0.01	

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	0.01	0.1	0.1	0.02	0.02
Bond funds					0.01
Multi-asset funds	0.002	0.01	0.04	0.04	0.04
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds					
Other funds				0.1	0.1
Total	0.01	0.1	0.1	0.1	0.2
of which ➤ ETFs					0.002
➤ Funds of funds					
➤ Institutional funds					

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds		33.5		0.1	0.3
Bond funds					6.3
Multi-asset funds		4.4	23.7	0.3	0.7
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds					
Other funds					
Total		37.9	23.7	0.4	7.3
of which ➤ ETFs					
➤ Funds of funds					
➤ Institutional funds					

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	119	127	132	124	127
Home-domiciled AIFs	2	5	5	7	10
Foreign funds registered for sales					
➤ By national promoters					
➤ By foreign promoters					
Fund launches					
Fund liquidations					
Fund mergers & acquisitions					

5. REGULATORY DEVELOPMENTS

5.1. UCITS/AIFMD

In Q4 of 2024, the BAAMC (Bulgarian Association of Asset Management Companies) filed a letter with the Budget and Finance Committee of the Bulgarian Parliament. This contained proposals for amendments to the regulatory framework of remuneration policy for Management Companies (MCs). In particular, this concerned the exception to the policy regime for MCs. The current regulatory framework allows a derogation from the remuneration policy regime (in terms of requirements to vesting, retention and payment) under Art. 108 of the Law on the Activity of the Collective Investment Schemes and of Other Undertakings for Collective Investment (LACISOUCI). It allows MCs to pay variable remuneration without having to comply with the remuneration policy requirements, if the total amount of the annual variable remuneration to the relevant person did not exceed 30% of the person's total fixed annual remuneration and did not exceed EUR 15,000. The regulatory framework was adopted nearly eight years ago, and addressed the macroeconomic conditions at the time, as well as the specifics of the activity of the local MCs.
BAAMC's proposal aimed at updating the quantitative thresholds mentioned above in line with the derogation introduced to the remuneration regime of the MiFID investment firms (implemented in 2022) and aligning them with the new economic reality. The BAAMC thus proposed that Art. 108, para 6 LACISOUCI be amended to allow management companies to pay the variable remuneration in cash where the total annual variable remuneration of the relevant employee/manager did not exceed 40% of total annual remuneration and did not exceed EUR 50,000.

The BAAMC's General Meeting in early 2025 approved a decision to begin working to migrate to, and be fully compliant with, the European Fund Classification (EFC) of EFAMA. A mandate was given to the Investment Committee of the

Association to define a position on the practical steps to be undertaken by members to help migrate to the EFC of EFAMA and to determine an appropriate timeframe for members to classify their funds accordingly.
In March 2025, the Investment Committee decided to file a proposal with the BAAMC General Meeting to vote on a full migration to EFAMA's ECF. The Articles of Association of BAAMC require that decisions for the acceptance of constitutive acts be approved at the General Meeting. The Investment Committee will also propose to the General Meeting that BAAMC members be given sufficient time to determine the categories under which their funds fit (according to the EFAMA EFC). It would also allow time to start classifying their funds under management, including in the quotation section of the BAAMC's website, from 1 January 2026.

Since 2022, the BAAMC has launched a massive educational and advertising campaign to showcase the products and services offered by MCs, as well as to promote the Association's activities. The main goal was to increase investor awareness, to show the available alternatives for investments (other than the traditional – in Bulgaria - deposits and real estate) and to position the BAAMC as a reliable source of information, increasing confidence in the fund industry. The campaign channels included media, magazines, video clips posted on the internet, a special landing page on the BAAMC website containing all published materials was developed in the course of the campaign. A slogan – 'See Money in Action' was created. The campaign – which continues to run - has evolved to include ongoing social media posts.

For AIFs, the legal framework defining the regime of AIFMs is included as integral part of the Law on the Activity of Collective Investment Schemes and of Other Undertakings for Collective Investment (LACISOUCI). There are currently 27 AIFMs registered with the FSC. Of these, four are licensed AIFMs, the rest are registered AIFMs. Some 11 AIFMs are management companies (all of them BAAMC members), each managing collective investment schemes (the Bulgarian designation of UCITS funds), national investment funds (NIFs), a type of AIFs that can be sold to retail investors. NIFs are a specific type of AIF, modelled on UCITS but with a less-restrictive regime for portfolio, diversification and concentration eligibility requirements, use of leverage and management structure (they can also be self-governed). Currently, there are 16 such NIFs. Two are former closed-end investment companies organised as JSCs; both are former privatisation funds that chose to become investment companies after the end of the mass privatisation process. NIFs are regulated with the inclusion of a special chapter of LACISOUCI, and their legal regime makes them eligible for retail investors; they can be offered to the public through public offering of securities (increase of capital or continuous offering of units and shares). NIFs are marketed only within Bulgaria; they cannot be offered on a cross-border basis. The preferential tax regime applicable to UCITS applies to NIFs. However, foreign AIFs - if sold in Bulgaria - will not be able to benefit from this preferential tax regime, which may prove to be a barrier for their distribution.
It remains to be seen whether the Ministry of Finance and the Financial Supervision Commission will proceed with the idea, launched several years ago, of drafting amendments to the LACISOUCI or a special legislative act to allow the public offering of special types of AIFs whose regulatory regime makes them suitable for retail investors. Currently, only NIFs that are a subtype of AIFs can be publicly traded and offered to retail investors.

5.2. Retail Distribution (MiFID II & IDD)

There were no notable developments on this issue in 2024.

5.3. CSDR

The settlement cycle applicable in Bulgaria is T+2. This is the official trade and settlement period applied by the Bulgarian Stock Exchange and the Central Depository of Bulgaria. OTC deals can be executed with T+0, T+1 or different settlement periods. In a letter to the FSC, the BAAMC reiterated their support for the shortening of the settlement cycle, in line with the position of EFAMA and BVI.

5.4. ELTIF

There were no notable developments on this issue in 2024.

5.5. Sustainable finance

There were no notable developments on this issue in 2024.

5.6. Stewardship

In 2024, the BAAMC, together with three other representative organisations - BALIF, the Association of Bulgarian Insurers and the BASPSC (Bulgarian Association of Supplementary Pension Security Companies) - joined the **National Corporate Governance Commission (NCGC)**. The BAAMC representative, Dr Natalia Petrova - chair of the management board - was elected chair of the NGCC board.

The BAAMC's election to the role was testament its contribution - and that of its members - to good corporate governance in Bulgaria. The investment funds (CIS, NIFs and AIFs) managed by the BAAMC members invest predominantly in public companies and issuers traded on regulated markets. They are active in the corporate management and overall activity of the companies in which they invest. Management companies follow obligatory engagement policies, in compliance with the legislation, which introduced a commitment for adhering to proactive conduct towards issuers of securities. This was aimed at ensuring transparency in the relations of investment funds as investors and investee public companies. Transparency is ensured through reporting to the regulator and through public disclosure of the participation of management companies and investment funds (including through the fiduciary management of individual portfolios by management companies) in the corporate governance and corporate life in general of investee companies. The engagement policy of the management companies can be considered as additional to that for exercising voting rights under Ordinance No. 44. This is because - by introducing requirements for establishing and implementing such a policy - the regulation of the management company participation in the corporate life of investee companies is further upgraded and developed.

Following the election of the BAAMC, amendments to the Corporate Governance Code were approved, a revised version of the scorecard assessing the corporate governance of public companies was accepted, work was started on an event - together with the FSC - dedicated to good corporate governance and a decision was taken to build a new website. Another important decision by the NCGC taken during that period was the voting of its Monitoring Report on the State of Corporate Governance in Bulgaria for 2023. Following discissions at several meetings of the Management Board, it was unanimously approved by the members. This monitoring report contains information on the state of corporate governance in Bulgaria in 2023, the activities of the NCGC in 2024 and the adopted programme for 2025. The report was based on the annual financial statements of 31 December 2023 submitted by the public companies admitted to trading on the two leading segments of the Main Market of the Bulgarian Stock Exchange (Premium and Standard shares segment). The purpose of the report was to track the extent to which companies apply the principles and standards of good corporate governance. The analysis covered the corporate governance statements publicly submitted by companies as part of their annual activity reports; the non-financial statements and self-assessment maps submitted separately on a voluntary basis and the information publicly presented on companies' corporate websites.

The Monitoring Report will be submitted to the OECD for assessment in connection with Bulgaria's candidacy for OECD membership.

5.7. Benchmarks

There were no notable developments on this issue in 2024.

5.8. Anti-Money Laundering

There were no notable developments on this issue in 2024.

5.9. Digital Finance & Cybersecurity

There were no notable developments on this issue in 2024.

5.10. Other regulatory developments

In 2024, and at the beginning of 2025, the BAAMC engaged in extensive correspondence with the FSC over the sector's preparation for introducing the Euro in Bulgaria and how the LIERB (Law on the Introduction of the Euro in the Republic of Bulgaria) will be applied. As required by the FSC, the management companies had to draft a plan for the Euro transition. This included preparing an information document for investors explaining the main features of the transition process, their rights, the dual display of prices and cash amounts in BGN and EUR and in which type of documents such dual designation had to be displayed.

6. PENSIONS & PEPP

In March 2025, a group of MPs proposed an amendment to the Bulgarian Social Insurance Code. This was actually a motion to nationalise the second pillar of social insurance, since it required diverting social insurance payments of the insured employees to the National Social Insurance Institute (the State pay-as-you-go administration of social insurance in Bulgaria) rather than to the universal and vocational pension funds that currently form this pillar. The BAAMC joined several other trade associations and organisations - including BALIF, the BASPSC, the Association of Industrial Capital in Bulgaria, the Bulgarian Chamber of Commerce, the Bulgarian Association of Equity and Venture Investment - in writing a joint letter to the chair of the National Assembly, the chair of the Budget and Finance Committee, the chair of the Labour and Social Policy Committee and the chairs of all parliamentary groups. The letter declared that such amendments were categorically unacceptable, arguing that such changes were *de facto* quasi-nationalisation of pension funds, since those personal contributions were private pension savings and their diversion to the state pay-as-you-go system would cause drastic harm to the insured persons. It highlighted that there were significant risks from such a step; the associations qualified the proposed change as an anti-market measure. It would deprive the insured persons of the freedom to manage their property and deciding who to entrust it to, be it the private pension insurance company of their choice or the state (the National Social Security Institute (NSSI)). This opportunity had already been granted to them in 2015, with amendments to the Social Insurance Code. Such a state intervention - in the opinion of the associations - was a violation of the inviolability of private property as the basis of the individual sphere of citizens within the meaning of Art. 17, para. 3 of the Constitution of the Republic of Bulgaria. It could have eliminated the strengths of the three-pillar pension model, which has been proven over the years and fully supported by international institutions including the OECD, the European Commission, the IMF and EIOPA. It remains to be seen whether Parliament would approve such an amendment, but given the demographic situation in the country, dismantling the three-pillar system would only exacerbate those problems that were the reason for its establishment in the first place, more than 20 years ago.

Another, more positive, development was the drafting - by the FSC assisted by the BASPSC - of a bill amending the Social Insurance Code, which will lead to a fundamental reform of the system of pension insurance in Bulgaria. It is still in the process of making and is expected to be subject of a public consultation. This reform is based on recommendations following a review of supplementary pension insurance for Bulgaria's accession to the OECD, along with the recommendations of the 2024 analysis of the Economic and Social Council.
The reform considers introducing the multi-fund model to the Bulgarian pension system (the possibility of investment choice by future retirees and more active portfolio management of pension funds, including by establishing the so-called 'multi-funds', investment portfolios with different risk profiles related to the life cycle of the insured). This will help overcome the negative impact of inflation on pension savings and ensure stable achievement of higher profitability. Here, there will be significant legislative changes to the Social Insurance Code, involving the regulation of new pension products, the overhaul of investment limits and the introduction of new eligible assets, guarantees and reserves. In addition, there will also be changes to the development of the supplementary voluntary pension insurance, to ensure a higher standard of living for insured persons, particularly important for an ageing population and demographic change.

7. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

The main features of the tax regime in Bulgaria have remained generally unchanged, namely:

- **Corporate income tax applying to commercial companies is a flat rate of 10%** (among the lowest in Europe).

- **Personal income tax is also fixed at 10% flat.**

- **Capital gains** from transactions in shares of public companies and traded rights in such shares realised on a regulated Bulgarian stock market are tax exempt. **Capital gains** from transactions in units of collective investment schemes (open-ended investment companies and contractual funds that are UCITS, regardless of whether they are traded on a regulated market or their shares or units are sold/redeemed through channels of distribution, including at the offices of the management company) **are also not taxed**. Disposal of financial instruments during a tender procedure are not subject to taxation. The same regime applies to NIFs, irrespective of their legal form (common funds or investment companies with corporate structure). Income from the redemption of their units in case of open-end NIF is tax-exempt, and the liquidation quota or proceeds received by the investor upon winding up a closed-end NIF - including closed-end national investment companies - are also tax exempt.

- UCITS (Bulgarian, as well those registered in EU Member States and offered and sold in Bulgaria through a branch or based on the freedom to provide services) **are not subject to taxation and are exempt from corporate income tax**. The same regime also applies to NIFs.

- **Dividends are subject to 5% taxation, withheld at source** (UCITS rarely distribute dividends, although - according to their constitutive acts - they may be a distributive type of investment funds, paying dividend to unit holders).

- Dividends and liquidation proceeds, payable by Bulgarian residents to foreign legal entities, are subject to a 5% final withholding tax at source (Art. 200, para 1 with reference to Art. 194 of the Corporate Income Tax Act /CITA/).

- Bulgarian-sourced income of foreign entities, realised without a business seat in the country, is subject to a 10% final withholding tax at source. If the foreign entities have a resident representation, then this entity is subject to taxation (Art. 200 /2/ with reference to Art. 195 of the CITA).

- Legal entities can adjust their taxable base by adding losses and subtracting capital gains when such losses are incurred and when gains have been generated from the trade in listed securities or CIS units. It must be noted that withholding tax rates could differ, depending on the provisions in the double taxation agreements.

- The rate of the value added tax remained unchanged at 20%. Reduced rates of 9% for restaurants and catering services, and 0% for bread and flour, were extended until 31 December 2023. This deadline has been further extended - 0% rate for the supply of bread and flour until 30 June 2024 and 9% for restaurant services until 31 December 2024. This also applies to the use of sports facilities and general tourist services until 30 June 2024.The 9% rate continues to apply on a permanent basis to books, textbooks and periodicals, baby food and diapers. The late filing with Parliament of the draft law on the state budget, and the inability of the National Assembly to vote on it, meant that tax relief in the form of reduced VAT tax rates expired on 31 December 2024. As parliament did not adopt the budget for 2025 on time, the VAT for restaurateurs, bread and flour was automatically raised back to 20% from 1 January 2025 (under existing legislation, the reduced rates applied until the end of 2024).
  The threshold for VAT registration was also raised from1 January 2025. This is the second step in raising the threshold – it became BGN 166,000 - the maximum - after it was raised to BGN 100,000 at the beginning of 2024. The Ministry of Finance had planned not this raise, as this would mean missed financial benefits for the budget. However, according to the current legislation, the threshold should be raised from 1 January 2025. However, the Ministry of Finance has included a proposal in the draft state budget for 2025 that the threshold for VAT registration be kept at BGN 100,000.

Financial services are exempt from VAT.

- The VAT registration threshold, which was increased from BGN 50,000 to **BGN 100,000** as of July 2022, remains unchanged. **From 1 January 2025, the threshold will be EUR 85,000 or the national currency equivalent (BGN 166,000).**

- **Management fees of MCs for UCITS and NIFs are explicitly exempt from VAT. The same regime applies to AIF management fees.**

The scope of the exemption for financial services was expanded **by adding the management of AIFs defined as special investment funds, according to European law criteria**, making AIFs VAT-exempt from 1 January 2023.
The BAAMC - in a letter to the Chairman of the Budget and Finance Committee of Parliament and the Ministry of Finance on 12 July 2022 - expressed its support for that amendment to the Law on VAT. The Association in addition proposed that the tax treatment of individual portfolio management be also exempted from VAT.

- Capital gains on corporate bonds are generally tax exempt, despite the Law on the Income Tax of Natural Persons (LITNP) not explicitly providing for this (as is the case of shares of public companies traded on a regulated market and for the redemption of units of collective investment schemes of the UCITS type). Income from sale of movable property and chattels is also tax exempt. The LITNP, however, explicitly states that interest from bonds, debentures and other debt instruments is tax exempt, accrued interest being one of the forms of generating capital gains.

- For the CITA, interest and capital gains as well as losses from trade in bonds are used to calculate the taxable base, from which profit from the sale of financial instruments is deducted and losses from sale of financial instruments are added as a negative value.

- **Tax Relief for Trade in Financial Instruments on Growth Markets.**
§ 77 of the Transitional and Concluding Provisions of the Law Amending the Law on VAT (promulgated in the State Gazette, issue No. 104 of 2020) provides that, **until 31 December 2025**, **disposal of financial instruments** for the purposes of Art. 44 and 196 of the CITA **would be tax exempt for transactions** in units and shares of collective investment schemes and of national investment funds, shares, rights and government securities, **performed on a growth market** within the meaning of Art. 122, para. 1 of the MiFIA. The SME growth market '**BEAM**' is a special market, organised by the Bulgarian Stock Exchange (BSE). The BSE received approval by the Financial Supervision Commission to create this at the end of 2018. Trading on BEAM is executed through the same trading platform XETRA - T7® and under the same trading rules of XETRA as those on the BSE main market. The main objective of **BEAM** is to provide SMEs with opportunities to raise funds on easier terms than on the regulated market, while providing them with similar advantages to those of public companies.

Until 31 December 2025, **no withholding tax** under Art. 195, para. 6 of the CITA **would be levied on**:
1. Income from interest on bonds or other debt securities, issued by a local legal entity, the State and the municipalities and **admitted to, or trading on, a growth market in Bulgaria or in an EU Member State or of another state party to the Agreement on the European Economic Area**.
2. Income from interest on a loan provided by a foreign person - issuer of bonds or other debt securities, when the bonds or other debt securities are admitted for trading on a growth market in the country or in an EU Member State or of another state party to the Agreement on the European Economic Area, and meet the conditions of Art. 195, para. 6, item 2, letters 'a' and 'b' of the CITA.
For the period of the relief, the capital gain realised on **BEAM** from the disposal of shares will not be subject to taxation (for individuals). It also foresees a reduction in the financial tax result of legal entities on profits made from the disposal of financial instruments realised on this market.
Due to the temporary nature of the tax relief applied to trades on the BEAM market, several institutions and organisations of market professionals such as the BAAMC, the Bulgarian Association of Licensed Investment Firms, the Bulgarian Stock Exchange and the Central Securities Depositary wrote a joint letter to the Ministry of Finance in October 2024. This proposed amendments to the tax legislation aimed at aligning the current tax treatment regime for income of individuals from the disposal of financial instruments and income from bonds or other debt securities admitted for trading on a regulated market with those admitted to trading on a growth market such as BEAM. Thus, the measure providing tax relief for trades on the BEAM market would become permanent, in line with the tax regime of transactions made on the regulated market, with realised capital gains on investments made on BEAM remaining tax exempt. It remains to be seen whether such an amendment would be made when MPs would vote on the state budget, which was filed with the National Assembly on 24 February 2025.

It should also be noted that the government fee charged for filing annual financial statements, consolidated annual financial statements and annual activity reports with the Registry Agency (the government agency administering the Bulgarian Trade Register and Register of NGOs) was abolished at the start of 2022. This has significantly reduced the costs and the administrative burden.
At the beginning of March 2025, the BAAMC had to react to the prospective amendment of the Tax and Social Insurance Procedure Act (TSIPA) included as a text in Transitional and Final Provisions (TPP) of the draft State Budget Act, submitted to the National Assembly on 24 February 2025. The amendment aimed to introduce a new Standard Audit File for Tax Purposes - SAF-T in Bulgaria with all financial institutions were included in the scope of the law. The BAAMC position was set out in a letter to Parliament and its Budget and Finance Committee. This stated that MCs managing UCITS and NIFs, as well as the managed investment funds, should be excluded from the scope.

The BAAMC position was based on the following arguments:

- The objectives of the standard were not relevant to the highly regulated, strictly supervised and daily reporting investment management sector.

- The management of collective investment schemes and national investment funds did not fall among the economic activities associated with high fiscal risk, while the SAF-T reports were irrelevant to the activity of management of collective and individual portfolios, compared to other commercial companies.

- It was noted that investment management was a highly regulated sector, supervised by a standalone regulatory and supervisory authority, the Financial Supervision Commission. This supervised reporting on a daily, monthly, quarterly, semi-annual and annual basis and the overall activity of management companies, UCITS and NIFs through remote and on-site inspections.

- It was shown that the focus of SAF-T was to improve the quality of information and transparency on supply chains and the taxes due on them, which implied that its application was not aimed at management companies and their investment funds.

- The inapplicability of SAF-T to investment management activities was also justified in view of the tax exemption of the activity of managing collective investment schemes and national investment funds under the Corporate Income Tax Act (CITA) pursuant to Art. 174 of Section II (‘Exemption from corporate tax’), the Personal Income Tax Act (PITA) pursuant to Art. 13, para. 1, item 3 in connection with § 1, item 11 of the Additional Provisions of the PITA, as well as under the Value Added Tax Act (VATA), according to which the management of CIS and NIF was an exempt delivery, which justified the inapplicability of the SAF-T standard to management companies and the UCITS and NIFs managed by them.

- It was also argued that the investment management sector did not represent any fiscal risk and was not mentioned in any report or analysis of a public competent authority in Bulgaria in this context.

- It was added that UICTS and NIFs did not refund VAT; indeed, UCITS and NIFs cannot even own movable and immovable property pursuant to Bulgarian legislation.

- Periodic information was submitted to the FSC on the fees and expenses of UCITS and NIFs and they were fully transparent, no VAT being charged on these fees and front-end and back-end loads (if any collected/withheld).

- Given that the investment management sector had neither motives nor opportunity to avoid declaring income for the purpose of tax evasion, the BAAMC stated that that measure was irrelevant to investment management activity. It would only lead to further labour-intensive reporting and a disproportionate administrative burden.

- At the same time, it was quoted that - according to OECD recommendations - that measures had to be implemented in a way that reduced the administrative burden.

In conclusion, the BAAMC asked Parliament to revise the legislative proposal in light of the arguments presented in the letter. It urged them to vote to exclude management companies and the collective investment schemes and national investment funds they manage from the scope of the new SAF-T.

8. FINANCIAL & INVESTOR EDUCATION INITIATIVES

BAAMC launched an educational campaign in 2022 to showcase the products and services offered by management companies, as well as the activities of the Association. The main goal was to increase investor awareness, to show the available alternatives for investments, to position the BAAMC as a reliable source of information and increase confidence in the fund industry. The campaign was conducted as part of the educational and financial literacy initiatives included in the Action Plan for the implementation of the National Financial Literacy Strategy adopted by the Ministry of Finance. It has the support of the dedicated working group (WG) established to launch initiatives in the field of financial literacy and education and to coordinate the activities of the WG members (the Ministry of Finance, Ministry of Education and Science, FSC, Association of Banks in Bulgaria, Association of Bulgarian Insurers, BAAMC, BALIF, BASPSC, the Fintech Association, Junior Achievement, foundations and universities).
As a result of the work of BAAMC and the members of its Marketing and Advertising Committee, the following results were achieved:
The main message of the campaign was approved: ‘See Money in Action’.

- A slogan of the campaign was approved: “New Horizons for Personal Finance”.
- A landing page was created for the main page of BAAMC (https://baud.bg/vij-parite-v-deystvie/).
- A BAAMC profile and Facebook page has been created as a digital distribution channel (https://bit.ly/42jM5YX).
- A BAAMC LinkedIn profile was established as a digital distribution channel (https://www.linkedin.com/company/94861168/admin/).

The BAAMC training and information campaign started on 1 June 2023, continuing through 2024 and the first months of 2025, with a view to maintaining it on a regular basis for the future. For that purpose, the BAAMC voted for additional budget to finance the campaign. Posts are created by BAAMC members on a monthly basis and are uploaded in the social media (usually four posts per week). Members contribute by proposing posts and themes for approval by the Marketing and Advertising Committee. The content created for the posts to Facebook and LinkedIn is used to familiarise the public with the specifics of investing in collective portfolios and potential investment options.

COURSES FOR BROKERS AND INVESTMENT CONSULTANTS

BAAMC has established itself as the main organization, working in close cooperation with the FSC and BALIF, engaged in the preparation, organization and conduct of courses for brokers and investment consultants, including the development of exam syllabi and conducting internal assessment of candidates (the so-called “mock exam”).
On March 16, 2024, the new fifteenth Course 2024 for brokers and investment consultants, organized by BAAMC and BALIF, began.
A total of 64 participants were enrolled in the course, thus the course becoming the all-time leader by number of participants. Of these, 52 were participants in the course for investment consultants and 12 were enlisted in the course for brokers.
On 18 and 19 May 2024 the majority of our course participants took the exams before the FSC.
The results for our students were exceptionally good, the best in the fifteen-year history of these courses - out of 11 who passed the broker exam, 10 were our students; and out of 20 who passed the IC exam, 19 were our students.
For another year, the courses have been established as a truly necessary condition for successfully taking the exams.

SEMINAR ON CLIENT IDENTIFICATION AND ONBOARDING

On 15 November 2024, a webinar was held for BAAMC and BALIF. The topic was: 'Know Your Customer (KYC) - Practical Aspects of Implementing the Process through the Prism of AML/CFT and GDPR'.

SEMINAR ON THE EUROPEAN LEGAL FRAMEWORK OF THE INVESTMENT BUSINESS

On 27 November 2024, the BAAMC organised a seminar on the topic: 'EU Regulation of Asset Management'. The event was held with the participation of FSC, MF, BAAMC and BALIF members and numerous other investment professionals.

9. OTHER ACTIVITIES OF THE ASSOCIATION

On 11 February 2025, the BAAMC celebrated its 20th anniversary with a special celebration at the Boyana Government Residence in Sofia. The Association's Chair, Dr Natalia Petrova, welcomed representatives from the FSC, the Ministry of Finance, the Bulgarian Stock Exchange, the Central Depositary, the National Security State Agency, BALIF, the BASPSC, the Association of Bulgarian Banks, the Association of Bulgarian Insurers, the Bulgarian Investor Relations Directors Association and the National Corporate Governance Commission as well as BAAMC members and partners.

Special guests included the Director General of EFAMA, Mr Tanguy van de Werve, as well as the following members; Thomas Richter and Tsvetelina Todorova (Germany), Mira Velic (Slovenia), Jan Pricop (Romania) and Snezhana Popovska (Republic of North Macedonia).

Dr Petrova highlighted that for two decades, the association had been a benchmark for high ethical principles, professionalism and standards for developing the Bulgarian capital market and increasing investor confidence. She presented how the association had developed from its initial establishment to the present day, focusing on the key stages and results achieved, among which the following stand out:

When the association was established in 2004, there were eight members. Currently, there are 41, of which 30 are regular members and 11 associated members.

BAAMC's contribution to the development of the capital market and the investment management business involves:

- Working to increase, among Bulgarian investors, the recognition and popularity of the products offered by the management companies.
- Engaging in working groups and contributing to improving the legislative framework and reducing the administrative burden.
- Supporting the activities of its members by developing and maintaining a number of internal rules, policies, procedures, guides and standards for use in their daily work.
- Cooperating with the Bulgarian Stock Exchange and the Central Depository to modernise and develop the market infrastructure, ensuring stability and security for all participants.
- Contributing to EFAMA, which gives it the opportunity to participate in the processes shaping the future of the European investment market.
- Increase financial literacy over the years through organising courses for brokers and investment consultants in partnership with BALIF.

- Allocating significant resources for promoting the asset management industry and organising a large-scale education campaign with materials, posts, clips and videos posted the social media.

Dr Petrova paid special attention to the upcoming challenges in the evolving world of modern capital markets, emphasising that the BAAMC would continue to seek effective solutions and cooperate with capital market participants at the local and international levels. Among the main priorities Dr Petrova outlined were:

- The Eurozone and the introduction of the Euro - a process with many ambiguities and challenges, requiring key decisions that are yet to be made.
- Increasing competitiveness at European level – adapting to the dynamic global financial environment.
- Turning savers into investors – promoting a culture of investment as a tool for long-term growth.
- Increasing financial literacy – continuing education initiatives for both the general public and the professional community.
- Closing the innovation gap between Europe and America – stimulating innovation and technological development within European capital markets.
- Developing alternative business financing models – promoting sustainable and flexible sources of capital.
- Reducing the regulatory burden – simplifying the regulatory framework and easing the accountability requirements for market participants.
- Creating a Capital Markets Union – building a single, integrated and efficient capital market in Europe.

Mr Tanguy van de Werve, Director of EFAMA, gave a welcoming speech, emphasising several key aspects:

- The influence of regulations in Brussels - decisions taken at the European level have a significant impact on financial markets, and efforts are being made to reduce the regulatory burden on MCs.
- The role of the BAAMC in European legislation - although regulatory decisions in Brussels often seem distant to Bulgarian MCs, thanks to its participation in EFAMA, Bulgaria has a voice in the processes forming the European regulatory framework.
- The importance of the BAAMC for developing of markets and products in Europe - the Association plays a key role in building a more-competitive and innovative investment environment.

With these words, Mr van de Werve stressed the importance of effective cooperation between national and European institutions for developing capital markets.

There was also a welcoming speech by Mr Vasil Golemanski, Executive Director of the Central Depository and Deputy Chairman of the Board of Directors of the Bulgarian Stock Exchange. He emphasised the importance and role of BAAMC in developing Bulgaria's capital market and looked forward to many years of success and productive cooperation.
The evening ended with a festive cake and wishes for many more years of success and development of the BAAMC in support of the Bulgarian capital market.

Videos/podcasts
Виж парите в действие - БАУД

CROATIA COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Croatia (EUR billion)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	3.0	3.5	2.8	2.8	4.4
Funds domiciled abroad and promoted by national providers					
Total net assets	3.0	3.5	2.8	2.8	4.4

Table 2: Net Sales of Investment Funds in Croatia (EUR million)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	-651.6	398.3	-455.8	78.5	819.2
Funds domiciled abroad and promoted by national providers					
Total net sales	-651.6	398.3	-455.8	78.5	819.2

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)

	2020	2021	2022	2023	2024
Equity funds	0.2	0.3	0.3	0.4	0.5
Bond funds	1.9	2.0	1.4	0.9	0.8
Multi-asset funds	0.1	0.2	0.1	0.3	0.3
Money market funds				0.02	0.7
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	0.2	0.3	0.4	0.7	0.9
Total	2.4	2.9	2.2	2.3	3.2
of which ➤ ETFs					
➤ Funds of funds					

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	-6.6	60.6	-17.9	49.1	81.9
Bond funds	-661.5	149.1	-507.6	-196.3	33.3
Multi-asset funds	-3.3	56.4	-27.1	-42.1	5.8
Money market funds	-0.2			10.5	566.5
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	20.1	132.2	96.6	257.3	131.8
Total	-651.6	398.3	-455.8	78.5	819.2
of which ➤ ETFs					
➤ Funds of funds					

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds					
Bond funds					
Multi-asset funds					
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds					
Other funds	0.6	0.7	0.7	0.5	1.2
Total	0.6	0.7	0.7	0.5	1.2
of which ➤ ETFs					
➤ Funds of funds					
➤ Institutional funds					

4. TRENDS IN THE NUMBER OF FUNDS

Table 6: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	96	93	100	108	117
Home-domiciled AIFs	39	34	35	43	43
Foreign funds registered for sales					
➤ By national promoters					
➤ By foreign promoters	106	334	383	434	463
Fund launches	13	10	20	33	18
Fund liquidations	2	8	8	4	4
Fund mergers & acquisitions	11	8	1	10	6

5. REGULATORY DEVELOPMENTS

5.1. UCITS/AIFMD

The Croatian regulatory framework has been further harmonised with the legal acquis of the EU Regulation on Digital Operational Resilience for the Financial Sector (DORA).

The list of entities who may perform depositary functions has been expanded.

The national regime for the distribution of AIFs (Alternative Investment Funds) from third countries to professional investors in Croatia has been prescribed, as has as the distribution, to professional investors in Croatia, of AIFs managed from third countries. The national regime for the performance of activities by AIF managers from third countries has also been set out.

5.2. Retail Distribution (MiFID II & IDD)

Currently, some distributors and asset managers use the FinDatEx templates, but they are not yet a standard means of transferring information.

5.3. CSDR

The asset management industry is mainly on the receiving end of inflows given that normal operations of asset managers in Croatia do not include short selling. Currently, the industry is in the process of quantifying the costs of operationalising cash penalties.

The Association is part of a working group that brings together other capital market stakeholders with representatives of the HANFA (Croatian Financial Services Supervisory Agency) to address the migration to T+1.

5.4. ELTIF

Currently, there are two Luxembourg funds (source ESMA) registered as ELTIFs, which commenced distribution in Croatia in 2024. The revision of the Regulation may affect the offer of further ELTIFs.

5.5. Sustainable finance

The industry has been subject to the Common Supervisory Action, initiated at a European level, on sustainability risks and disclosures as well as on ESMA Guidelines on fund names.

Funds are struggling with the price, methodologies and reliability of ESG data providers.

In general, there is a strong consensus for refining the SFDR framework to address existing limitations, improve data quality and availability as well as to ensure better regulatory alignment. There is also notable support for a structured categorisation system; this could help clarify product offerings and enhance market transparency.

The association representatives involved are part of the ‘Forum for Supporting Sustainable Finance’, coordinated by the Ministry of Finance.

5.6. Stewardship

There were no notable developments in this area during 2024.

5.7. Benchmarks

Currently, there have been no impacts identified from the revision of the Benchmarks Regulation.

5.8. Anti-Money Laundering

During 2024, representatives of all members of the Association attended the annual training on anti-money laundering and terrorist financing, organised by the Croatian Chamber of Economy (CCE) in cooperation with the supervisory authorities.

Based on the Law on Restrictive Measures (financial sanctions), the general guidelines for its implementation have been adopted. All members of the Association were introduced to these guidelines during a training session by the CCE in cooperation with the HANFA.

5.9. Digital Finance & Cybersecurity

The HANFA has issued a 'Guide for Submitting Applications for Authorisation to Provide Crypto asset Services'.

Within the CCE (Croatian Chamber of Economy), an Association of Service Providers Related to Crypto-Assets will be established. This will facilitate the exchange of opinions among service providers on crypto assets and communication with the HANFA.

In February 2024, the Cybersecurity Act was adopted. The Cybersecurity Regulation was approved and came into effect in November 2024. The CCE launched the Cybersecurity Academy, where representatives of the Association regularly participate.

5.10. Other regulatory developments

The Association contributed to developing the Capital Market Development Strategy of the Republic of Croatia for 2025-2033, as well as the accompanying Action Plan for 2025-2026. Both were adopted by the Croatian Government in March 2025.

6. PENSIONS & PEPP

Various ordinances have been modified and amended by HANFA: on costs that can be paid from the assets of a mandatory pension fund and total cost indicators, on determining the net asset value and the value of the calculation unit; on reporting and notifications, on permitted investments, on organizational requirements; on advertising and informing; on regulatory capital; on Board membership requirements; on qualifying holdings and on sustainability reporting.

7. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

The new personal income tax regulation introduced, from 2024, a unique tax rate of 12% on dividends and capital gains. This replaced the previous tax rate, which depended also on the residence within Croatia. Previously, the personal income tax rate amounted to 10% plus a surplus tax based on the investor's place of residence within Croatia (the latter being between 0% to 18%, therefore resulting in a previous total tax rate within an interval from 10% to 11,8%).

8. FINANCIAL & INVESTOR EDUCATION INITIATIVES

Implementation of the National Strategic Framework for Consumer Financial Literacy for the period 2021-2026, adopted by the Government of Croatia, is underway. This is the second national framework, following that for 2015-2020. Association work is part of this framework, including education and other activities about investment funds through the following events:

- Global and European Money Week in March.
- Project 'The More We Know, The Better We Understand', throughout the year.
- World Savings Day in October.
- World Investor Week in October.

Activities include roundtables, lectures, webinars, media publications and social media. The target audiences are high school students, university students, professors and entrepreneurs, among others.

9. OTHER ACTIVITIES OF THE ASSOCIATION

The Association cooperates regularly with governmental authorities (Ministry of Finance, Tax Authority, Croatian Financial Services Supervisory Agency, Croatian National Bank and other institutions) on all activities for developing the legal framework relevant to the fund industry and the capital market, reporting and education (AML, ESG, GDPR). It is also involved in increasing financial literacy, particularly among young people.

CYPRUS COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Cyprus (EUR billion)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	4.9	7.7	7.4	6.3	7.1
Funds domiciled abroad and promoted by national providers					
Total net assets	4.9	7.7	7.4	6.3	7.1

Table 2: Net Sales of Investment Funds in Cyprus (EUR million)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	-322.0	2,166.0	-219.0	-1,600.0	517.0
Funds domiciled abroad and promoted by national providers					
Total net sales	-322.0	2,166.0	-219.0	-1,600.0	517.0

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	0.2	0.3	0.3	0.4	0.5
Bond funds	0.1	0.1	0.1	0.1	0.1
Multi-asset funds	0.1	0.1	0.05	0.04	0.05
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds					
Total	0.4	0.5	0.5	0.5	0.6
of which ➤ ETFs					
➤ Funds of funds					

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	52.0	11.0		19.0	66.0
Bond funds	17.0	3.0	-18.0	-9.0	4.0
Multi-asset funds	4.0	-8.0	-6.0	-9.0	7.0
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds					
Total	73.0	6.0	-24.0	1.0	77.0
of which ➤ ETFs					
➤ Funds of funds					

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	1.1	2.1	2.3	1.3	1.4
Bond funds	0.1	0.1	0.1	0.1	0.1
Multi-asset funds	0.5	1.0	0.9	1.0	1.1
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	0.7	0.6	0.6	0.7	0.8
Other funds	2.1	3.4	3.1	2.7	3.1
Total	4.5	7.2	6.9	5.8	6.5
of which ➤ ETFs					
➤ Funds of funds					
➤ Institutional funds					

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	-411.0	720.0	-21.0	-1,891.0	36.0
Bond funds	-17.0	11.0	3.0	-16.0	-1.0
Multi-asset funds	-69.0	576.0	-73.0	-10.0	71.0
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	127.0	40.0	-56.0	132.0	47.0
Other funds	-25.0	813.0	-48.0	184.0	287.0
Total	-395.0	2,160.0	-195.0	-1,601.0	440.0
of which ➤ ETFs					
➤ Funds of funds					
➤ Institutional funds					

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	32	32	31	31	31
Home-domiciled AIFs	367	411	401	420	435
Foreign funds registered for sales	37				
➤ By national promoters	26				
➤ By foreign promoters	17				
Fund launches	104				
Fund liquidations	43				
Fund mergers & acquisitions					

5. MARKET DEVELOPMENTS IN 2024

Despite considerable challenges, including macroeconomic and geopolitical events, and heightened volatility, most Fund Managers have successfully maintained and even increased their assets under management (AUMs).

Key findings for 2024 include:

- Combined AUMs for UCITS and AIFs increased by 20% in 2024. The number of UCITS remained the same at 31, while the number of AIFs increased by 15 from 420 to 435.

- Investor awareness is improving. Cyprus continues to make good progress as a Funds jurisdiction, offering a wider choice of funds and investment strategies.

6. REGULATORY DEVELOPMENTS

6.1. UCITS/AIFMD

- There have been no national-level secondary regulatory acts (CySEC Directives) in 2024.
- There have been no amendments to UCITS law and AIFM law in 2024.
- The CySEC (Cyprus Securities and Exchange Commission) has issued the following relevant circulars:

C667 – Publication of CySEC's Review of compliance with the reporting obligation under the Alternative Investment Fund Managers Law (the 'AIFM Law') as further specified with the Commission Delegated Regulation (EU) No 231/2013 with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision ('the Regulation')

C621 - Clarifications on the data to be submitted regarding Recommendation 2022/9 of the European Systemic Risk Board (ESRB) on the vulnerabilities in the commercial real estate sector in the European Economic Area

C617 - Recommendation 2022/9 of the European Systemic Risk Board (ESRB) on the vulnerabilities in the commercial real estate sector in the European Economic Area

6.2. Retail Distribution (MiFID II & IDD)

As of 2024, there have been no significant changes in the national implementation of MiFID or IDD likely to affect the distribution of funds to retail investors in Cyprus.

The CySEC has issued the following circulars:
C663 - Requirements of the Polish Financial Supervision Authority (the 'UKNF') regarding the referral and affiliate programmes offered by investment firms in the territory of Poland
C659 - Fractionalisation of Shares
C655 - Findings of the assessment of Compliance Officers' Annual Reports and the Internal Audit Reports on the prevention of money laundering and terrorist financing
C654 - Notification of crypto asset services under article 60 of MiCA
C651 - Thematic Review on the handling of clients' uninvested funds by CIFs
C646 - Review of the Investment Firms' prudential framework and data collection exercise
C644 - Introduction of CySEC's Form 165-05 'Prudential Consolidation information'
C634 CIFs regarding RBS-F – Electronic Submission of 2023 Information – Revised Form
C633 – Notification of errors and omissions to the Cyprus Securities and Exchange Commission in accordance with Article 9 of Regulation (EU) 2022/1860 laying down implementing technical standards for the application of Regulation (EU) No 648/2012 ('Regulation 2022/1860')
C631 - Prudential reporting based on the results of the audited financial statements
C629 - Portugal - CMVM - regarding the Financial Intermediaries on Advertising
C615 to Cyprus Investment Firms – Cross Border Data Collection Exercise – 31/12/2023 Submission

6.3. CSDR

The CySEC has not yet considered the cost of implementing cash penalties at asset manager level in Cyprus. At this stage, it is difficult to quantify the costs versus potential inflows.

The CySEC has not yet considered the impact on Cyprus of the move to T+1 settlement cycles. It is too early to predict how it will unfold locally ahead of the EU's planned migration in 2027.

6.4. ELTIF

Currently, there are no ELTIFs under CySEC supervision.

No tax or other incentives are anticipated to promote ELTIF investments.

6.5. Sustainable finance

The implementation of the SFDR - and in particular sustainability risks and relevant disclosure requirements - are among the 2024 supervisory priorities for the CySEC. A number of fund managers have also taken the actions needed to be classified as Article 8 and 9 funds, which promote environmental or social factors and focus on sustainable investments, respectively. The CIFA (Cyprus Investment Funds Association) considers this to be a key area for investment funds, and has thus established a dedicated committee on Sustainable Finance. This Committee has established a constructive cooperation with the CySEC, aiming to enhance awareness and education on

ESG regulations. It has organised a webinar entitled 'Navigating the ESG Landscape: A Deep Dive into ESG Fund Classification Methods' with the Chairman of CySEC as one of the keynote speakers.

Asset managers in Cyprus face challenges in finding the reliable ESG data and ratings needed for reporting and disclosure purposes. These include the high costs of engaging specialised providers for accessing comprehensive ESG data (the financial burden is greater for smaller companies) and variability/inconsistency between different ESG data providers, making it difficult for asset managers to make comparisons and take informed investment decisions.

6.6. Stewardship

Cyprus has continued to align its corporate government practices with European directives and local regulations. The CySEC played an important role in overseeing corporate practices. Cypriot financial institutions have recognised the growing importance of ESG factors; there is clearly increasing interest from investors and shareholders in industry-specific issues, indicating a shift towards more sustainable and responsible practices.

In Cyprus, shareholders retain a fundamental right to vote on significant corporate matters. There are no notable obstacles to shareholders in exercising these rights, although compared to majority shareholders, minority shareholders have limited influence on decision making.

6.7. Benchmarks

In Q4 2024, Cyprus implemented various regulatory developments related to the EU Benchmark Regulation (BMR) and the use of financial indices by investment funds. The aim is to protect consumers and investors by enhancing the integrity of financial markets. In December 2024, amendments to the Cyprus Companies Law were published in the official gazette, transposing the EU public Country-by-Country (CbC) Reporting Directive into national law.

The exclusion of non-significant benchmarks in the updated BMR is expected to reduce administrative obligations and associated costs for investment funds in Cyprus. At the same time, however, it is essential to recognise that the funds must still exercise due diligence to ensure the reliability and robustness of all benchmarks they employ. On the proposal to continue requiring ESG-related disclosures for benchmarks, this has already been anticipated, highlighted by the increasing attention by Cypriot investment funds to ESG factors in their investment strategies and reporting practices. Nevertheless, Cypriot fund managers would appreciate targeted ESG-related disclosures to avoid excessive administration costs.

6.8. Anti-Money Laundering

The national AML Law was amended in 2024 as follows:

- Amending Law 141(I)/2024 (in Greek) and Amending Law 118(I)/2024 (in Greek) (6.12.24 and 08.11.24, respectively): The new amendments update the beneficial ownership reporting obligations for companies. Fines for non-compliance now apply solely to the company, not its officers, although directors are jointly liable, with the company, for penalties. Fines have been reduced: initial fines are EUR 100, daily fines are EUR 50, with a cap of EUR 5000. The Registrar has the power to remove non-compliant companies from the register and seek court orders to enforce compliance with AML law.

- Amending Law 172(I)/2024 (in Greek)(31.12.24): These amendments align with EU Regulation 2024/1624. Key provisions include a EUR 10,000 cap on cash transactions, penalties up to 10% of the transaction amount for violations and a broad definition of 'cash' that includes various liquid assets. The law allows for temporary suspension of the cap under force majeure.

Secondary legislation: CySEC's Directive R.A.D 282/2024, published on 5 August 2024, amends the 2020 Directive on combatting money laundering and terrorist financing. Key changes include: a definition of 'identification document', an updated template for internal suspicious activity reports and allowing electronic verification of client identities on a risk-based approach. The amendments introduce stricter client documentation requirements (including proof of address and the use of certified true copies of identification documents for clients outside

Cyprus). They also align due diligence with international sanctions. Provisions on electronic verification are effective from 1 December 2024.

In 2024, the CySEC issued the following relevant circulars:

- C656 - Common weaknesses/deficiencies and good practices identified during the onsite inspections performed in relation to the prevention of money laundering and terrorist financing
- C653 - Annual Report of the Unit for Combating Money Laundering (MOKAS) for 2023
- C647 - New section on CySEC's website regarding Terrorism Financing (TF) / Proliferation Financing.

6.9. Digital Finance & Cybersecurity

The CySEC issued a communication on 12 November 24, outlining the key aspects for implementing the new framework on Digital Operational Resilience for the financial sector.

The CySEC has issued the following relevant circulars:
C639 - Voluntary Dry Run Exercise to prepare industry for the next stage of Digital Operational Resilience Act (DORA) implementation
C668 - Workshop about the preparation of the register of information under the Digital Operational Resilience Act

Within its 2025 supervisory priorities, the CySEC is preparing for DORA implementation by enhancing its oversight of ICT risk management, focusing on areas such as cybersecurity and third-party risks. It is also preparing for MiCA adoption, aiming to strengthen its organisational framework and ensure that regulated entities comply with transparency, governance and investor protection measures in the cryptoasset sector.

On 13 December 24, preliminary applications were issued for CASPs (Crypto-Asset Service Providers):
Preliminary Application Form for Authorisation as a Crypto-asset Service Provider Pursuant to Article 62 of Regulation (EU) 2023/1114
Preliminary Notification Form Pursuant To Article 60 of Regulation (EU) 2023/1114

Policy Statement (PS-03-2024) was issued on 13.12.24 and Directive DI 73-2009-04 of the Cyprus Securities and Exchange Commission for the Markets in Crypto-Assets (Fees and Contributions) of 2024) on 17.12.24 to outline CySEC's approach on the fees payable and the additional information to be submitted by the entities falling under MiCAR.

7. PENSIONS & PEPP

CySEC's Policy Statement (PS-02-2024), released on 4 December 2024, outlines the implementation of Regulation (EU) 2019/1238 for Pan-European Personal Pension Products (PEPPs) in Cyprus. The statement clarifies the registration and management of PEPPs by UCITS management companies and AIFMs as well as their passporting rights, which enables PEPPs distribution across EU Member States. Furthermore, CySEC's Directive OD 73-2009-03, issued on 6 December 2024, offers additional regulatory guidance on registration, licensing, fees and reporting obligations.

8. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

Tax rates/treatments impacting investors in investment funds, asset management companies, distributors and/or fund administrators;

Yes, please see below.

- withholding tax rates on dividends and interest distributed/paid;

Not for 2024. Changes expected in 2025.

- double tax treaties; and

Yes, please see below.

- VAT regime and practices.

None for 2024.

Corporate tax – tax rates

On 12 December 2024, the Cyprus House of Representatives voted to transpose Council Directive (EU) 2022/2523 of 14 December 2022 into law, aimed at ensuring a global minimum level of taxation for multinational enterprise (MNE) groups and large domestic groups within the EU. This legislation, known as the 'Pillar Two Directive', establishes a minimum effective tax rate of 15% for those MNEs and large-scale domestic groups with consolidated annual revenues exceeding EUR 750 million.

Investment funds in Cyprus that do not consolidate their portfolio investments under financial reporting standards - such as the International Financial Reporting Standards (IFRS) - may find themselves below this threshold and thus not directly impacted by these rules.

However, fund managers must carefully evaluate their structure and the nature of their investments to determine whether consolidation is necessary, as this could affect their revenue calculations.

Double tax treaties

The tax treaty between Cyprus and the Netherlands entered into force on 30 June 2023 and is effective as of 1 January 2024.

The tax treaty between Cyprus and Croatia entered into force on 28 December 2023 and is effective as of 1 January 2024.

9. FINANCIAL & INVESTOR EDUCATION INITIATIVES

The key initiatives were:

- Inclusion of financial education in the school curriculum: The Ministry of Education has introduced a financial education programme for third-grade secondary school students. This initiative aims to integrate the topic into the core curriculum, and has plans to expand it to a dedicated weekly subject.

- The Central Bank of Cyprus (CBC), acknowledging the significant role of financial literacy in enhancing the wellbeing of both individuals and the broader economy, has launched several initiatives over recent years.

- Specifically, it has taken a leading and coordinating role in developing the National Strategy for Financial Literacy and Education. The strategy, which was largely based on the 2018 CBC sampling financial survey results, was officially adopted by the Council of Ministers on 28 June 2022. This marked a significant step in empowering citizens with the knowledge and skills needed to improve their financial wellbeing.

- In addition, from December 2023, the CBC chairs the Cyprus Financial Literacy and Education Committee (CyFLEC), which is responsible for implementing the National Strategy. Furthermore, in line with its pivotal role in promoting financial literacy in Cyprus, the CBC also serves as a coordinator of 'Global Money Week' within the country. This initiative, organised by the OECD, centres on increasing awareness and improving the financial literacy of young people.

- Initiatives by the CySEC: The CySEC has been actively involved in designing Cyprus's National Strategy for Financial Literacy and Education and works with other organisations and authorities to implement this, through a dedicated Committee. It conducts its own awareness campaigns on current issues where it believes the public and investors need to be informed.

The CIFA is a part and member of ad hoc committees, and has taken part in several activities and meetings on financial literacy alongside the Central Bank and other organisations. In 2025, the association intends to launch targeted initiatives, including workshops and partnerships aimed at fostering a deeper understanding of investment funds and financial planning among citizens and professionals. These aim to equip individuals with the tools required to make informed financial decisions, thus contributing to Cyprus's long-term economic resilience.

10. OTHER ACTIVITIES OF THE ASSOCIATION

In 2024, the CIFA has continued to be a key actor in promoting the growth and development of the investment fund industry in Cyprus and beyond. Below is an overview of our key activities:

Publications (reports, newsletters, surveys, research)

The CIFA has been creating high-quality publications throughout the year, focusing on industry trends, regulations and best practices. Key publications include:

- **Annual Report:** Comprehensive reports detailing the performance and growth of the investment funds sector in Cyprus.

- **Newsletters:** Regular newsletters that provide updates on legislative changes, market insights and CIFA activities. Subscribers can visit our website for the latest editions and archives: CIFA News.

- **Surveys and Research Papers:** Research initiatives to gather insights from industry stakeholders, followed by the publication of findings highlighting key trends and forecasts in the investment sector.

Conferences, seminars and webinars

The CIFA has hosted and participated in numerous conferences, seminars and webinars throughout 2024, including:

- The 10th International Funds Summit and EXPO. Bringing together industry leaders, this flagship event featured discussions on regulatory developments and investment strategies. Archive sessions can be accessed here.

- The Economist Forum in Cyprus and abroad.

- Webinars on Regulatory Changes: Regularly hosted webinars aimed at educating members and stakeholders on new regulations and compliance requirements, primarily focused on ensuring members remain well-informed and prepared. An example was the webinar, '**Navigating the ESG Landscape: A Deep Dive into ESG Fund Classification methods**', organised in association with CFA Cyprus.

- Networking Seminars: Opportunities for members to connect and engage with potential investors and partners across various platforms.

- Roadshow promoting Cyprus in Athens. Event co-hosted by the CIFA and the Hellenic Fund and Asset Management Association in Athens. This event focused on Cyprus's emerging role as a key hub for Alternative Investment Funds (AIFs).

CZECH REPUBLIC COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Czech Republic (EUR billion)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	15.2	18.3	21.3	26.8	33.3
Funds domiciled abroad and promoted by national providers	8.2	10.8	10.5	11.6	14.8
Total net assets	23.4	29.0	31.8	38.4	48.1

Table 2: Net Sales of Investment Funds in Czech Republic (EUR million)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	525.5	1,685.3	3,015.3	3,611.1	3,887.0
Funds domiciled abroad and promoted by national providers					
Total net sales	525.5	1,685.3	3,015.3	3,611.1	3,887.0

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	3.2	4.2	4.1	4.7	5.4
Bond funds	4.1	4.3	7.4	11.8	14.5
Multi-asset funds	6.2	7.7	7.1	7.3	9.5
Money market funds			0.1	0.3	
Guaranteed/protected funds	0.03	0.03	0.03	0.03	
Absolute Return Innovative Strategies (ARIS) funds					
Other funds					
Total	13.5	16.2	18.8	24.1	29.4
of which ➤ ETFs					
➤ Funds of funds					

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	133.1	233.4	173.8	46.6	227.4
Bond funds	-444.5	51.2	2,735.8	3,301.2	1,689.5
Multi-asset funds	559.2	1,147.4	-159.0	111.0	1,580.4
Money market funds	104.0		81.2	132.2	-5.1
Guaranteed/protected funds	8.2	-0.3	34.9	-0.2	-2.3
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	16.2				
Total	376.2	1,431.6	2,866.7	3,590.8	3,489.9
of which ➤ ETFs					
➤ Funds of funds	16.2				

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds					
Bond funds					
Multi-asset funds					
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	1.7	2.1	2.5	2.6	4.0
Other funds					
Total	1.7	2.1	2.5	2.6	4.0
of which ➤ ETFs					
➤ Funds of funds					
➤ Institutional funds					

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds					
Bond funds					
Multi-asset funds					
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	149.3	253.7	148.7	20.2	397.1
Other funds					
Total	149.3	253.7	148.7	20.2	397.1
of which ➤ ETFs					
➤ Funds of funds					
➤ Institutional funds					

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	166	179	197	220	263
Home-domiciled AIFs	11	11	14	18	25
Foreign funds registered for sales	1,836	1,934	2,118	2,328	2,600
➤ By national promoters					
➤ By foreign promoters					
Fund launches					
Fund liquidations					
Fund mergers & acquisitions					

5. REGULATORY DEVELOPMENTS

5.1. UCITS/AIFMD

There have been no substantial regulatory changes for UCITS funds adopted in 2024. However, proposals for complex changes for UCITS and AIFMD are awaited in 2025.

5.2. Retail Distribution (MiFID II & IDD)

MiFID II / MiFIR represents the most important piece of capital market legislation implemented in the Czech Republic. Since implementation in January 2018, the most significant impact has been seen in the areas of cost transparency and inducements along with product governance process enhancement. It has also influenced the costs of implementing MiFID II rules, mainly through changes to IT systems deployed by investment services providers.

Fund distribution of in the Czech Republic is mostly undertaken through the banking system; however, the market share of independent distribution networks continues to grow. Most foreign investment funds (in terms of numbers) are distributed by independent distributors, although investment funds distributed by banks represent the majority by volume.

In practice, the EMT (European MiFID Template) and EFT (European MiFID Feedback Template) are used by a number of foreign investment funds distributed in the Czech Republic. These do not, however, cover all the funds marketed locally..

5.3. CSDR

Shortening of the settlement will have a negative impact, notably in smaller markets such as the Czech Republic.

5.4. ELTIF

ELTIF 2.0 regulation has been positive for the potential use of ELTIFs by asset managers in the Czech Republic. The expectancy, therefore, is that there will be local ELTIFs available. There are no specific suggestions for regulation for the local market.

The Czech Republic already has a similar local product for qualified investors - so-called ‘Qualified Investors´ Funds’ (QIFs). These are widely used by more experienced investors.

5.5. Sustainable finance

Currently, most local market initiatives are linked to the SFDR. There is little demand for ESG investments in the Czech Republic, therefore ESG investments play role rather from the perspective of the implementation of the EU law.
Given the uncertainty of the SFDR, certain implementation questions were therefore discussed with the local regulator, such as the categories of funds. Market participants would appreciate greater simplification and clarity from EU regulators. .

5.6. Stewardship

There have been no major developments in the regulatory and/or self-regulatory corporate governance environment in the Czech Republic. All local institutions, as well as the Commercial Register, are fully accessible in electronic formats, while legislation on electronic voting is already in place and in operation. All corporations are required to make the prescribed fillings in the electronic format, as well as allowing direct access to the company resolutions and other information. AKAT members – investment and management companies – are adhering to corporate governance principles for financial institutions and investee companies.

5.7. Benchmarks

There have been no recent local developments in the area of benchmarks. The impact of the Benchmark Regulation will be assessed at the end of this year.

5.8. Anti-Money Laundering

Following implementation of amended AML rules, there has been a focus on practical issues, such as the client country of origin or the beneficial ownership issues.

5.9. Digital Finance & Cybersecurity

The Ministry of Finance and the Czech National Bank are following the EU legislation on this topic. Several guidance items have been issued by the National Bank, including on investment instruments issued via the DLT technology and the Prospectus Regulation and on the possibilities for funds to invest in cryptoassets.

With MICA implementation, the vast cryptomarket in the Czech Republic will adopt the basic rules brought by MiCA.

5.10. Other regulatory developments

The AKAT is deeply involved in developing the Czech capital market. Most of the association’s activities are focused on new legislation and regulatory actions in this field, taxation of investment funds and the environment of fund business. There have been various meetings with regulators to clarify issues arising from the new regulation.

By encouraging the regulatory landscape towards better-developed fund jurisdictions, the Czech Republic is aiming to attract fund managers seeking EU offices. To this end, it has some unique attractions: Czech credit ratings are the highest among the EU's post-communist members, while the banking industry is among the best-capitalised in Europe. The Czech National Bank is also a strong and respected regulator.

The AKAT is cooperating closely with the Czech National Bank on cultivating the market and promoting fund investments and asset management industry. These efforts regularly see proposals for new legislation and regulatory opinions on diverse issues relevant to the national capital market.

In 2024, the efforts of the AKAT resulted in adopting and implementing of the long-term pension product, a tax account based on already existing and regulated investment products.

6. PENSIONS & PEPP

In 2023, there were only two individual pension products available with a state support within the third pillar pension pillar: (i) pension funds and (ii) private life insurance. As of 2024, a new pension product was introduced within the third pillar; the so-called 'long-term Investment Product'. This offers local households a new opportunity to benefit from tax deductibility when investing long-term investment products for retirement.

7. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

A preferential 5% corporate income tax for investment funds applies, compared to 21% for other corporations. However, this status is only granted to those funds listed on a stock exchange (further specific rules apply), are in a form of a mutual fund or invest more than 90% of assets into eligible instruments as defined by the relevant tax law. On application of the 5% tax rate on foreign funds, certain other conditions must be met, such as the fund income not being attributed to any third party.

Retail investors can benefit from an exemption on the taxation of revenues upon redemption/sale following a three-year holding period. The tax-exempt income is capped CZK 40 million. The current withholding tax rates on dividends/interest is 15%. For residents of a country where no double tax treaty/no agreement on tax information exchange with the Czech Republic is in place, the withholding tax rate is 35%.

In 2024, the three-year holding period exemption on taxation of revenues upon redemption has been introduced also for cryptoassets. The cap of CZK 40 million applies jointly to tax-exempt income from sale of securities, shares and cryptoassets.

Currently, individual investment funds established in the Czech Republic are treated as a taxable person by the VAT rules. However, the majority of financial activities are VAT exempt, without entitlement to tax deduction. Several clarifications on the VAT rules on investment services at local level were adopted in 2024.

The Czech Republic has a significant double tax treaty network of more than 90 countries, with others being negotiated or ratified. On foreign investment funds' access to double tax treaties benefits, these needs to be assessed on an ad hoc basis.

8. FINANCIAL & INVESTOR EDUCATION INITIATIVES

The AKAT engages with the local media, offering comment on recent or important developments in the investment sector. Topics include the inclusion of women, financial education, pension planning and economic growth. Banks also continued a successful digital safety campaign in 2024.

9. OTHER ACTIVITIES OF THE ASSOCIATION

Fund regulation and taxation issues, together with financial education, are the most frequent topics of conferences and seminars organised by the AKAT. Events included the 14th annual Czech and Slovak conference, 'Next Steps in Asset Management', co-organised by the AKAT and the SASS, the Slovak association.

In addition, the AKAT regularly participates in various conferences and seminars, both for financial institutions and institutional investors as well as for retail investors and the general public. It also cooperates with academic institutions on initiatives such as the regular 'Conference Development and Innovations of Financial Products', organised by the University of Economics in Prague.

The goal of further market development saw closer cooperation with the CFA Society Czech Republic to promote - among other goals - financial education in the Czech Republic.

In 2024, the AKAT continued its widely welcomed survey on the motivations and barriers for retail investors.

DENMARK COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Denmark (EUR billion)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	328.8	367.0	282.4	275.4	307.4
Funds domiciled abroad and promoted by national providers				43.7	43.8
Total net assets	328.8	367.0	282.4	319.1	351.2

Table 2: Net Sales of Investment Funds in Denmark (EUR million)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	5,344.9	4,725.0	-32,703.0	-29,002.4	-6,837.3
Funds domiciled abroad and promoted by national providers					
Total net sales	5,344.9	4,725.0	-32,703.0	-29,002.4	-6,837.3

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	64.9	84.4	67.3	75.2	93.7
Bond funds	64.3	66.9	56.9	62.6	66.6
Multi-asset funds	27.2	33.5	31.8	33.7	35.5
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	1.4	1.7	1.4	1.6	3.4
Total	157.8	186.5	157.4	173.1	199.3
of which ➤ ETFs					
➤ Funds of funds	13.4	18.3	20.0	22.4	28.6

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	4,156.1	4,422.3	-79.8	979.1	4,752.6
Bond funds	2,836.9	3,506.5	-1,877.6	2,404.3	252.7
Multi-asset funds	3,782.0	3,597.8	523.5	-739.3	437.8
Money market funds	-33.0				
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	-10.4	42.7	365.1	-22.8	143.0
Total	10,731.6	11,569.3	-1,068.8	2,621.3	5,586.0
of which ➤ ETFs					
➤ Funds of funds	2,191.7	3,176.2	1,520.4	549.8	375.0

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	70.2	83.5	48.0	51.1	59.5
Bond funds	63.7	59.3	47.8	22.0	23.6
Multi-asset funds	29.1	27.4	19.3	19.9	16.7
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	0.6	0.6	0.8	0.7	0.002
Real estate funds	1.4	2.0	2.5	1.7	1.5
Other funds	6.1	7.7	6.7	6.9	6.7
Total	171.0	180.5	125.0	102.3	108.1
of which ➤ ETFs					
➤ Funds of funds	28.0	27.9	20.3	20.6	23.1
➤ Institutional funds	152.5	161.2	112.0	88.9	94.4

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	-8,225.7	-178.1	-25,780.5	-2,413.6	-5,161.1
Bond funds	265.1	-2,635.2	-4,819.0	-26,853.4	483.1
Multi-asset funds	1,274.0	-4,269.0	-1,146.2	-1,199.4	-4,309.9
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	-367.2			-163.6	-787.3
Real estate funds	278.0	342.3	421.1	-542.7	-181.7
Other funds	1,389.0	-104.2	-309.5	-451.0	-2,466.3
Total	-5,386.7	-6,844.2	-31,634.2	-31,623.7	-12,423.3
of which ➤ ETFs					
➤ Funds of funds	3,356.2	-4,058.4	-797.9	-1,637.5	-1,559.8
➤ Institutional funds	-3,639.4	-5,259.1	-31,496.0	-30,890.5	-11,399.1

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	544	553	558	565	694
Home-domiciled AIFs	375	380	358	359	265
Foreign funds registered for sales					431
➤ By national promoters					
➤ By foreign promoters					
Fund launches	90	20	34	46	53
Fund liquidations	29	15	23	60	15
Fund mergers & acquisitions					
Number of unit holders	650,615	801,467	847,407		

5. MARKET DEVELOPMENTS IN 2024

Net assets of Danish UCITS and AIFs increased by 12%. in 2024, following two years of decline. The increase in net assets can be mainly attributed to the significant returns on global stock markets in 2024, as net sales of Danish UCITS and AIFs were negative for the third year running.

The fall in sales of Danish funds were driven by negative net sales of AIFs, while UCITS saw positive net sales for the second year running. In 2024, declining inflation, falling interest rates and rising real wages saw an increase in retail investor participation, driving growth in the net sales of UCITS.

The total number of Danish funds increased in 2024, as the number of fund launches exceeded those of liquidations.

6. REGULATORY DEVELOPMENTS

6.1. UCITS/AIFMD

With Denmark holding the Presidency of the European Council in the second half of 2025, the Danish Financial Supervisory Authority (DFSA) was instructed by the Danish government to ensure to aim to implement all EU legislation capable of being implemented before the Presidency is handed over. This was to minimise the legislative workload while Denmark held the presidency. Consequently, on December 20, 2024, the Danish Investment Association received an invitation to participate in the hearing on the revised UCITS and AIFM Directives implementation. The hearing concluded on 31 January 2025, with the Danish Investment Association submitting its response. As a result, Denmark has become one of the first EU Member States to implement the revised Directives. Although open issues remain for further discussion with the DFSA, the Danish Investment Association looks forward to seeing the new rules in practice.

6.2. Retail Distribution (MiFID II & IDD)

The DFSA had a sharp focus on peer grouping in product governance processes on the cost and performance of retail investment products.

In January 2024, the DFSA published guidance on the marketing of investment products and services by investment firms. It included guidance on procedures and controls as to the contents of marketing material.

The DFSA continues to focus on investment firms accepting and retaining fees or commissions for investment services provided, for both portfolio management and execution-only customers. Following their thematic inspections of 2019, the DFSA undertook a fresh set of inspections, and published a report concluding their findings in September 2024. Although these conclusions were less severe than those from 2019, the Danish Investment Association believes that the DFSA's practices for accepting and retaining fees or commissions for investment services is still interpreted more strictly than in most other EU Member States.
The EMTs are used throughout the industry to facilitate data flows between manufacturers to distributors on MiFID-related data. The EETs are, to the best of our knowledge, also used, but not throughout the entire industry.

6.3. CSDR

The costs of operationalising cash penalties generally exceeds inflows received for asset managers.

6.4. ELTIF

There are currently no ELTIFs issued by our members, and the Danish fund market has shown little interest in doing so.

6.5. Sustainable finance

Not strictly related to SFDR, the ESMA naming guidelines and the interpretation by the DFSA has been the topic of considerable discussion during 2024. The DFSA has taken a conservative approach to the term 'meaningful investments' when naming a fund sustainable, requiring these funds to be fully sustainable, unless they include a term such as 'partially' or other nuances. The Q&A published by ESMA in December 2024 - which requires a minimum of only 50% sustainable investments to allow the use of the term 'sustainable' - has not changed the DFSA's approach.
In addition, in 2024, the DFSA conducted a number of inspections related to a common supervisory action from ESMA on sustainability risks and disclosures. On a general level, the workload for inspections across different sustainability topics was high in 2024.

6.6. Stewardship

There were no notable developments on this issue in 2024.

6.7. Benchmarks

We have only heard moderate concerns voiced by the buy-side over the proposals to remove non-significant benchmarks from the scope of the Regulation.

6.8. Anti-Money Laundering

As the entry into force of the EU Regulation on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing (AMLR) approaches, we in Denmark are closely monitoring its implementation. The current national legislation includes provisions that exempt fund managers and funds without direct end investor relations from the legislation, such as cases where a distributor acts as an intermediary between the funds and the investors. The integration of this previous exemption into the common EU Regulation remains an active topic in Denmark, one in which the Danish Investment Association is active.

AML Package:

Since July 2024, Denmark has been preparing for the implementation of the AML package, which will come into effect in 2027. This has introduced a new legal framework, one where most rules will be governed by a regulation, thus eliminating the possibility for national implementation and exemptions. Consequently, the national focus has been on interpreting the rules of the AML package and ensuring practical compliance. Emphasis has been on customer due diligence (KYC) measures, as they are crucial for detecting unusual and potentially suspicious behaviour and transactions.

Information sharing

Additionally, significant national efforts have been directed towards enhancing information sharing. This involves interpreting the legal framework outlined in the AML Package and establishing collaborations and communication channels between financial institutions and relevant authorities. These measures aim to ensure the timely and accurate exchange of information, thereby strengthening our collective ability to combat financial crime.

6.9. Digital Finance & Cybersecurity

There were no notable developments on this issue in 2024.

7. PENSIONS & PEPP

There were no notable developments on this issue in 2024.

8. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

New rules have been introduced establishing that foreign investors are exempt from Danish withholding tax. Dividends have been exempted from tax for a couple of years, but tax has still been withheld and investors had to reclaim it. As from 1 January 2026, however, there will be no withholding tax. This has been a long-standing request from the Danish Investment Association.

9. FINANCIAL & INVESTOR EDUCATION INITIATIVES

In addition to the nationwide ‘Money Week’ (financial education for early teenagers), Finance Denmark - in collaboration with the Danish Youth Council – instigated the Economic Youth Summit, an event focusing on the economic and social wellbeing of young people. At this, young people debated various topics around personal finance, debt, savings and investment, exploring how these issues impact their general wellbeing.

10. OTHER ACTIVITIES OF THE ASSOCIATION

Each year, our association publishes an analysis of investor behaviour among Danish citizens. The findings can be found here: Investorkulturen i Danmark. Each month, we publish monthly statistics on funds, along with a short report. These can be found here: Nyheder.

FINLAND COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Finland (EUR billion)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	132.4	159.0	137.7	149.4	183.4
Funds domiciled abroad and promoted by national providers	16.7	18.3	8.9		
Total net assets	149.1	177.2	146.6	149.4	183.4

Table 2: Net Sales of Investment Funds in Finland (EUR million)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	2,830.9	9,580.2	-3,839.0	3,262.8	9,577.1
Funds domiciled abroad and promoted by national providers			-0.9		
Total net sales	2,830.9	9,580.2	-3,840.0	3,262.8	9,577.1

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	48.1	61.0	52.0	58.2	77.4
Bond funds	45.2	50.0	41.1	45.9	54.6
Multi-asset funds	22.9	27.9	24.7	26.5	31.6
Money market funds	0.2	0.2	0.2	0.3	0.4
Guaranteed/protected funds	0.1	0.1	0.1	0.1	0.1
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	0.4	0.4	0.2		
Total	116.9	139.6	118.2	131.1	164.1
of which ➤ ETFs	0.3	0.5	0.4	0.5	0.4
➤ Funds of funds	27.4	30.7	26.5	28.8	33.4

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	952.6	1,591.4	72.0	1,059.4	5,121.3
Bond funds	-461.1	4,152.7	-4,765.8	2,109.1	2,673.6
Multi-asset funds	1,837.5	2,231.5	407.7	182.4	1,435.5
Money market funds	-12.2	-32.5	29.5	139.0	29.1
Guaranteed/protected funds	37.6	25.0	-8.0	4.3	13.2
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	-29.0	-49.8	-68.5	-20.5	
Total	2,325.4	7,918.2	-4,333.1	3,473.6	9,272.8
of which ➤ ETFs	21.6	59.7	-72.3	53.6	-22.8
➤ Funds of funds	1,594.0	934.0	-151.1	-57.4	837.6

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	2.2	2.8	2.1	2.0	2.4
Bond funds	1.2	1.2	1.2	0.7	0.9
Multi-asset funds	4.8	5.6	5.0	5.1	6.0
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds			9.2	8.1	7.4
Other funds	7.3	9.8	2.1	2.3	2.6
Total	15.5	19.4	19.5	18.3	19.4
of which ➤ ETFs					
➤ Funds of funds	1.6	1.8	1.6	1.2	1.5
➤ Institutional funds					

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	45.6	235.1	-178.7	-65.4	44.0
Bond funds	-214.1	18.1	-20.5	96.2	125.6
Multi-asset funds	-107.6	158.3	-102.9	-40.7	303.0
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	-3.76		248.9	-344.8	-410.9
Other funds	785.4	1,250.5	547.4	143.9	242.7
Total	505.6	1,662.0	494.1	-210.8	304.4
of which ➤ ETFs					
➤ Funds of funds	-117.6	142.2	-36.0	90.6	196.0
➤ Institutional funds					

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	397	380	371	380	390
Home-domiciled AIFs	97	104	106	103	102
Foreign funds registered for sales			569		
➤ By national promoters	64	54	42		
➤ By foreign promoters	399	385	527		
Fund launches	76	73			
Fund liquidations	99	26			
Fund mergers & acquisitions	35	41	32		

5. REGULATORY DEVELOPMENTS

5.1. UCITS/AIFMD

The implementation of UCITS/AIFMD changes started by governmental working group. Finance Finland participated actively in discussion. The goal is to avoid additional national requirements. Final proposals are expected during 2025.

5.2. Retail Distribution (MiFID II & IDD)

The main focus has been on the European negotiations of the RIS package.

It is our understanding that FinDatEx templates are being used. However, as we are not involved in operational issues, we do not have access to any detailed figures or statistics.

5.3. CSDR

For antitrust reasons, we do not discuss such cost issues at the association.

5.4. ELTIF

To date, there are no Finnish ELTIF funds. However, funds with ELTIF characteristics have been set up under the national retail-AIF regime. We understand that members are interested in ELTIF funds, and the fund legislation is already fit for purpose. However, there are some tax implications (see below).

We do not expect any specific tax incentives. Currently, Finnish tax legislation does not facilitate the start of ELTIF funds; in order to be tax exempt, a fund must be open and by nature ELTIF funds are not. We are in discussions with the ministry of Finance for changes and hope that ELTIFs will obtain similar tax treatment as other funds (no tax at fund level).

5.5. Sustainable finance

Nothing country-specific to report. Naturally, we have closely followed EU discussions at both regulator and supervisory levels.

5.6. Stewardship

There were no notable developments on this issue in 2024.

5.7. Benchmarks

There were no notable developments on this issue in 2024.

5.8. Anti-Money Laundering

We have been in discussions with the Financial supervisor and Ministry of Finance in AML matters. The main point is conflict between national legislation and EBA guidance. The EBA guidance is based on nominee registration of fund investor, while Finnish legislation requires direct registration of fund investors. This has created major difficulties between fund managers and distributors. The EU AML package is undergoing implementation, and we hope to be able to resolve this issue as part of the process.

5.9. Digital Finance & Cybersecurity

There were no notable developments on this issue in 2024.

5.10. Other regulatory developments

The current government programme includes a proposal to investigate 'child investment accounts', which would include modest seed investment for newborn babies from government.

In order to boost the discussion, Finance Finland prepared an industry-led blueprint for such an account. Our goal is to make them both operationally viable for members and meaningful for citizens. Discussions will continue during 2025.

6. PENSIONS & PEPP

There were no notable developments on this issue in 2024.

7. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

There were no notable developments on this issue in 2024.

8. FINANCIAL & INVESTOR EDUCATION INITIATIVES

We have been assisting in increasing financial literacy in Finland. On a general level, we support the idea of having a national strategy for financial literacy, in line with the proposal issued by the Bank of Finland.

For our part, we offer study materials for schools during Global Money Week in March. We also take part in the European Money Quiz competition, sending two Finnish 8th-grade students to represent the country in the finals. Another initiative to increase financial literacy is 'Talous Tutuksi' ('Getting to Know the Economy'), a series of seminars aimed at social studies teachers throughout Finland. These seminars consist of topical talks on various areas of the economy. In addition, we organise the national 'Economic Guru' competition for students in Finnish upper secondary schools. This competition has two parts; the first focuses on the importance of economics in schools, and the second gives young talents the opportunity to showcase their Economic and argumentation skills at the final event.

9. OTHER ACTIVITIES OF THE ASSOCIATION

We organised several seminars and webinars targeted primarily at media and policy makers (in Finnish language, due to target audience).We supply comprehensive schools with learning materials that they can use to teach personal finances. www.Zaldo.fi is a gamified learning environment for comprehensive schools that also includes a national competition. Zaldo is Finland's contribution to European Money Week, an international campaign aimed at improving financial literacy across Europe.

The national Economic Guru competition (https://www.talousguru.net/, in Finnish and Swedish only) is aimed for students in Finnish upper secondary schools. The competition has two elements: the first seeks to draw attention to the importance of economics in schools, while the second gives the floor to young talent at the final event.

'Talous tutuksi' ('Getting to know the economy') is a series of seminars aimed at social studies teachers. They consist of topical talks on the various areas of the economy.

9. OTHER ACTIVITIES OF THE ASSOCIATION

Much of our efforts were focused on the elections, which took place in April 2023. We agreed and published our objectives for the programme of the next government https://www.finanssiala.fi/en/topics/finance-finlands-objectives-for-the-finnish-government-programme/.

One of our key topics was to encourage savings and investment. We propose to make changes to the fund laws in order to improve the competitiveness of Finnish funds in two ways.

Further improvement of the fund unit register (improved nominee registration) and the facilitation of the variable capital model (SICAV). Another topic was to improve the conditions for voluntary pension savings (as described above in point 6).

FRANCE COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in France (EUR billion)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	2,088.2	2,267.7	2,096.4	2,278.6	2,502.0
Funds domiciled abroad and promoted by national providers	710.0	871.7	824.1	881.8	997.5
Total net assets	2,798.2	3,139.4	2,920.5	3,160.4	3,499.5

Table 2: Net Sales of Investment Funds in France (EUR million)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	71,400.0	-8,200.0	-48,509.0	14,400.0	29,979.0
Funds domiciled abroad and promoted by national providers					
Total net sales	71,400.0	-8,200.0	-48,509.0	14,400.0	29,979.0

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	230.2	279.3	219.4	232.9	247.4
Bond funds	128.9	141.5	122.7	135.0	159.1
Multi-asset funds	159.9	170.5	138.5	137.5	133.7
Money market funds	371.5	361.3	347.8	402.5	422.3
Guaranteed/protected funds	1.3	1.1	7.7	8.0	14.5
Absolute Return Innovative Strategies (ARIS) funds					
Other funds					
Total	891.8	953.7	836.2	915.8	977.0
of which ➤ ETFs	32.8	38.9	34.8	36.8	46.6
➤ Funds of funds					

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	3,100.0	-5,600.0	-14,640.0	-17,568.0	-8,829.0
Bond funds	-15,200.0	9,500.0	-2,900.0	5,050.0	13,666.0
Multi-asset funds	-7,900.0	200.0	387.0	-10,540.0	-9,253.0
Money market funds	76,000.0	-8,700.0	-17,967.0	45,482.0	6,493.0
Guaranteed/protected funds	-500.0	-200.0	-447.0	643.0	3,142.0
Absolute Return Innovative Strategies (ARIS) funds					
Other funds					
Total	55,500.0	-4,800.0	-35,567.0	23,067.0	5,219.0
of which ➤ ETFs	-1,971.0	-1,000.0	3,154.0	-2,980.0	3,430.0
➤ Funds of funds					

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	111.6	128.4	115.3	126.0	143.9
Bond funds	160.1	155.7	148.7	156.1	184.4
Multi-asset funds	191.0	202.4	158.4	164.9	172.7
Money market funds	20.9	16.1	11.8	13.6	11.6
Guaranteed/protected funds	15.7	13.5	6.0	7.1	7.7
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	201.6	229.5	230.9	219.8	231.6
Other funds	495.4	568.4	589.0	675.3	773.1
Total	1,196.4	1,314.0	1,260.2	1,362.8	1,525.1
of which ➤ ETFs					
➤ Funds of funds					
➤ Institutional funds					

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	400.0	-100.0	-2,120.0	-6,057.0	4,777.0
Bond funds	16,400.0	-1,900.0	793.0	4,459.0	27,109.0
Multi-asset funds	-3,400.0	5,500.0	-8,172.0	-6,825.0	-5,050.0
Money market funds	4,000.0	-4,000.0	-1,043.0	1,795.0	-2,304.0
Guaranteed/protected funds	-1,500.0	-2,900.0	-2,400.0	-2,039.0	228.0
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds					
Other funds					
Total	15,900.0	-3,400.0	-12,942.0	-8,667.0	24,760.0
of which ➤ ETFs					
➤ Funds of funds					
➤ Institutional funds					

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	3,012	2,984	3,075	3,092	3,093
Home-domiciled AIFs	7,790	7,931	7,922	7,676	7,840
Asset management companies	680	708	702	700	695
Foreign funds registered for sales					
➤ By national promoters					
➤ By foreign promoters					
Fund launches					
Fund liquidations					
Fund mergers & acquisitions					

5. MARKET DEVELOPMENTS IN 2024

Asset management in France passes the EUR 5,000 billion mark

A fast-growing market

- **Assets under management in France** (mandates and mutual funds) **reached EUR 5,033 billion, an annual increase of 8.7%.** This represents an annualised growth of 4.4% since the 2008 financial crisis.

- **Collective investment management accounted for EUR 3,500 billion, up 10.7%. This was driven by** French investment funds at EUR 2,502 billion (up 9.8%) and foreign investment funds (EUR 998 billion, up 13.1%).

- **Among French funds,** UCITS **totalled EUR 977 billion (up 6.7%)**, while alternative investment funds (AIFs) reached **EUR 1,525 billion (up 11.9%).**

- **French-domiciled bond funds saw record net inflows of EUR 40.8 billion.** Money market funds posted net inflows of EUR 4.2 billion, while equity and balanced funds suffered net redemptions of EUR 18.3 billion.

Strong momentum in sustainable funds

- **SFDR funds managed in France rose** to EUR 1,647 billion **(up 15.4%)**. These are divided between Article 8 funds (EUR 1,552 billion) and Article 9 funds (EUR 95 billion).

Solid performances across all asset classes

- **The main fund categories posted positive annual performances:**
  - Equity funds: 10.3%
  - Diversified funds: 6.5%
  - Bond funds: 4.3%
  - Money market funds: 3.9%.

Structural market trends

- The number of French asset management companies fell slightly to 695 (versus 700 AMCs at end 2023), with the 27 new companies established (versus 23 in 2023) being offset by consolidations and mergers.

6. REGULATORY DEVELOPMENTS

6.1. UCITS/AIFMD

There have been no notable developments in this area during 2024. Our National Competent Authority is currently working on the transposition of AIFMD and UCITSD reviews.

6.2. Retail Distribution (MiFID II & IDD)

According to the French Charter, the signatory associations – the AMAFI, SFAF and AFG - have to review the charter every two years; they last did this in 2024. They concluded that no modifications were required. This Charter was used as a baseline for ESMA's work on establishing an EU code of conduct. The majority of its commitments - such as the 50% upfront payment and the minimum initial term of two years - have been incorporated into ESMA's proposal (consultation on an EU code of conduct for issuer-sponsored research)..

6.3. CSDR

Cash penalties and - more globally - settlement efficiency, is a major concern for the AFG's members, particularly when discussing reducing the settlement cycle from T+2 to T+1. Therefore, we have been trying to collect data on penalty costs/incomes from our members. Although asset managers are generally more likely to be net recipient of penalties, they bear high costs, arising mainly from the administrative burden of the task (processing the penalties and initiating claims). For one large asset manager, this represents the cost of having two full-time employees, managing claims (issuance and reception) and reimbursing penalties to clients. The total cost is around half a million euros/year (There is no comparative information on the inflows, but members say these are less significant than the costs).
Although asset managers reimburse their clients when they are net recipients, often they choose to bear the costs of penalties when required to pay them.

A number of entities will reduce their fund settlement cycle ahead of T+1. Ohers won't, due to the complexities it adds to the distribution side, as it implies a modification to the net asset value cut-off.

6.4. ELTIF

The offer of ELTIFs has increased, but not as much as first anticipated. Firstly, this is due to the late publication of the final Regulatory Technical Standards (RTS), and subsequently because of a significant backlog of unanswered operational questions, requiring further guidance from the European Commission/ESMA.
Further investments from retail investors are certainly anticipated, but the levels remain still uncertain.

It is not anticipated that France will put in place any incentive - tax or otherwise - to promote ELTIFs.

6.5. Sustainable finance

The upcoming SFDR review by the European Commission is scheduled for Q4 2025. The French authorities, along with other financial actors, are currently refining their position on this review. They are considering a classification into three distinct categories, each with its own technical criteria. At this stage, however, there is no officially agreed approach for the upcoming version of SFDR.

6.6. Stewardship

The AFG strongly encourages its members to exercise their right to vote. In order to help them create a policy on exercising their voting rights as shareholders of listed companies, the AFG updates regularly its recommendations on corporate governance, the latest version of which - published at the beginning of 2025 - is available on its website.

There are no specific obstacles to exercising voting rights compared to other European countries.

6.7. Benchmarks

We have stood firmly against the total descoping of non-significant BMRs benchmarks. Asset managers need to be able to obtain certain information from the index administrator to respond to their own transparency and disclosure obligations, as non-significant BMRs benchmarks represent more than 80% of our member's indices. As already stated, our wish has been to maintain ensure that such information on big large index administrators operating in oligopolistic markets remain subject to certain obligations.in oligopolistic situations. The final text is better than it could have been, as most of these big administrators will continue to be captured and will have to disclose information on their ESG benchmark. With the spotlight on ESG requirements, at minimum it was essential to manage to obtain information on those indexes.

6.8. Anti-Money Laundering

At this stage, the new AML package has not yet been implemented nationally.

6.9. Digital Finance & Cybersecurity

There were no notable developments on this issue in 2024.

7. PENSIONS & PEPP

Enacted on 23 October 2023, the Green Industry Act represents a dual economic and environmental ambition for France. The law was subject of a series of implementing measures, published during the first semester of 2024.
Among its many objectives, the Act reinforces earmarking of life insurance and retirement savings plans (pillar III) investments for non-listed assets. Here, a proportion of such assets must be proposed within the mandatory options offered to retail investors.

There have been no developments on pillar I since the latest pension reform in 2023 (pension-age increase).

There have been no developments on the PEPP (French regulation has been duly adapted since the 2024 Finance Act).

8. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

E-invoicing and e-reporting: French Tax Authorities confirmed, in December 2024, that unincorporated mutual funds ('Fonds Communs de Placement') without a SIREN number (unique French business identification) will be excluded from the scope of e-invoicing. However, they remain within the scope of e-reporting.

- **2025 French Finance Bill:**
  Withholding tax on French source dividends:
  - The introduction of a general principle of 'beneficial owner' under French internal law.
  - Withholding tax applicable where a French-source Dividend Equivalent Payment is paid - either directly or indirectly - to a non-resident counterparty.

Pillar Two: French investment entities are not excluded from QDMTT (Qualified Domestic Minimum Top-up Tax) at this stage. However, a specific mechanism is provided whereby a French entity of the investor's group can be designated as liable for the QDMTT. However, discussions between French asset management associations and French authorities on this subject are still ongoing, and this regime may change in a forthcoming law.

- **Double tax treaties**
  France / Moldova: Entry in force on 29 January 2024
  France / Burkina Faso: Termination of the DTT on 1 January 2025
  France / Mali: Termination of the DTT on 1 January 2025
  France / Niger: DTT suspension from 5 June 2024
  France / Belarus: DTT partial suspension from 1 June 2024.

9. FINANCIAL & INVESTOR EDUCATION INITIATIVES

The AFG is a member of the Strategic Committee on Financial Education. This is the driving force behind the national strategy for economic, budgetary and financial education, under the aegis of the Ministry of the Economy, Finance and Recovery.

In this context, the AFG has helped develop a financial investment performance simulator, in collaboration with the Banque de France and other financial services associations (banks and insurance companies).

In 2024, the AFG continued its efforts with its 'Être acteur de mon épargne' campaign. Launched via social networks, it aims to raise awareness and engage retail investors (young graduates, young working people, young families, future homeowners and those wishing to prepare for their retirement) through edutainment content.

In addition, the AFG is actively strengthening its commitment to financial education with key initiatives. First, it has launched the **Financial Education Club**, a network dedicated to fostering collaboration between asset management companies on this critical topic. The Club provides a platform for industry professionals to share insights, best practices and innovative approaches to improving financial literacy among savers and investors. It seeks to enhance collective efforts in promoting responsible investment and long-term financial planning.

The AFG is also working to improve **student access to careers in asset management**, by expanding its **career information resources**. The AFG website now features a series of **job profile sheets**, designed to help students and young professionals better understand the various career paths within asset management. These resources aim to attract diverse talent to the sector by offering clear insights into job roles, required skills and potential career trajectories.

In addition, the AFG has launched a **survey on the behaviour and expectations of savers in the medium and long term**. The findings will provide valuable insights into how investors perceive and approach financial planning, ultimately allowing for more-effective educational strategies. The results will be published in **March 2025**, coinciding with **Financial Education Week** and will help reinforce the importance of informed decision making in investment.

To further support financial education, the AFG has already developed three comprehensive guides, providing valuable resources for both investors and professionals:

- Sustainable Finance – Understanding in 9 Questions
- Financial Education: AFG Publishes '12 Principles for Saving and Investing in Medium- and Long-Term Financial Investments'
- Investing to Build Your Future – 5 Steps to Success.

These serve as practical tools for enhancing financial literacy and helping individuals make informed financial choices.

10. OTHER ACTIVITIES OF THE ASSOCIATION

The AFG continues to advance its commitment to **diversity and inclusion** with the launch of a dedicated **Diversity Club**. aimed at fostering collaboration, increasing idea sharing and expanding professional networks within the asset management industry. This initiative provides a platform for asset management companies to exchange best practices, develop new strategies and work collectively for a more inclusive and diverse financial sector.

As part of this commitment, the AFG has published a new guide, **'Taking Action for Diversity and Inclusion – #2 Awareness and Training – Best Practices Guide'**. This complements the two prior guides, **'Best Practices Guide: 'Taking Action for Diversity and Inclusion – #1 Age Diversity'** and **'Best Practices Guide: 'Taking Action for Disability Inclusion'**.

These resources provide practical recommendations and frameworks to help asset management firms strengthen their diversity and inclusion strategies. By offering insights into regulatory expectations, corporate best practices and actionable steps, these guides serve as essential tools for fostering a more-representative and equitable industry.

Finally, the AFG is preparing to publish a **study on the partnerships and initiatives undertaken by asset management companies to promote diversity and inclusion**. This research will offer a comprehensive analysis of the industry's efforts to promote inclusion, highlight best practices and identify areas for further progress. The findings will provide valuable benchmarks for firms looking to improve their commitment to diversity and ensure meaningful change throughout the sector.

GERMANY COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Germany (EUR billion)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	2,511.4	2,789.3	2,468.8	2,653.4	2,808.3
Funds domiciled abroad and promoted by national providers	595.7	773.5	686.7	718.5	845.8
Total net assets	3,107.1	3,562.8	3,155.5	3,371.9	3,654.1

Table 2: Net Sales of Investment Funds in Germany (EUR million)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	107,045.4	160,036.6	64,089.0	35,284.2	27,962.0
Funds domiciled abroad and promoted by national providers	19,084.4	87,207.3	6,611.9	20,562.2	50,513.2
Total net sales	126,129.7	247,243.9	70,701.0	55,846.4	78,475.2

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	222.1	287.9	248.1	289.9	336.9
Bond funds	67.3	67.0	53.4	56.1	59.4
Multi-asset funds	117.0	140.2	123.3	128.8	137.4
Money market funds	2.0	2.4	2.6	3.1	4.9
Guaranteed/protected funds	0.2	0.2	0.2	0.2	0.3
Absolute Return Innovative Strategies (ARIS) funds	3.0	3.0	2.6	2.4	2.3
Other funds	6.6	7.1	6.2	6.8	8.0
Total	418.1	507.8	436.4	487.2	549.1
of which ➤ ETFs	51.0	61.3	51.6	59.3	65.0
➤ Funds of funds	28.0	35.6	31.2	33.4	35.5

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	5,270.8	14,811.1	6,005.7	8,217.6	4,412.8
Bond funds	-275.8	789.0	-6,515.3	798.0	1,950.9
Multi-asset funds	3,056.9	12,384.9	3,062.3	-3,742.1	-2,697.9
Money market funds	-87.2	423.5	248.4	397.7	1,620.5
Guaranteed/protected funds	-30.8	42.1	2.3	6.5	49.4
Absolute Return Innovative Strategies (ARIS) funds	-107.7	-89.2	-87.9	-256.4	-180.6
Other funds	-960.5	116.0	-160.9	400.6	748.8
Total	6,865.7	28,477.5	2,554.6	5,821.9	5,903.9
of which ➤ ETFs	2,988.6	462.1	-890.5	339.3	-187.5
➤ Funds of funds	-1,115.5	376.2	424.8	-390.4	-1,432.2

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	127.0	150.9	124.0	126.0	133.9
Bond funds	484.2	471.3	382.3	410.9	406.1
Multi-asset funds	969.2	1,059.0	981.6	1,036.0	1,103.2
Money market funds	6.2	5.6	5.3	5.3	5.8
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	2.1	8.7	7.1	7.2	7.2
Real estate funds	236.8	264.1	289.0	293.4	288.0
Other funds	267.7	321.9	243.1	287.4	314.9
Total	2,093.2	2,281.5	2,032.4	2,166.2	2,259.2
of which ➤ ETFs					
➤ Funds of funds	103.3	118.7	115.9	120.3	127.5
➤ Institutional funds	1,948.7	2,123.7	1,873.1	2,005.9	2,104.2

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	7,310.6	9,044.3	2,652.2	-9,458.0	-4,512.6
Bond funds	26,698.3	8,274.3	12,186.6	6,884.6	-5,924.1
Multi-asset funds	14,733.4	46,929.2	60,401.8	-285.3	26,599.4
Money market funds	756.0	-1,206.4	267.4	-426.7	-179.7
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	-158.2	6,614.5	-11.6	-496.6	-165.4
Real estate funds	18,355.1	21,329.2	16,702.6	6,691.1	-616.0
Other funds	32,484.5	40,574.0	-30,664.7	26,553.3	6,628.8
Total	100,179.7	131,559.1	61,534.4	29,462.4	21,830.3
of which ➤ ETFs					
➤ Funds of funds	2,931.5	7,927.1	5,676.3	2,295.2	5,384.2
➤ Institutional funds	91,801.1	120,857.4	57,237.7	30,039.4	28,418.8

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	2,481	2,657	2,762	2,867	2,959
Home-domiciled AIFs	4,656	4,881	4,891	4,853	4,838
Foreign funds registered for sales	8,483	10,214	11,269	11,494	13,470
➤ By national promoters	4,636	4,949	5,841	5,982	6,307
➤ By foreign promoters	3,847	5,265	5,428	5,512	7,163
Fund launches	642	615	460	424	345
Fund liquidations	250	188	229	287	220
Fund mergers & acquisitions	66	60	107	56	68

5. MARKET DEVELOPMENTS IN 2024

For the German fund industry, 2024 proved a challenging year. Against a backdrop of record highs on equity markets, the industry posted record assets of EUR 4,500 billion in UCITS, AIFs and mandates held by German investors. Funds domiciled in Germany stood at EUR 2,800 billion and round-trip-funds at EUR 850 billion.

UCITS recorded significantly higher net sales compared to 2023. Top sellers were bond funds - particularly those invest in bonds with short maturities (up to three years) - and equity ETFs. The growing number of ETF savings plans by retail investors is ensuring a steady inflow. Balanced funds recorded net outflows. One reason for this is that investors who gained access to equities via balanced funds in recent years have switched to actively or passively managed equity funds.

Net sales of AIFs remained comparatively low. The German AIF market consists mostly of Spezialfonds for institutional clients. One reason for their reluctance to invest in funds is the return of higher interest rates. In recent years, institutional investors have increased their direct investments in those corporate bonds with good credit ratings and in government bonds. In addition, the capital requirements of some Spezialfonds investor groups - such as retirement benefit schemes - have increased, due to higher payout obligations.

6. REGULATORY DEVELOPMENTS

6.1. UCITS/AIFMD

BVI is preparing for the implementation of the AIFMD review. Due to the premature dissolution of the German Government in November 2024, we expect a new draft law soon after formation of the new Bundestag. The implementation law will see a number of changes to existing legislation, which the industry is currently discussing with the Ministry of Finance. In particular, loan-originating funds are currently only permitted as closed-end funds in Germany, which is likely to change now. On the implementation of the FSB's recommendations to address structural vulnerabilities from liquidity mismatch in open-ended funds (such as the 'bucketing' approach), the German legislator will not act in the course of the AIFMD implementation. Instead, it would rather wait for future measures at EU level.

We have coordinated practical application issues on AIFMD reporting with BaFin. This was prompted by the findings of the quality campaign on this topic and the latest technical adjustments made by ESMA in its 'Revision 6' IT guidelines. This provides new validation rules that make more fields mandatory or contain stricter rules for improving data quality.

6.2. Retail Distribution (MiFID II & IDD)

BVI has continued to focus on the developments around the EU Retail Investment Strategy (RIS). In particular, the proposals for a 'partial' ban on inducements for non-advised distribution services, the so-called 'Best-Interest Test', the quality enhancement test and the 'Value for Money' (VfM) procedure are of major relevance from the German fund industry perspective.

Given this, we have strongly questioned the counterproductive fixation on costs and the failure to enhance investor protection, increase transparency and promote greater participation of retail investors in capital markets. Rather, the RIS is set to complicate the investment advice process across the entire value chain. As a consequence, we are pushing for its withdrawal.

BVI has published a well-regarded report in order to demonstrate that the proposals fail to meet their objectives. This highlights how the envisaged VfM framework will create significant red tape for both product providers and NCAs, and that disclosed benchmarks would likely be mislead retail investors. In addition, when put to a practical test using historical data, they delivered volatile and inconsistent results.

We have also continued to criticise the proposals for a new 'Best-Interest Test' – which is primarily meant to replace the quality enhancement test. We have instead argued in favour of refining MiFID II rules - such as the current quality enhancement test - to avoid imposing completely new requirements on distributors and manufacturers before the existing MiFID II rules have had a chance to prove their effectiveness.

BVI is maintaining a close dialogue with ECON and Council representatives, as well as with the Commission, throughout the whole legislative procedure.

6.3. CSDR

The introduction of the CSDR cash penalty regime, in February 2022, has not improved the settlement efficiency for the German buy side. Asset managers rely on the information obtained by the (fund) custodians to be able to react in cases of settlement failure. The custodians must ensure that all relevant settlement information is sent to the fund management companies as quickly as possible. This will enable them to resolve any discrepancies for unsettled and failing trades where the investment managers require a decision from the custodians. From our observations, the main reasons for settlement fails are missing securities on the sell side, instructions sent too late to the markets or problems with the settlement instructions (SSIs). The introduction of the CSDR cash penalty system has increased the operational burden for the buy side, as they have to monitor every penalty of a failed trade that belongs to investment funds without any upside for settlement efficiency.

We support an EU move to T+1 in the longer term. However, all market participants need an appropriate and realistic schedule to permit them to make the required technical, operational (such as FX and funding) and regulatory changes. This should be based on detailed assessments that allow time for sufficient industry-wide testing, with clear governance and milestones. The move to T+1 in Europe will promote a cost-effective, efficient, secure and integrated post-trade EU Capital Market Union that will remain innovative, dynamic and globally competitive. A globally agreed T+1 settlement cycle (other regions, such as the US and Canada, will switch to the T+1 settlement period next year) will further increase harmonisation in the post-trade settlement regime, improving settlement efficiency for all market participants. The introduction of a T+1 settlement cycle should be aligned in the UK and the EU. All asset classes (cash equities, fixed income, ETFs and fund units settled in CSDs) should move to T+1 in parallel. Furthermore, it is important to consider the experience of market participants from the move to T+1 in the US. A comprehensive assessment of all relevant functions (such as asset managers, transfer agents, fund custodians, CSDs and APs) will be required to identify critical dependencies and potential bottlenecks.

6.4. ELTIF

We see significant interest from asset managers in the revised ELTIF. Among other things, this is due to the access to private equity for average retail investors, something the current Alternative Investment Fund (AIF) legislation does not allow. The key factors for further developing an ELTIF market are adequate redemption policies, their monitoring and the relevant specifications by the Regulatory Technical Standards (RTS). Market participants have discussed the ELTIF data required to be made available - in a standardised format - in order to enable distribution of ELTIF shares and their administration, such as information on notice and redemption periods.

6.5. Sustainable finance

In 2024, German fund managers were busy preparing for the implementation of the ESMA guidelines on ESG-related fund names. Many important issues, including the understanding of ‘meaningful’ sustainable investments, have been clarified by ESMA (albeit several months after publication of the final guidelines, severely inhibited the practical implementation). We still have an ongoing exchange with BaFin in terms of outstanding questions for implementation, particularly over the scope of application of the minimum exclusion criteria. A significant part of Article 8 and 9 funds currently using ESG-related terms are expected to delete them from their names before the deadline for the ESMA Guidelines expires on 21 May 2025.

To help our members in their search for reliable and up-to-date ESG data, BVI supports the creation of Dataland which will be a collaborative, not-for-profit undertaking as a platform for coordinated data requests and data exchanges between companies and financial market participants. During its set-up phase, Dataland will focus on the exchange of data for the purposes of SFDR and EU Taxonomy, the German Supply Chain Act and for evaluating climate transition. We foresee added value through closing data gaps – particularly for small and medium-sized enterprises (SMEs) – and reduced costs of ESG data.

German CSRD implementation has not yet taken place due to the breakdown of the coalition government in December 2024. Given the major CSRD reforms initiated at EU level, it is uncertain how much priority the new government (which still needs to be formed) will attach to implementing the CSRD into German law. Notwithstanding the lack of legal obligation, from 1 January 2025, many listed companies have started reporting in line with CSRD standards.

6.6. Stewardship

In December 2023, the so-called ‘Future Financing Act’ (Zukunftsfinanzierungsgesetz) entered into force. In anticipation of the EU Listing Act, this law (re-)introduces the instrument of multiple-vote shares into the German ‘Stock Corporation Act’ (Aktiengesetz), particularly to facilitate the listing of small and mid-sized enterprises. In future, multiple-vote share structures will be available for all entities, listed or not and regardless of which market. However, the practical relevance of multiple-vote shares has to be seen during the pre-IPO stage, since the introduction of such structures requires the consent of all shareholders. Multiple-vote shares may carry up to ten times the ordinary voting right; a higher ratio is not allowed. They expire upon share transfer or a maximum of ten years after the IPO. However, the sunset period may be extended for a period of up to ten years with a majority of

75% of the share capital. Regarding the appointment of the annual auditors as well as special auditors, multiple voting rights are counted as one.

The German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz – LkSG) came into force on 1 January 2023. This obliges companies to follow human rights and certain environmental due diligence obligations in their supply chains. The actual obligations depend on the scope of influence, differentiating between a company's own business divisions, direct contractual partners or indirect suppliers. The LkSG initially applied to companies with at least 3000 employees, but since 1 January 2024, those with at least 1000 employees are covered.

The LkSG refers to a comprehensive catalogue of 11 internationally recognised human rights conventions. It also includes certain environmental obligations from three international conventions with which companies must comply. In contrast to the Corporate Sustainability Due Diligence Directive (CSDDD) draft, it only applies to the upstream value chain and does not involve civil liability. Companies can still be subject to administrative sanctions by the German Federal Office for Economic Affairs and Export Control (BAFA) - which has also a dedicated English website on the LkSG.

6.7. Benchmarks

There were no notable developments in this area in 2024.

6.8. Anti-Money Laundering

On 29 November 2024, BaFin comprehensively updated its interpretation and application notes on the Anti-Money Laundering Act (the so-called 'AuAs') in order to meet the legal requirements and new developments. This revision makes significant adjustments, which impact all obliged entities subject to BaFin supervision. The new AuAs have been generally applicable since 1 February 2025. Most of the changes are merely editorial or reflect already-established administrative practice, so there should be no need for action. However, in other areas (such as shortened update periods for customer data), important new accentuations have been made, likely to result in adjustments to the internal organisation.

BaFin also expressly points out that its aim is to adopt as many of the guidelines of the European Banking Authority (EBA) - and in future, the AMLA - as possible. Therefore, if the contents of a guideline go beyond the relevant interpretation and application notes of BaFin, these must also be taken into account by the obligated parties, insofar as the requirements are applicable to the respective business model of the obligated party. The new requirements adopt changes resulting from the EU Money Laundering Regulation (EU 2024/1624) and the Transfer of Funds Regulation (GTVO 2023). Obligated entities must prepare for extended obligations regarding the traceability of transactions, particularly in the case of crypto-assets.

6.9. Digital Finance and Cybersecurity

BaFin has consulted on the draft of a Circular on the obligations of depositaries and asset management companies for investment funds investing in crypto-assets. This is intended to provide further guidance for market participants, and in particular addresses the organisational requirements and specific aspects of risk management.

6.10. Other regulatory developments

BVI supports its members in all matters concerning the scope and requirements of the European Accessibility Act. In Germany, however, the documents implementing the Directive contain a clarification stating that PRIIPs KIDs and prospectuses are excluded from the scope if the precontractual documents are already regulated by other laws.

7. PENSIONS & PEPP

Due to the sudden dissolution of the government, reforms (such as a comprehensive draft of legislation focused on stabilising the pension level and nurturing a robust 'Generation Capital') have failed to materialise. Pension provision also remains in a state of limbo.

The statutory pension insurance is reaching its limits and is increasingly dependent on higher tax subsidies from the federal budget. The new government intends to maintain the pension level at 48%, which exacerbates the financing problem. Further expansions of benefits are planned. Continuing to employ older workers are the only measures intended to counteract this issue.

Occupational pension schemes cannot adequately close the pension gap. Past efforts to increase the spread of occupational pension schemes in Germany have been unsuccessful. The social partner model, featuring pure defined contribution schemes, suffers from low acceptance among trade unions, partly due to a misjudgement of capital market risk considering the elimination of benefit guarantees and administrative complexity.

Private pension provision has been waiting for a forward-looking reform for more than ten years. Contribution guarantees reduce the chances of returns, and the obligation to annuitise is expensive. These entry barriers make subsidised private pension provision particularly unattractive for young savers. The new government should build on the plans presented for a pension provision account and rapidly introduce reforms before pension provision becomes a pawn of interests again.

8. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

The aim of the regulation is to create a level playing field for fund managers with other financial centres - such as Luxembourg - which have exempted the management of all funds from VAT for many years. So doing will ultimately strengthen Germany's position as a business and financial centre.

The 'Act to Strengthen Growth Opportunities, Investment and Innovation as well as Tax Simplification and Tax Fairness' ('Growth Opportunities Act') came into force on 27 March 2024. This includes a reformulation of Section 6, Para. 5, No. 1 of the German Investment Tax Act. As a result, capital gains from the sale of shares in property-rich companies (companies with more than 50% German property assets) are subject to German corporate income tax if the overall shareholding was at least 1% of the stock capital. Previously, all capital gains from the sale of shares at fund level were not subject to German corporate income tax.

The German Investment Tax Act was revised as part of the 'Growth Opportunities Act'. A property may not be considered when determining the real estate fund quota or the foreign real estate fund quota for the purpose of the partial exemption pursuant to Section 2, Section 9a of the German Investment Tax Act, if the income from the property is not taxable or only 50% taxable. The same applies to investments in (foreign) property companies, the income of which is only up to 50% subject to taxation. This also applies if the investment fund holds his investments via partnerships and the income from the (foreign) property company is attributed to the investment fund.

The Annual Tax Act 2024 introduced exit taxation on certain fund investments as of 1 January 2025 (section 19 paragraph 3 of the Investment Tax Act). In order for the regulation to apply, the investor (person with unlimited tax liability in Germany) must have held a stake of equal to or more than 1% in the investment fund as private assets prior to the departure. Alternatively, the acquisition cost of the investment units must have been equal to or more than EUR 500,000 per investment fund. It should be noted that the regulation is only applicable in the event of positive performance. Offsetting against fund units with negative performance is not permitted.

The liquidation period recognised under tax law in section 17 of the German Investment Tax Act was extended from five to ten years.

9. FINANCIAL & INVESTOR EDUCATION INITIATIVES

BVI's investor educational initiative 'Hoch im Kurs' provides upper-secondary school students with basic economic knowledge. The aim is to allow young people to decide on financial matters in a well-informed and responsible manner. BVI provides interested schools with teaching materials (a student magazine and teacher booklet) on economics and capital markets. The student magazine was rated 'good' by the Federation of German Consumer Organisations (Verbraucherzentrale Bundesverband) and 'very good' in terms of the category on content. It has been included in the Materialkompass, a quality seal for educational materials that convey expert knowledge transparently and without advertising. Another component is the 'Financial Experts in Schools' programme, which provides teachers with 'live' access to industry experts in the classroom.

10. OTHER ACTIVITIES OF THE ASSOCIATION

Conferences and seminars
BVI organises high-level conferences in Frankfurt, Berlin and Brussels, notably the BVI Asset Management Conference, the Fund Operations Conference, the Sustainable Finance Conference, the Open Finance Conference and receptions in Brussels and Berlin. The conferences and seminars (from basic to specialised topics) focus on sharing knowledge and on networking.

Podcast

In the 'Nachdenken' podcast (www.bvi.de/presse/podcast), Thomas Richter and his interview partners address current topics. In 2024, the number of podcast followers rose from 9,200 to 14,200 (on Amazon Podcasts, Apple Podcasts, Deezer, Google Podcasts and Spotify). Among the topics covered were 'EU under Pressure: When will it finally increase its competitiveness?', 'DORA – What are the next steps?', 'Private Debt, Credit Funds: What will be possible in the Future?' and 'AI in Asset Management – a New Hype?'.

Cooperation with local newspapers

BVI organises more than 20 events each year with regional newspapers. For two hours, readers can call experts from the industry to talk about investing with funds. To ensure neutrality, all participants act as 'BVI experts'. Through this vehicle, BVI provides basic knowledge to the broader population; the questions are usually very general. In addition to announcing the event, the (often full-page) coverage contains a representative sample of the readers' questions and the experts' responses.

Video

BVI regularly publishes videos addressing 'Trends on German fund market' (www.bvi.de/presse/videos), with German and English subtitles. Since November 2024, BVI has been self-producing the video series, with AI support.

Publications

BVI publishes several brochures for the general public. Examples include:

- Annual report 'BVI 2024. Data. Facts. Perspectives'. In addition to extensive statistical data on the investment industry in Germany, the report offers insights into the association and its political work.
- 'Facts about funds' explains why funds are important for the economy and society, and exposes some of the most common myths around retail funds. An English-language version is available.
- 'Investment Law', a compilation of legal texts comprising the German Capital Investment Code (Vol. 1), national and EU regulations (Vol.2) and other EU sources of law (Vol. 3).

BVI Consumer Protection Efforts: Ombudsman Scheme for Investment Funds

The Ombudsman Scheme for Investment Funds of BVI stands for independent and impartial consumer dispute resolution. It was launched in 2011, and provides for the out-of-court dispute settlement between consumers and providers of German retail investment funds.

The so-called 'Funds Ombudsman' is a vital part of BVI's activities to improve consumer protection and to restore and maintain confidence in the financial markets. Based on the EU Directive on Alternative Dispute Resolution (ADR), it offers a high standard, easily accessible, efficient, fast and cost-effective dispute resolution procedure for retail investors.

As arbitrators, BVI has appointed two former high-ranking judges in consultation with the German Federal Office of Justice and the Federation of German Consumer Organisations (vzbv). The arbitrators and their staff act independently, and are not bound by any instructions from either BVI or the industry. The arbitrator´s office is located in Berlin. The arbitration itself is subject to a special code of procedure, approved by the German Federal Office of Justice. It empowers the arbitrators to impose binding rulings on fund providers for amounts under dispute of up to EUR 10,000.

Since its foundation, the BVI Ombudsman Scheme has evolved into a respected cornerstone of consumer protection in the area of investments in the capital markets. The Ombudsman Scheme is a member of the Financial Dispute Resolution Network (FIN-NET) of the European Commission, and is represented in the International Network of Financial Ombudsman Schemes (INFO). The Scheme publishes quarterly and annual reports, and offers information to consumers and interested parties via its website (www.ombudsstelle-investmentfonds.de).

GREECE COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Greece (EUR billion)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	9.7	12.5	13.4	18.5	24.1
Funds domiciled abroad and promoted by national providers	1.9	3	2.8	2.9	4.2
Total net assets	11.6	15.5	16.2	21.4	28.3

Table 2: Net Sales of Investment Funds in Greece (EUR million)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	114.6	1,459.6	632.0	3,297.9	3,966.1
Funds domiciled abroad and promoted by national providers	41.6	1033.8	-25.4	-113.4	971
Total net sales	156.2	2,493.4	606.6	3,184.5	4,937.1

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)

	2020	2021	2022	2023	2024
Equity funds	1.3	1.8	1.8	2.4	2.8
Bond funds	2.4	2.7	2.5	5.8	9.6
Multi-asset funds	2.1	3.1	3.3	3.5	3.9
Money market funds	0.4	0.4	0.4	0.8	1.1
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	0.02	0.1	0.3	0.4	0.5
Total	6.2	8.1	8.2	12.9	17.9
of which ➤ ETFs	0.02	0.02	0.02	0.03	0.03
➤ Funds of funds	0.5	1.0	0.9	0.7	0.7

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	20.4	207.8	-23.0	54.5	45.8
Bond funds	-58.0	335.8	83.1	3,006.7	3,501.6
Multi-asset funds	103.3	861.9	335.5	-285.9	43.1
Money market funds	28.9	-3.9	42.1	365.2	313.7
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	20.0	58.0	194.3	157.4	61.8
Total	114.6	1,459.6	632.0	3,297.9	3,966.1
of which ➤ ETFs	0.7	0.6	0.5	0.6	1.6
➤ Funds of funds	30.9	438.0	14.0	-218.4	-34.0

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds					
Bond funds					
Multi-asset funds					
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	3.5	4.4	5.2	5.6	6.2
Other funds				0.03	0.03
Total	3.5	4.4	5.2	5.7	6.2
of which ➤ ETFs					
➤ Funds of funds					
➤ Institutional funds					

4. TRENDS IN THE NUMBER OF FUNDS

Table 6: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	221	226	235	279	312
Home-domiciled AIFs	6	7	9	11	11
Foreign funds registered for sales ➤ By national promoters ➤ By foreign promoters	122	126	126	123	129
Fund launches	19	13	24	51	49
Fund liquidations		3	1	3	5
Fund mergers & acquisitions	2	6	21	5	5

5. REGULATORY DEVELOPMENTS

5.1. UCITS/AIFMD

There have been no significant developments, except for changes in the tax treatment of certain AIFs (as outlined in the relevant section of this report).

5.2. Retail Distribution (MiFID II & IDD)

The FinDatEx EMT (European MiFID Template) and/or EET (European ESG Template) play important roles in the overall distribution and disclosure processes in our country. These templates have codified important information and act as a catalyst in a number of areas, including the distribution of funds.

5.3. CSDR

In Greece, we only have one Central Securities Depository at the Athens Stock Exchange. ATHEXCSD calculates and applies cash penalties for each settlement instruction that fails to settle and informs its participants accordingly. To the best of our knowledge, participants pass the information to the account holder of the safekeeping account involved in the failed settlement instructions. There is a single model for passing through the penalties (credits/ debits) from ATHEXCSD to the ATHEXCSD participants (custodians) and further passing the penalties to Manco and perhaps to individual funds. It appears that they mostly pass the information to the individual funds.

5.4. ELTIF

There has been no impact from the revision of the ELTIF Regulation to date. If ELTIF products are to be effective in Greece, changes are needed at various levels of national legislation. In particular, it will require the removal of minimum investment amounts, thus allowing the participation of retail investors, the possibility for intermediary redemptions of units and the taxation framework under which ELTIFS and/ or their investors will operate.

5.5. Sustainable finance

The market experience so far has noted some teething problems, most notably limited coverage particularly of Greek stocks and a time consuming and resource-intensive process. There is also the need to deal with numerous queries from a range of data providers, as well requests from the regulator on the ESG-investing process of market participants.

Regarding finding reliable ESG data, there appears to be a transition period for both corporate and institutional investors. It is an ongoing struggle to try to extract reliable ESG ratings and data from different providers. Asset managers have to make comparisons between data providers and in some cases, ask the investees for further verification. Asset managers also face difficulties in trying to find a data provider with the highest coverage of Greek stocks.

5.6. Stewardship

There were no notable developments on this issue in 2024.

5.7. Benchmarks

There were no notable developments in this area in 2024.

5.8. Anti-Money Laundering

FATF representatives visited Greece for the regular update of the National Risk Assessment Report (NRA) on money laundering. Our Association made a positive contribution to the national working group, during the the assessment meetings for the NRA update of Greece by the Global Forum (AEOI CRS - Private sector meeting 3: Investment Entities and Custodial Institutions).

The Strategy Committee has decided upon, and established, a working group for the AML Package. The supervisory authority have sent their comments on the two Regulations (R 1620 and R 1624). At the end of March or beginning of April, there will be a follow-up meeting.

5.9. Digital Finance and Cybersecurity

A new law concerning crypto assets and crypto-markets is to be voted upon in Parliament.

A law implementing EU Regulation 2022/2554 is underway, and is to be voted upon in Parliament.

5.10. Other regulatory developments

There were no notable developments in this area in 2024.

6. PENSIONS & PEPP

There have been no new developments in pension fund legislation relevant to the industry in 2024.

7. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

AKES funds were taxed as transparent entities until 31 December 2024. AKES funds established as of 1 January 2025 can elect - upon their formation -- to be taxed either as transparent (existing capability) or as opaque (newly introduced).

- On the opaque entity, a special tax is levied on unrealised capital gains. The tax rate is equal to 5% of the applicable main refinancing operations interest rate set by the ECB, exhausting the tax liability of the fund and the unit holders (as they are exempt from tax on capital gains from the transfer of AKES shares). This special tax is remitted by the fund manager in the name of the fund. Dividends and other benefits received from the units are not subject to WHT.

Dividends received and/or capital gains accrued by a company located outside the EU are also exempt from corporate income tax under certain circumstances.

The double tax treaty between Greece and UAE ceased to be in force since 18 December 2024. On 19 December 2024, the first double tax treaty between Greece and Japan was published in the Government Gazette. The new double tax treaty between Greece and France has been in force since 1 January 2024.

A new VAT code was introduced, but saw only minor changes from the previous iteration.

8. FINANCIAL & INVESTOR EDUCATION INITIATIVES

The promotion of financial literacy, which our Association has supported, is a priority from public authorities. There have been discussions at government level for initiatives to develop a national financial education strategy. Our Association has committed to participate through MoUs with major education institutions. Together with other private bodies in the economic and finance sector - and with the support of specialised academics - our Association will focus on opening the discussions around including financial education in the high school curriculum.
In addition, the government - in cooperation with the OECD - has launched a National Financial Literacy Strategy for Greece. This has resulted from the cooperation between the OECD (as the support provider) and the General Secretariat of Financial Sector and Private Debt Management in the Hellenic Ministry of Economy and Finance, which requested support from the European Commission under the Technical Support Instrument (TSI) Programme. The OECD is the implementing partner of the project.

The National Financial Literacy Strategy for Greece (https://www.oecd.org/financial/education/financial-literacy-in-greece.htm) will provide guidance to those national stakeholders involved in financial education in Greece over the five years following its adoption. The proposal for a national strategy was developed via a consultative, evidence-based approach and was developed in line with the OECD Recommendation on Financial Literacy.

9. OTHER ACTIVITIES OF THE ASSOCIATION

Interactive daily updated fund database on our Association website. This covers Greek UCITS, cross-border UCITS managed by Greek asset managers, AIFs data and REICS data (daily updated fund database UCITS AIFs).

Daily data of foreign UCITS marketed in Greece (foreign UCITS marketed in Greece).

Daily data of unit linked funds marketed in Greece (unit linked funds marketed in Greece).

Organisation of presentations by companies listed on the Athens Stock Exchange for asset managers and market analysts.

Webinars on current regulatory topics for our members.

Publications Publication of quarterly statistical reports for mutual funds, portfolio investment companies, asset management and real estate investment companies.

Fund and Asset Management Conference, held annually in Athens in September.

HUNGARY COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Hungary (EUR billion)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	19.0	21.3	23.2	36.6	43.5
Funds domiciled abroad and promoted by national providers					
Total net assets	19.0	21.3	23.2	36.6	43.5

Table 2: Net Sales of Investment Funds in Hungary (EUR million)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	596.8	2,006.8	3,037.5	8,817.6	6,047.3
Funds domiciled abroad and promoted by national providers					
Total net sales	596.8	2,006.8	3,037.5	8,817.6	6,047.3

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)

	2020	2021	2022	2023	2024
Equity funds	0.3	0.4	0.3	0.4	0.6
Bond funds	0.4	0.4	0.3	0.4	1.9
Multi-asset funds	0.3	0.4	0.4	0.4	0.5
Money market funds		0.0	0.03	0.04	0.1
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	0.3	0.2	0.2	0.3	0.8
Other funds	0.1	0.1			
Total	1.3	1.5	1.3	1.6	3.8
of which ➤ ETFs					0.02
➤ Funds of funds					0.02

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	44.0	52.8	-28.2	-25.9	160.5
Bond funds	11.7	-20.3	-66.8	68.5	387.6
Multi-asset funds	5.8	48.5	-39.2	-28.4	252.4
Money market funds		-0.1	8.3	5.5	8.8
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	-54.0	-6.0	-36.9	-3.1	266.3
Other funds	-15.9	-1.7	-7.0		
Total	-8.3	73.2	-169.8	16.6	1,075.5
of which ➤ ETFs					29.5
➤ Funds of funds					1.9

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	1.6	2.3	1.7	2.1	2.8
Bond funds	3.8	4.0	6.3	13.4	13.4
Multi-asset funds	3.5	4.6	3.9	4.3	6.3
Money market funds	0.1	0.1	0.8	1.4	1.0
Guaranteed/protected funds	0.2	0.4	0.6	2.4	2.9
Absolute Return Innovative Strategies (ARIS) funds	2.3	2.4	2.3	3.5	5.3
Real estate funds	5.3	5.4	5.6	7.1	7.3
Other funds	0.7	0.7	0.7	0.8	0.6
Total	17.6	19.7	22.0	35.1	39.7
of which ➤ ETFs	0.01	0.01	0.01	0.01	0.01
➤ Funds of funds	4.4	5.8	5.3	6.3	8.1
➤ Institutional funds	1.8	2.3	2.7	3.8	4.6

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	267.9	426.1	-151.2	59.4	366.4
Bond funds	131.3	280.8	2,517.5	5,492.7	1,038.6
Multi-asset funds	255.2	956.7	-107.8	-243.7	1,599.4
Money market funds	-64.5	-67.2	738.8	472.5	-387.9
Guaranteed/protected funds	-135.1	185.3	229.5	1,649.9	273.1
Absolute Return Innovative Strategies (ARIS) funds	-56.1	224.6	-66.8	667.0	1,925.8
Real estate funds	214.4	35.5	96.3	657.9	269.7
Other funds	-8.0	-108.1	-49.1	45.3	-113.3
Total	605.1	1,933.7	3,207.3	8,801.0	4,971.8
of which ➤ ETFs	0.8	0.3	1.1	-0.3	1.2
➤ Funds of funds	364.9	1,260.3	75.2	61.6	1,618.2
➤ Institutional funds	72.3	451.7	422.5	755.1	516.4

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	34	34	34	38	53
Home-domiciled AIFs	521	525	534	521	523
Foreign funds registered for sales	4,030	4,215	4,496		5,000*
➤ By national promoters					
➤ By foreign promoters	4,030	4,215	4,496		5,000*
Fund launches	41	48	43	33	54
Fund liquidations	35	37	25	24	30
Fund mergers & acquisitions	6	5	7	18	7

* Estimated figure.

5. MARKET DEVELOPMENTS IN 2024

During 2024, the assets of mutual funds increased by 27.7% in HUF; equivalent to 18.8% in EUR. The rearrangement within the fund types is much more apparent. In terms of proportion, the two extremes are total return funds and derivative funds. While the former showed an increase in assets of 76.9% during the year, the former decreased by 70.6% (the data are calculated in HUF).

The highest capital inflow in 2024 was to total returns funds, which is the third-largest category in terms of net asset value.

It is also worth highlighting that inflation in Hungary increased to 3.7% on average during 2024.

6. REGULATORY DEVELOPMENTS

6.1. UCITS/AIFMD

There were no notable developments on this issue in 2024.

6.2. Retail Distribution (MiFID II & IDD)

FinDatEx templates are used mainly by distributors who actively distribute third-party funds.

6.3. CSDR

T+2 is the current common settlement practice in Hungary. Custodian banks and ManCos are preparing for T+1; no significant problems have been reported to date.

6.4. ELTIF

Although private equity funds hold considerable market share of the national fund business, these typically serve the needs of domestic investors and remain under the auspices of the 'domestic' regulation. Some asset management companies have also considered launching ELTIFs, but as yet there have been no concrete developments.

6.5. Sustainable finance

During initial implementation of the SFDR, there were a number of issues that had to be discussed with the supervisor. However, most of these have now be resolved.
Finding reliable data is the most pressing issue directly hindering product development, particularly for those domestic companies that are not part of larger international financial groups. These companies must rely on data providers alone; however, the cost of data is so much that it renders new fund launches unviable.

6.6. Stewardship

There were no notable developments on this issue in 2024.

6.7. Benchmarks

Changes of the Benchmarks Regulation have been well-accepted, but there is no material impact foreseen on the domestic benchmark providers.

6.8. Anti-Money Laundering

There were no notable developments on this issue in 2024.

6.9. Digital Finance & Cybersecurity

Aside from the increasing administrative burdens, there is no significant need anticipated for further technological developments among domestic ManCos.

6.10. Other regulatory developments

A new regulation on fund classification entered into force in the second half of 2024. Although this regulation mainly reflected the current market practice, there were certain new rules introduced that were criticised by fund management companies, e.g. the requirement of having at least 8% government bond holdings for several fund categories that invest more than 20% into domestic assets.

7. PENSIONS & PEPP

A new regulation has been introduced, which allows voluntary pension fund members to use their savings to purchase or renovate their own properties. This opportunity will only be available in 2025, and the pension industry foresees significant outflows resulting from this.

8. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

There were no notable developments on this issue in 2024.

9. FINANCIAL & INVESTOR EDUCATION INITIATIVES

There were no notable developments on this issue in 2024.

10. OTHER ACTIVITIES OF THE ASSOCIATION

The BAMOSZ website (www.bamosz.hu) provides a database of all publicly offered domestic investment funds, updated daily. This is free-to-access to any interested user. Investors can compare the returns on different investment funds, helping them to select those most suitable for their needs and circumstances.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*Source: IPE "Top 500 Asset Managers" published in June 2024, based on assets under management as at 31/12/2023. Non contractual promotional information. Unless otherwise stated, all information contained in this document is from Amundi Asset Management SAS, with capital of €1,143,615,555 – Portfolio management company authorized by the AMF under number GP 04000036 – Registered in office: 91-93 boulevard Pasteur, 75015 Paris, France – 437 574 452 RCS Paris – amundi.com – May 2025. © Getty Images | W CONRAN DESIGN

IRELAND COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Ireland (EUR billion)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	3,324.2	4,067.8	3,652.6	4,082.7	4,992.6
Funds domiciled abroad and promoted by national providers					
Total net assets	3,324.2	4,067.8	3,652.6	4,082.7	4,992.6

Table 2: Net Sales of Investment Funds in Ireland (EUR million)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	235,281.0	310,275.0	89,270.0	169,890.0	403,315.0
Funds domiciled abroad and promoted by national providers					
Total net sales	235,281.0	310,275.0	89,270.0	169,890.0	403,315.0

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	958.0	1,330.6	1,197.1	1,474.1	1,967.5
Bond funds	747.1	850.8	741.0	831.2	986.4
Multi-asset funds	153.8	200.4	123.9	127.5	148.5
Money market funds	611.0	637.7	688.4	726.3	876.5
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	58.2	76.3	63.8	58.3	64.5
Total	2,528.1	3,095.8	2,814.1	3,217.4	4,043.4
of which ➤ ETFs	628.0	892.2	855.0	1,114.3	1,557.2
➤ Funds of funds					

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	68,274.0	134,504.0	37,595.0	94,722.0	182,775.0
Bond funds	50,318.0	74,593.0	-35,611.0	54,922.0	108,716.0
Multi-asset funds	2,933.0	29,141.0	679.0	-2,219.0	8,057.0
Money market funds	88,321.0	-9,121.0	47,797.0	38,024.0	106,606.0
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	3,936.0	8,533.0	-10,925.0	-8,036.0	678.0
Total	213,780.0	237,650.0	39,535.0	177,413.0	406,832.0
of which ➤ ETFs	76,778.0	131,282.0	80,642.0	141,422.0	232,652.0
➤ Funds of funds					

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	81.7	94.7	60.4	81.8	104.7
Bond funds	106.7	125.5	63.6	69.5	73.2
Multi-asset funds	163.0	177.6	124.4	125.9	136.7
Money market funds	4.9	4.3	3.5	3.4	3.4
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	19.0	20.4	22.6	23.8	22.9
Other funds	420.9	549.6	564.1	560.9	608.2
Total	796.1	972.1	838.5	865.3	949.2
of which ➤ ETFs	0.1	0.1	0.1	0.1	0.2
➤ Funds of funds					
➤ Institutional funds	761.1	934.0	807.6	827.0	899.0

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	-3,021.0	-7,120.0	-6,699.0	10,827.0	-1,226.0
Bond funds	-2,650.0	15,771.0	2,673.0	2,040.0	5,720.0
Multi-asset funds	-356.0	-7,746.0	696.0	-7,684.0	-4,454.0
Money market funds	-203.0	-1,014.0	-861.0	-107.0	-276.0
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	2,283.0	733.0	878.0	827.0	117.0
Other funds	25,448.0	72,001.0	53,048.0	-13,426.0	-3,398.0
Total	21,501.0	72,625.0	49,735.0	-7,523.0	-3,517.0
of which ➤ ETFs	54.0	-9.0	-8.0		
➤ Funds of funds					
➤ Institutional funds	29,905.0	74,916.0	51,284.0	-11,856.0	-9,808.0

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	4,843	5,076	5,297	5,444	5,531
Home-domiciled AIFs	3,105	3,287	3,345	3,426	3,372
Foreign funds registered for sales					
➤ By national promoters					
➤ By foreign promoters					
Fund launches	716	786	608	548	
Fund liquidations	400	362	338	432	
Fund mergers & acquisitions					

5. MARKET DEVELOPMENTS IN 2024

Ireland has observed significant and robust growth in net assets and net sales within the fund industry in 2024, reflecting broader trends in the European and global funds markets.

The increase in net assets of the fund industry in Ireland from EUR 4,082.7 billion in 2023 to EUR 4,992.6 billion in 2024 highlights a significant growth trajectory. This 22.3% increase in net assets underscores Ireland's strengthening position as a leading hub for fund domiciliation and management in Europe. The surge in net sales from EUR 169,890 million in 2023 to EUR 403,315 million in 2024, more than doubling in a year, further emphasizes the buoyant market conditions during the period and investor confidence in the Irish funds industry.

The breakdown of net sales in 2024, with EUR 107 billion attributed to UCITS money market funds and EUR 233 billion to UCITS ETFs, points to the increasing popularity and adoption of these investment vehicles. ETFs, in particular, have seen a remarkable rise, which aligns with global trends towards more liquid and transparent investment options. The growth in ETFs is supported by the broader European context, where Ireland has emerged as a leader in ETF domiciliation and management, accounting for a significant share of European ETF net assets.

Alternative Investment Funds (AIFs) in Ireland also experienced an increase in net assets of 9.7%. Despite the overall positive growth in the funds industry, AIFs experienced marginal net outflows of EUR 3.5 billion in 2024.

The Irish funds industry has demonstrated remarkable growth and resilience in 2024, with significant increases in net assets and net sales. The surge in ETFs and money market funds highlights the evolving investor preferences and the industry's ability to adapt to these changes. While AIFs have seen net outflows, the overall positive trajectory of the industry is clear. The continued growth and development of the Irish funds industry are supported by a robust regulatory framework, a focus on innovation, and a commitment to sustainability, ensuring its attractiveness to international investors and fund managers alike.

6. REGULATORY DEVELOPMENTS

6.1. UCITS/AIFMD

ELTIF chapter incorporated into the AIF Rulebook – latest updated version of the AIF Rulebook published in March 2024

In March 2024, the Central Bank of Ireland incorporated a new chapter on ELTIFs into the AIF Rulebook, ensuring the successful implementation of ELTIF 2.0 in Ireland. This followed a consultation process in late December 2023. The Central Bank's AIF Rulebook contains chapters concerning Retail Investor AIFs, Qualifying Investor AIFs, European Long-Term Investment Funds, AIF Management Companies, Fund Administrators, Alternative Investment Fund Managers and AIF Depositaries.

Central Bank of Ireland Guidance updates and notices of intention

- On 21 October 2024, the Central Bank published a notice of intention in relation to the application of the ESMA Guidelines on fund names using ESG or sustainability-related terms. It confirmed that a streamlined process would apply to changes to fund names.
- On 24 October 2024, Deputy Governor Derville Rowland confirmed that the Central Bank is in the process of converging its regulatory approach with that of other European regulators, in terms of the use of the 'UCITS ETF' identifier at the share class level.
- In terms of guidance updates, the Central Bank issued updated and new guidance around regulatory requirements for UCITS. This included three QA additions (ID 1012, ID 1016 and ID 1088) to encompass changes enabling the ETF naming requirement at the share class level.
- The Central Bank advised that they intend to consult on the incorporation of a provision in its UCITS Regulations and AIF Rulebook that all managers of MMFs adhere to the ESMA Guidelines. In the interim, the Central Bank noted their expectation of full compliance with the Guidelines from 6 May 2024.

Central Bank Consultation and Discussion Paper feedback statements issued in 2024 on AIFs and UCITS.

Macroprudential measures for GBP liability-driven investment funds; CP157 defined GBP-denominated LDI funds as "Any fund whose investment strategy seeks to match the interest rate or inflation sensitivity of their assets to that of their investors' liabilities". CP157 also proposed that the yield buffer apply equally to all GBP-denominated LDI funds authorised in Ireland.

'An approach to macroprudential policy for investment funds' (Discussion Paper 11) presented an overview of key considerations for developing and operationalising a macroprudential framework for the funds sector. The Central Bank undertook this domestic review to support international work led by the FSB and IOSCO on liquidity risk management in OEFs.

Reviews - ETFs - An Examination of the Primary and Secondary Market Trading Arrangements of Exchange Traded Funds ('ETFs') in Ireland

The Central Bank undertook a review of the primary and secondary market trading arrangements of Irish authorised ETFs, releasing their findings in November 2024.

6.2. Retail Distribution (MiFID II & IDD)

The Central Bank incorporated sustainability knowledge and competencies into the Minimum Competency Code, aligning with MiFID II and IDD requirements. This ensures that financial advisors are properly equipped to advise on sustainable investments.

6.3. CSDR

Currently, the Irish market uses settlement systems located in a number of different European countries. Trades in Irish government bonds and Irish corporate securities and certain exchange-traded funds (ETFs) are generally settled in Euroclear Bank, located in Belgium. The remaining Irish ETFs are settled in other European CSDs.

The cash penalties regime entered into force on 1 February 2022. The Central Bank has noted that the introduction of cash penalties under the Settlement Discipline Regime (SDR) has had a positive impact on reducing settlement fails.

It seems likely that the trend towards shorter settlement cycles in Ireland will continue throughout 2025 and beyond, particularly for those funds exposed to US securities. Note that Irish Funds issued a submission to the Central Bank in May 2024 on the transition to T+1 settlement and the operational difficulties that managers may face given the potential mismatch between a fund's dealing and settlement cycles. In their response, the Central Bank acknowledged these challenges; however, they expect fund managers to take all reasonable steps to avoid breaches arising from fund subscriptions and redemptions. In the event such breaches occur, these should be exceptional and corrected without delay. To monitor the impact of the move to T+1, the CBI will request all Irish-authorised depositaries to maintain and periodically provide a log of any breaches arising from the T+1 move. The CBI expressed its openness to continued engagement with Irish Funds on the T+1 move and its impact on the sector in Ireland.

6.4. ELTIF

As mentioned above (Q6.1), the Central Bank of Ireland incorporated a new chapter on ELTIFs into the AIF Rulebook in March 2024, ensuring the successful implementation of ELTIF 2.0 in Ireland.

Since then, Ireland has launched 11 ELTIF funds in 2024; however, it is too early to identify investor profiles.

No incentives are foreseen for ELTIFs specifically. The Funds Review 2030 special report findings, as outlined in Q6.10, intend to address low retail participation more generally by reviewing taxation measures.

6.5. Sustainable finance

Irish Funds has submitted numerous responses to consultations and developed written submissions to the Central Bank, the European Commission and the European Securities and Markets Authority (ESMA). These focused on key areas of change in the SFDR and addressed industry reporting challenges and concerns over greenwashing practices. To support the industry's understanding and implementation of SFDR, Irish Funds organised - with the Central Bank - two SFDR disclosure workshops. These aimed at discussing disclosure expectations and practices, providing feedback to the Central Bank on specific areas. In addition, Irish Funds has been instrumental in upskilling the industry through webinars, member workshops and Q&As.

Irish Funds is supportive of the recently published Omnibus Simplification Package introduced by the European Commission. This aims to streamline and reduce the administrative burdens associated with various sustainability reporting and due diligence requirements, including those under the CSRD and the CSDDD.

6.6. Stewardship

In September 2024, Euronext Dublin issued a new Irish Corporate Governance Code,. This introduced a set of principles designed to guide companies towards long-term sustainable success. It includes 18 principles and 41 provisions covering board leadership, division of responsibilities, composition, succession, evaluation, audit, risk and internal control as well as remuneration. The Code is applicable to Irish companies with an equity listing, and represents a notable development in the country's corporate governance landscape, reflecting the commitment to aligning with European standards and enhancing the governance framework for listed companies. While the Code does not directly apply to investment funds and ETFs, its principles - and the emphasis on sustainable success, transparency and risk management - are relevant and influential for Ireland's broader asset management and funds sector.

6.7. Benchmarks

No significant updates. Overall, the Benchmarks Regulation revision is expected to streamline regulatory requirements while enhancing the quality and transparency of ESG-related information, benefiting both fund managers and investors in Ireland.

6.8. Anti-Money Laundering

In September 2024, the Central Bank addressed key developments of 'Partnerships for Information Sharing' under the EU's new AML Regulation. It highlighted its position on what is required to make the new package a success and the focus of the recent thematic AML/CFT Central Bank innovation sandbox.

1. Encouraging Partnerships: AMLA (the EU's new Anti-Money Laundering Agency) and national supervisors need to support the establishment of information-sharing partnerships.
2. Private Sector Involvement: Effective partnerships require private sector participation.
3. Collaboration and Innovation: AMLA and national authorities must collaborate to raise standards and innovate, particularly in data sharing.

Ireland is progressing the implementation of the new AML Package:

- Directive 2024/1640: On track with the phased implementation, focusing on enhancing mechanisms to prevent financial system misuse.
- Regulation 2024/1620: Preparations are underway for establishing the AMLA, with the Central Bank coordinating closely with EU authorities.
- Regulation 2024/1624: Efforts to harmonise compliance standards, ensuring that Irish financial institutions are aligned with EU-wide AML/CFT requirements.

This highlights Ireland's commitment to strengthening its AML framework and ensuring robust measures to combat money laundering and terrorist financing.

In addition, Central Bank deputy governor Derville Rowland has joined the executive board of AMLA.

6.9. Digital Finance & Cybersecurity

The Central Bank's Regulatory and Supervisory Outlook Report 2024 highlighted several initiatives to bolster operational resilience:

1. Enhanced Supervisory Framework: The Central Bank adopted a more-integrated supervisory framework, combining various supervision operations in order to provide a holistic approach to risk management.
2. Guidance on Operational Resilience: Specific guidance was issued to asset managers on improving operational resilience, including best practices for managing operational risks and ensuring robust internal controls.

National Regulatory and Supervisory Developments in Ireland in 2024:

- The Minister for Finance signed Statutory instrument No 607 to give effect to MiCA in Ireland, designating the Central Bank as the National Competent Authority.
- The Department of Finance conducted a public consultation to establish supervisory procedures for authorisation regimes for entities providing cryptoasset services. The consultation aimed to ensure that the national implementation of MiCA is aligned with EU standards and addresses specific national concerns.

- The Central Bank has also been preparing implementation of the Markets in Cryptoassets Regulation (MiCA) and its impact on Cryptoasset Service Providers (CASPs). The Central Bank has provided detailed guidance to firms on the application process for CASP authorisation and the requirements they need to fulfil.
- This includes information on the transitional arrangements and the steps that firms need to take to comply with MiCA.

Irish Funds has run numerous workshops and engaged with the Central Bank and the Department of Finance on the tokenisation of fund shares, specifically focused on the value proposition for Money Market Funds.

The Central Bank's strategy includes being future-focused and proactive in adapting to technological changes. Tokenisation is seen as a key component of this strategy, with the potential to revolutionise how assets are managed and traded. In his speeches in 2024, Central Bank Governor Gabriel Makhlouf has noted that tokenisation can significantly enhance the efficiency and accessibility of financial markets. By enabling the fractional ownership of assets, it can democratise investment opportunities.

6.10. Other regulatory developments

The Department of Finance's issued its 'Funds Review 2030 Final Report' in 2024. The aim of the Review was to ensure that Ireland maintains its leading position in asset management and funds servicing, and that it continues to see support for the national and regional economies. The Review sought to ensure that Ireland's funds sector framework is resilient, future-proofed, supportive of financial stability and acts as a continuing example of international best practice.

Executive Summary and Findings of the Final Report:

- The Central Bank and the Department of Finance are doing all within their powers to ensure that regulatory and supervisory frameworks are robust and efficient, comparable with the best in class globally.
- The identified challenges facing the industry include revenue pressure, fee compression, rising costs, lack of successful new products and intensity of regulation.
- The transformational role of technology is called out: *"To protect itself, Ireland needs to embrace the technological change and build the necessary skills and expertise to harness these new opportunities"*.
- Although Ireland is a leading investment funds domicile, it is necessary to increase the direct retail participation rate. Measures on taxation, digital distribution channels and support for financial literacy will help reduce these barriers.
- It notes that sourcing relevant data was difficult throughout the review process, noting that "*Access to data is crucial to inform policy choices*".

7. PENSIONS & PEPP

There have been significant developments in pension fund legislation in Ireland relevant to the fund industry:

Automatic Enrolment Retirement Savings System Bill 2024:

- This was passed by both Houses of the Oireachtas and is set to be enacted.
- The Bill introduces a new retirement savings scheme for workers who are not already members of a pension scheme, aiming to increase pension coverage and overall pension adequacy in Ireland.
- The 'My Future Fund' scheme will start 30 September 2025 and will automatically include eligible employees, although they can opt out after six months.
- An independent public body - the National Automatic Enrolment Retirement Savings Authority - will administer the system, ensuring compliance and managing participant accounts.

Key Changes to Pension Savings: The Finance Act 2024 introduced significant changes to the tax landscape affecting pensions:

- Standard Fund Threshold (SFT): The SFT, which has been fixed at €2 million, will increase by €200,000 each year from 2026, reaching €2.8 million by 2029. From 2030, the SFT will be adjusted annually, in line with wage growth
- Personal Retirement Savings Accounts (PRSAs): The Act introduced an allowable limit for employer contributions to an employee's PRSA of 100% of the employee's emoluments. Contributions exceeding this limit will be taxed as a benefit-in-kind
- Tax Treatment of Auto Enrolment System: Employer contributions to the AE System will be deductible for tax purposes and exempt from income tax, while state contributions will also be tax-exempt. Income and gains on retirement savings within the AE System pre-retirement will be tax-exempt, with drawdowns subject to tax.

These legislative changes reflect Ireland's commitment to increasing and enhancing pension coverage and adequacy through providing a more robust framework for retirement savings.

8. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

There have been several new rules introduced in Ireland in 2024

Withholding Tax Rates

1. Changes to Withholding Tax Rules: Changes to Ireland's withholding tax regime were introduced under the Finance (No. 2) Act 2023, effective from 1 April 2024.
   - These changes deny exclusions from withholding tax on certain payments of interest, royalties and distributions to associated entities in zero tax jurisdictions and those on the EU list of non-cooperative tax jurisdictions.
   - The withholding tax rate on dividends remains at 25% and at 20% on interest.

Double Tax Treaties

1. New Double Taxation Agreements (DTAs) in 2024:
   - Ireland signed new DTAs with Oman and Liechtenstein.
   - The DTA with Oman came into force on 18 December and came into effect on 1 January 2025
   - The DTA with Liechtenstein was signed on 30 October, enhancing cross-border tax cooperation

These regulatory changes reflect Ireland's ongoing efforts to enhance its tax and regulatory environment for fund and asset management, ensuring compliance with international standards and promoting operational efficiency.

9. FINANCIAL & INVESTOR EDUCATION INITIATIVES

Ireland has made significant strides in promoting financial literacy in 2024. Here are some key initiatives:

1. National Financial Literacy Strategy: Ireland held a public consultation and subsequently launched its first National Financial Literacy Strategy in February 2025. This strategy aims to improve financial literacy through a coordinated approach involving various stakeholders, including the Competition and Consumer Protection Commission (CCPC) and the Central Bank.
2. Mapping Report: In April 2024, the Department of Finance published a Mapping Report, which identified existing financial literacy initiatives and gaps. The report was a foundational step towards developing the national strategy.
3. Stakeholder Engagement: A significant stakeholder event in July 2024 brought together 91 organisations from the public and private sectors to set common priorities for financial literacy. This event emphasised the importance of financial education and consumer protection.
4. Guidelines for Financial Education in Schools: The strategy includes guidelines for delivering financial education in schools, focusing on topics such as digital financial literacy, retail investment, understanding credit and managing debt.

These initiatives reflect Ireland's commitment to enhancing financial literacy and ensuring its citizens are better equipped to make informed financial decisions.

Irish Funds continues to support education initiatives aimed at enhancing financial literacy and empowering individuals to make informed investment decisions.

Goal:
The primary goal of these initiatives is to improve financial literacy among various demographics, particularly young people and retail investors. Through providing comprehensive education on financial topics, Irish Funds aims to foster a culture of informed investing and financial wellbeing.

Target Audience:

- Transition-year students: Through the Irish Funds Financial Literacy TY Programme.
- Retail investors: Individuals looking to better understand and manage their investments.
- Professionals in the funds industry: Those seeking to increase their knowledge and skills through accredited programmes.

Content:
The content of these initiatives include:

- Financial Literacy TY programme: A six-module, classroom-based interactive programme for Transition-year students, covering topics such as digital finance, sustainable investing demonstrating examples of real-life funds and asset management.
- Professional certificates: Courses including the Professional Certificate in Capital Markets, Investments and Funds as well as the Professional Certificate in International Investment Fund Services, which provide in-depth knowledge of the funds industry.

Delivery Channels:
The initiatives are delivered through various channels:

- Classroom-Based Modules: Designed for Transition-year students, with interactive elements such as Kahoot and the Financial Times Investment Portfolio simulation.
- Online and part-time courses: For professionals, allowing them to study at their own pace while continuing to work.
- Masterclasses: On relevant industry topics, providing additional learning opportunities. These initiatives reflect Irish Funds' commitment to empowering individuals with the knowledge and skills needed to navigate the financial landscape.

10. OTHER ACTIVITIES OF THE ASSOCIATION

Irish Funds issued 78 publications in 2024. Topics included ELTIF 2.0, a report on the economic impact of the funds and asset management industry on the Irish economy, distribution, fintech, technology skills needs and digital assets. It held more than 40 events, including our Annual Global Funds Conference in May and the UK Symposium in November. These events were attended by over 5000 people, with further distribution via our video channel on Vimeo and the Irish Funds podcast channel.

ITALY COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets of the Fund Industry in Italy (EUR billion)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	340.4	358.3	340.6	373.4	443.4
Funds domiciled abroad and promoted by national providers	329.6	369.8	306.5	344.67	365.3
Foreign-domiciled funds promoted by foreign providers	455.6	526.6	445.3	460.4	527.6
Total net assets	1,125.5	1,254.7	1,092.3	1,178.6	1,336.3

Table 2: Net Sales of Investment Funds in Italy (EUR million)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	4,698.2	6,776.3	606.2	5,799.4	16,114.1
Funds domiciled abroad and promoted by national providers	14,958.8	22,410.3	9,240.9	-15,235.7	-9,275.7
Foreign-domiciled funds promoted by foreign providers	5,776.2	29,920.4	-2,127.9	-15,202.9	2,892.4
Total net sales	25,433.2	59,106.9	7,719.2	-24,639.2	9,730.8

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	23.3	30.2	29.3	34.4	39.6
Bond funds	48.3	47.3	41.7	70.4	92.1
Multi-asset funds	118.0	141.0	127.9	120.6	150.1
Money market funds	1.9	1.9	3.1	3.5	6.6
Guaranteed/protected funds	0.02	0.02			
Absolute Return Innovative Strategies (ARIS) funds	49.6	38.1	26.3	22.4	21.4
Other funds					
Total	241.2	258.5	228.3	251.2	309.7
of which ➤ ETFs					
➤ Funds of funds	30.1	30.5	26.3	25.2	25.0

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	7.1	1,207.2	3,400.5	353.6	-1,035.5
Bond funds	1,607.6	-489.6	-254.2	26,257.6	18,914.1
Multi-asset funds	5,488.0	17,457.6	4,737.8	-15,907.1	-2,477.5
Money market funds	308.8	-4.8	1,157.5	491.7	2,893.3
Guaranteed/protected funds	-2.9	-5.2	-7.1		
Absolute Return Innovative Strategies (ARIS) funds	-12,545.5	-12,224.8	-8,547.5	-5,209.9	-2,149.0
Other funds					
Total	-5,136.9	5,940.3	487.1	5,985.9	16,145.4
of which ➤ ETFs					
➤ Funds of funds	-2,867.7	-904.6	-3,114.2	-6,701.4	-2,957.7

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds					
Bond funds					
Multi-asset funds				0.01	0.01
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	72.1	72.1	79.6	86.1	91.4
Other funds	27.1	27.8	32.6	36.1	42.2
Total	99.2	99.9	112.2	122.2	133.7
of which ➤ ETFs					
➤ Funds of funds	1.2	1.0	0.8	0.6	0.3
➤ Institutional funds	95.9	95.8	105.8	117.2	125.8

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds					
Bond funds					
Multi-asset funds				8.7	0.4
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	5,814.0				
Other funds	4,021.1	835.9	119.1	-195.3	-31.7
Total	9,835.1	835.9	119.1	-186.6	-31.3
of which ➤ ETFs					
➤ Funds of funds	-109.0	-1.8	-59.7	-132.3	-8.9
➤ Institutional funds	9,257.6	-36.7	-138.2	-268.7	-55.7

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	1,162	1,155	1,112	1,110	1,115
Home-domiciled AIFs	991	1,000	996	1,231	1,312
Foreign funds registered for sales					
➤ By national promoters	1,032	1,044	915	1,131	1,147
➤ By foreign promoters	3,291	3,306	3,495	3,434	3,444
Fund launches	134	109	151	160	181
Fund liquidations					
Fund mergers & acquisitions					

5. REGULATORY DEVELOPMENTS

5.1. UCITS/AIFMD

Article 16 of Italian Law 21/2024 (the so-called ‘Legge Capitali’) simplifies the authorisation and supervision regime under the Consolidated Law on Finance, Legislative Decree No. 58 of 24 February 1998 (TUF) for open-ended and closed-ended investment companies (SICAVs and SICAFs) that appoint external asset managers. Previously, these companies were required to obtain preauthorisation from the Bank of Italy, following the same stringent rules as self-managed funds, despite not directly managing their assets. The regulatory update recognises that the existing framework is disproportionate to the actual risks and functions of these externally managed funds. The changes therefore remove unnecessary authorisation requirements and emphasize that the external manager bears full responsibility for asset management of externally managed investment companies.

5.2. Retail distribution (MiFID II and IDD)

‘Legge Capitali’ provides for an extension of the waivers to the ‘door-to-door selling of financial instruments’ regime (resulting in, for example, suspended enforceability of contracts and subscriber’s right of withdrawal). According to the new wording of Art. 30 of the Consolidated Law on Finance, it is now permitted to extend the derogation regime if the offer of financial instruments regards shares issued by the offering intermediary and provided that (i) the issuer has shares traded in Italian or EU regulated market or multilateral trading facilities, (ii) the offering is carried out by the executive management body of the issuer and (iii) the minimum subscription amounts to EUR 250,000.

5.3. CSDR

Italian funds are typically recipients of positive penalties, as funds are usually long-only, and settlement failures generally arise from counterparties failing to deliver securities on time. The implementation of CSDR cash penalties has imposed significant operational costs on Italian asset managers, mainly due to complex reconciliation processes and the administrative burden of identifying the responsible counterparty within settlement chains. While exact quantification on the implementation costs remains a challenge, there are complaints about compliance and processing costs. There is a need for a more-proportionate and better-harmonised approach to ensure efficiency without excessive administrative burdens.

The impact on the settlement cycle of fund subscriptions and redemptions for Italian-based funds following the move to the T+1 settlement cycle in the US remains limited, due to national rules and market structure. With the EU set to transition to T+1 by October 2027, Italian asset managers are expected to assess the impact on several operational processes, including those relating to the cutoff time for subscriptions and redemptions.

5.4. ELTIF

The new regulatory framework for ELTIFs is driving increased interest from Italian asset managers, as the reforms introduced by ELTIF 2.0 enhance diversification and customisation options. ELTIFs are seen as enabling broader access to private markets across Europe, particularly through evergreen structures. This helps streamline product offerings and reduce operational complexity.

Given that a key challenge for ELTIFs has been liquidity, industry players are willing to take advantage of the new legal framework for developing open-ended or semi-open-ended structures and improving liquidity management. Digital distribution could also play an increasingly important role. ELTIFs - being highly regulated and structured to offer investor protection - are thus likely to become more attractive to digital platforms.

ELTIFs established in Italy often benefit from the tax advantages granted under the current Italian regulations on Individual Savings Plans (PIR). Currently, no further preferential tax regimes for ELTIFs are under consideration.

5.5. Sustainable finance

Inflows for Italian sustainable open-ended funds hit EUR 1.716 million in Q4 2024; EUR 4,630 million since the beginning of the year. Total Asset Under Management (AUM) reached EUR 138,072 million in December 2024, led mainly by Art. 8 (94%) recorded at EUR 129,277 million and representing 44.5% of total AUM (EUR 310,350 million). In 2024, the Italian Asset Management industry took part in the discussions on the revision of SFDR. It put forward a position paper expressing its support of a disclosure-based framework that can guarantee innovation and strengthen consistency with other Sustainable Finance Regulations (mainly MiFID and CSRD). It also supported the establishment of a voluntary category system based on minimum criteria that could provide a specific category for investments in transition and also better match investors sustainability preferences. Furthermore, the future framework should provide a clear differentiation between those financial products that integrate ESG risks and those that take into consideration impact of investments on environmental and social variables. In this sense, while all financial products must consider sustainability risks, (unclassified) financial products without sustainability features should be exempted from the application of sustainability disclosure requirements.

On ESMA Guidelines on the use of ESG or sustainability-related terms in funds' names, this represents one of the main regulatory changes affecting the offering of sustainability-oriented funds in 2024. In terms of the estimated impact of the guidelines on the Italian industry, an analysis using Assogestioni data for Q1 2024 showed how - on a total of 1208 Italian domiciled funds - some 10% (121) are estimated to be in scope of ESMA Guidelines. This representing 8.25% (EUR 22.5 billion) of AUM of Italian domiciled funds (total AUM EUR 272.5 billion), mostly (85%) Art. 8 SFDR funds accounting for EUR 18.4 billion of AUM.

From the publication of the Guidelines, the Association was in constant dialogue with national regulators – namely the Italian Securities Commission (Consob) and the Bank of Italy - aimed at clarifying critical implementation issues. To support Italian asset management companies in implementing the Guidelines, the Association worked with its members to develop a standardised wording to be included in the prospectus, along with management regulations of in-scope funds to comply with the new requirements.

On CSRD implementation, the Directive was transposed in Italy through the legislative decree No.125 of 6 September 2024.
By extending the scope of application of NFRD reporting obligations to listed SMEs and third-country companies, the CSRD reporting requirements are estimated to potentially involve about 4000 companies in Italy. This is a far higher number than the 208 companies publishing the non-financial statement (DNF) in 2023.
Besides identifying Consob as the competent authority for supervision and sanctions in Italy, the decree introduces two main innovations, including:

- The exclusivity of statutory auditors in carrying out assurance service on corporate sustainability reporting. For the time being, this excludes the opportunity of using independent service providers.
- On the liability and sanctions regime - even where the responsibility of company directors in ensuring corporate reporting also extends to sustainability reporting with similar sanctions - the Italian legislator has determined a monetary cap on administrative fines applicable to companies and auditors. This will apply for the first two years after the Directive comes into force.

As undertakings, asset management companies fall within the scope of the CSRD if they meet its requirements. In 2024, most Italian asset management companies were involved in sustainability reporting only indirectly, as part of larger banking or insurance groups. In 2025 the largest Italian asset management companies will be directly subject to CSRD, as the Directive application extends to large non-listed companies.

5.6. Stewardship

On self-regulation of proxy advisors' self-regulation, one representative of Assogestioni has served as a member of the Oversight Committee of the Best Practice Principles Group – BPPG – since 2020. The BPPG was formed in February 2013 to promote greater understanding of the corporate governance or ESG research and support services provided by proxy advisors to professional investors and other capital markets participants. The Oversight Committee's task is to conduct an annual independent review of the public reports of signatories to the Principles as well as to provide guidance and advise the BPPG on the operation and evolution of the Principles.

As in previous years, and also during AGM season 2024, Assogestioni provided its technical and operational support for the presentation of minority slates by institutional investors for the election of candidates to the board of directors and the board of statutory auditors of Italian listed companies, via the slate voting ('voto di lista') mechanism.

In March 2024, the Italian Parliament adopted the aforesaid 'Legge Capitali'. This law aimed at enhancing the competitiveness of the Italian capital market. It was the outcome of a path started in 2022 with the Task Force 'Finance for Growth 2.0', in which Assogestioni had taken part. This was followed by the Green Paper entitled 'The competitiveness of Italian financial markets in support of growth,' which compiled the Task Force outcomes.

In June 2023, the Association took part in a public hearing at the Italian Senate, highlighting the profiles of the bill of major interest to the asset management industry. On that occasion, the Association (i) expressed its appreciation for the measures facilitating the exercise of voting rights with regard to mandates; (ii) highlighted the critical issues related to deviations from the 'one share - one vote' principle without adequate safeguards to protect minorities, as well as the risks underlying the possible enhancement of multiple voting rights and (iii) highlighted profiles of interest to investors in relation to the manner in which shareholders' meetings are conducted. Later in the year, during the course of the parliamentary discussions, amendments to the bill - in particular on the increase of loyalty shares and on the slate of the board of directors - were also included in the bill, despite being outside the scope of the Green Paper. Faced with this, the Association has expressed to policymakers that these issues could be evaluated and refined after having conducted a further in-depth analysis and assessment, in order to maximise comprehensibility for all market participants. This, in order to strengthen the regulatory framework and avoid reducing investors' interest in investing in our markets.

5.7. Benchmarks

The proposed exclusion of NSBs from the regulatory framework is likely to reduce compliance costs and administrative burdens for benchmark administrators, particularly smaller providers and niche index creators. This could spur innovation and competition in the index market, potentially offering asset managers a broader selection of benchmarks. However, the BMR review may also raise some concerns, as briefly explained below:

- The continuation of ESG-related disclosure requirements for in-scope benchmark administrators is aligned with broader market expectations and regulatory trends that promote transparency in sustainable finance. However, ensuring consistency in ESG disclosures with SFDR remains a challenge.
- Overall, the impact of these changes will largely depend on market dynamics and investor preferences. It will also depend on how asset managers assess investor expectations, manage potential perception risks and ensure that the change in the status of the benchmark used is aligned with investor confidence.

5.8. Anti-money laundering

On 9 January 2024, the Bank of Italy published a clarification note on the implementation measures of the EBA guidelines on policies and procedures for compliance management and for the role and responsibilities of the AML/CFT compliance officer.

In response to requests from the Association, the Bank of Italy provided guidance on the appointment of the compliance manager in branches of EU and non-EU intermediaries, on the persons qualified to assume the role of compliance manager and on the rules applicable to groups and holding companies.

On 13 June 2024, the FATF-GAFI conducted a country training session for the private sector in preparation for Italy's Mutual Evaluation in 2025. This evaluation will examine both the country's technical compliance with FATF recommendations and the effectiveness of its national AML/CFT framework.

On 27 November 2024, the Bank of Italy issued new provisions on periodic AML reporting. Effective from 2025, banks and financial institutions - including asset managers and EU and non-EU branches of intermediaries - will be required to submit a comprehensive set of data and information on customers, distribution channels and internal AML/CFT controls. This will have to be provided by 31 March each year.

In 2024, the Register of Beneficial Owners in Italy was suspended, following legal challenges brought by trustee associations. Their appeals resulted in rulings by the Council of State, which suspended enforcement due to concerns over privacy, data protection and excessive compliance burdens. The issue has been referred to the Court of Justice of the European Union for further examination.

5.9. Digital finance and cybersecurity

In Italy, in 2024 a legislative process commenced, with the aim of adapting the national framework to the DORA. Moreover, at the end of 2024, the Bank of Italy issued some important clarifications on the application of DORA.

The Italian Government adopted the Legislative Decree n. 129 of the 5 September 2024, aimed at adapting the national framework to the MiCA Regulation. This followed a public consultation in which Assogestioni took part. Consob and the Bank of Italy also published several operational indications on MiCAR application during 2024.

At national level, in Italy, the Draft Law 'Provisions and Delegation to the Government on Artificial Intelligence' is currently under adoption, complementing the regulatory framework outlined by the AI Act within the scope of domestic law. Moreover, Assogestioni took part in the CNEL 'Hearing on Industrial Policies for Artificial Intelligence', representing asset managers.

5.10. Other regulatory developments

Simplification of representation procedures for exercising voting rights in shareholders' meetings

Article 17 of the aforesaid 'Legge Capitali' amends Article 24, paragraph 1, letter (c) of the consolidated law on finance on voting delegation in portfolio management services. The revision allows the granting of the voting proxy to the service provider for multiple shareholder meetings, overriding the current limitations set by the TUF and the Italian Civil Code. This modification - in response to industry demands - enables individual portfolio managers to fully exercise their fiduciary mandate, including voting rights arising from managed portfolios. This aligns Italian regulations with the Shareholder Rights Directive II (SRD II) and should ensure a level playing field between Italian and international operators.

Introduction of the commitments regime in the sanctioning system

'Legge Capitali' introduced a new 'commitments' procedure within the Consob's sanctioning system, following a model already implemented in EU competition law. Under the new rules, and on the basis of a preliminary assessment of the commitments offered by the financial intermediary concerned, the Italian Consob is now allowed to close the sanctioning procedure initiated by the Authority and to make those commitments binding on the financial intermediary, provided that the commitments are capable of nullifying the unlawful consequences of the infringement.

Enhanced oversight measures on financial intermediaries to prevent the funding of prohibited arms manufacturers

On 26 July 2024, the Bank of Italy, COVIP, IVASS and the Ministry of Economy and Finance (collectively, the Supervisory Authorities) issued a joint provision aimed at providing instructions for strengthened controls on authorised intermediaries to prevent financing of enterprises manufacturing anti-personnel mines and cluster munitions. Published in the Official Journal on 7 August 2024, the instructions took effect the following day, requiring compliance within six months (by 8 February 2025). This issuance is based on Law No. 220/2021, which strictly prohibits authorised financial intermediaries from funding companies - whether domiciled in Italy or abroad – that engage in the manufacture, distribution, or trade of anti-personnel mines, cluster munitions or related components, either directly or through subsidiaries.

6. PENSIONS AND PEPP

There were no notable developments in this area during 2024.

7. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

Changes to the VAT treatment of the loan or secondment of staff

Decree-Law No. 131/2024 (Article 16-ter) has repealed Article 8 (35) of Law No. 67/1988. This established that the loan or secondment of staff - when carried out solely in exchange for cost reimbursement - was not subject to VAT. This was introduced to align national law with the European Court of Justice's ruling in Case C-94/19 (*San Domenico Vetraria*). The new regime applies to loan and secondment agreements that are signed or renewed on or after 1 January 2025.

New Requirement for Long-Term Investments held by Pension Funds and Social Security Institutions

The 2023 Annual Competition Law (Article 33 of Law No. 193/2024) has introduced additional requirements that apply to pension funds and social security institutions holding tax-favoured 'qualified' investments.

Under Italian regulations (Article 1, paragraphs 88 to 95-quater, of Law No. 232/2016), these entities may benefit from tax exemption on income from investments in 'qualified' financial assets (e.g. shares issued by companies with a permanent establishment in Italy), provided that they meet specific conditions. These conditions include a cap on investments in qualified assets, which must not exceed 10% of the entity's total assets as recorded at the end of the previous year and a minimum five-year holding period.

Law No. 193/2024 has introduced a new requirement, whereby pension funds and social security institutions allocate a certain percentage of their 'qualified' investments to venture capital funds. Initially set at 5% of the total value of 'qualified' investments held, this will increase to 10% from 2026. The new requirement applies to 'qualified' investments made on or after 18 December 2024.

8. FINANCIAL AND INVESTOR EDUCATION INITIATIVES

The 'Legge Capitali' also introduced rules to encourage the teaching of matters related to investments and insurance and pension savings, both inside and outside the school setting. The content of these programmes will be determined by agreements between the Italian Ministry for Education, Bank of Italy, Consob, Ivass and Covip.
Consob published an alert for investors on its website, aimed at warning savers of the risks associated with investment proposals delivered through WhatsApp with the unlawful use of well-known financial brands. Assogestioni undertook a range of outreach/in-depth study activities among its members to assist them in preventing such abusive financial initiatives.

In 2024, Assogestioni's Financial Education Committee embarked on the coordination of its activities. This body, which is part of the Italian Ministry of Economy and Finance, organised the fifth edition of 'The Month of Financial Education' from 1-30 November. The theme of personal finance was explored through seminars, lectures, webinars, games, educational workshops and free shows (both in person and online), held throughout the country. In March 2024, the 12th edition of Global Money Week took place, an event involving more than 175 countries, dedicated to financial education for young people.

A major success of the committee's activities was the inclusion of financial education in both primary and secondary education. The subject will be integrated into the hours allocated for civic education, positioned as an interdisciplinary and cross-cutting topic that will engage the entire teaching staff in developing a learning path focused on finance, saving and investing. The goal is to empower children and young people to become informed citizens, capable of participating fully in the country's economic life. The 'Legge Capitali' has been recognised the centrality of financial education in our country.

Financial education and training were also the focus of 'Il Salone del Risparmio 2024', organised by Assogestioni. During the event, the association reintroduced the 'Educational Corner', a physical space for presenting projects and the mission of its educational offerings. The initiative and its contents were aimed not only at industry professionals but also at journalists, aspiring financial advisors, students and savers. At the Corner, 14 events were held in collaboration with 11 organisations, attended by 1132 people. Furthermore, the project titled 'Il tuo capitale umano' (ICU) attracted students interested in a career in the financial sector, connecting them to the main asset managers. The initiative attracted 271 university students, involved a total of 12 companies and offered 18 internships. According to a independently commissioned survey, for 60% of the audience the presence of 'finance influencers' among the speakers helps engage young people with savings-related topics.

The Committee continued the project '2Cents', the financial education programme for young people, edited by Will Media with the support of the Association. The project, which aims to communicate with Generation Z and the new Millennials, has created a cross-community platform through various initiatives: financial education posts on Instagram and TikTok, the *Ramini* podcast and lessons in high schools.

9. OTHER ACTIVITIES OF THE ASSOCIATION

Diversity Committee - The activities of Assogestioni's Diversity Committee on Diversity, Equity & Inclusion (DE&I) in the asset management sector continued during 2024. The committee proposed a general initiative for a harmonised European regulation on DEI across financial sectors, in order to address regulatory fragmentation and mitigate risks of regulatory arbitrage. In addition, the committee – with the support of Assogestioni – has contributed to the Italian Addendum to the CFA DEI Code for Europe, a forthcoming document that highlights Italy's market-specific DEI considerations.

Digital Finance Committee - During 2024, the Digital Finance Committee of Assogestioni published the Italian Digital Funds Guidelines. These guidelines intervene to promote an appropriate development of investments in tokenised financial instruments and in the cryptoassets included in the scope of the MiCAR. At the same time, they aim to promote the evolution of Italian undertakings of collective investment whose shares or units are issued on distributed ledger technology (DLT). Moreover, in 2024, the Digital Finance Committee of Assogestioni initiated a project on AI aimed at providing guidance for a potential strategic and regulatory framework for the adoption of AI in the asset management industry.

Italian Corporate Governance Code – Having approved the new Corporate Governance Code in January 2020, in 2024 the Italian Corporate Governance Committee (composed of issuers and investors associations - ABI, ANIA, Assonime, Confindustria, Assogestioni - as well as the Italian Stock Exchange - Borsa Italiana S.p.A.) focused on the adaptation of the annual report on the compliance with the Code. The committee also continued an in depth-study into a potential review of the Q&As on to the new Code and adopted the new version of the format for the Corporate Governance Report that issuers have to publish.

Book on Board-Shareholder Dialogue - In autumn 2024, Oxford and Rome hosted the presentation of the book *'Board-Shareholder Dialogue: Policy Debate, Legal Constraints and Best Practices'* published by Cambridge University Press with the support of Assogestioni. The book brings together contributions from distinguished international scholars. It explores the dynamics of board-investor dialogue, promoting a constructive debate on the current challenges of corporate governance at both national and international levels. The book presentation featured several international speakers, including Nobel laureate Prof. Oliver Hart of Harvard University.

ICGN 30th Anniversary Conference - The International Corporate Governance Network (ICGN), an organisation representing institutional investors totalling US$77 trillion in AuM, announced that it has chosen Milan as the venue for its 30th anniversary conference. Assogestioni will be ICGN's partner in organising the event, which will be held in autumn 2025.

Catch-Up Programme – Since 2019, Assogestioni has organised a series of workshops on governance and sustainability issues aimed at offering independent directors and statutory auditors opportunities for ongoing education and networking. Each session involves representatives of the institutions and some of the leading experts on the issues addressed, and has provided excellent networking opportunities, with a view to creating a Community within which directors can develop and share their know-how and experiences. The programme was also open to the corporate secretary, chief governance officer and investor relations functions of Italian companies.

Board Academy – Since 2021, in collaboration with Luiss Business School, Assogestioni has offered a University Specialisation Course in 'Board Academy'. This is a programme aimed at training future directors and improving the effectiveness of the boards and corporate governance structures of listed and unlisted companies. The fourth iteration was completed in 2024.

'Il Salone del Risparmio' - In 2024, Assogestioni once again organised 'Il Salone del Risparmio', the flagship event of the Italian asset management industry. Now in its 15th year, 'Il Salone' has grown to now attract over 21,000 attendees and hosts the world's largest asset managers. Last year's figures include more than 15,000 unique visitors, 150 brands, over 120 conferences, 50 hours of training and over 300 speakers.

FocusRisparmio: information, education and insight - Assogestioni has continued its investment in information to engage stakeholders in discussions through its print and web channels. The focal point of the Association's efforts is FocusRisparmio. This newspaper delves into the main themes of the industry, aiming to reach a daily audience of consultants, private bankers, fund selectors, asset managers and savers. This objective is at its clearest in the magazine and the bimonthly 'dossiers', which are thematic inserts analysing issues and trends in the sector, topics mirrored in the website site. Competence, completeness, impartiality, source verification and proven interlocutors are therefore the key elements on which the 2024 information offering has been built. With the goal of promoting increasingly integrated communication across all platforms, one of the most important initiatives has been the creation of a proprietary recording studio. This adds further value to editorial activities and improves support for the needs of associated asset management companies (SGRs). Located at the Association's Milan headquarters, the studio is equipped with the latest audiovisual technologies, allowing it to produce ever-more refined content.

FR|Vision: the home of digital information:
Another component of the editorial ecosystem of FocusRisparmio is FR|Viision, a broadcasting platform conceived and developed by Assogestioni. The portal is dedicated to innovative communication via audiovisual tools facilitated by the digital revolution. Through this channel, the Association continued to address the most critical issues in the industry, providing a diverse range of free content, both live and on demand. This includes conferences, training courses, in-depth reports, interviews and original series. Several new formats were launched by the channel throughout the year, which also served as the official broadcaster of 'Il Salone del Risparmio' and allowed over 6000 people to follow its programme remotely.

FocusRisparmio and FR|Vision have broadened the mission to include reporting on the asset management industry with accuracy and objectivity, while capturing its multifaceted nature through a comprehensive, 360-degree coverage of the value chain. Expertise, thoroughness, impartiality, source verification and high-profile contributors are the cornerstones of the 2024 information offering. It now reaches a monthly audience of 40,000 unique users, along with 10,000 print magazine subscribers and 26 *Vision* members.

LIECHTENSTEIN COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Liechtenstein (EUR billion)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	55.0	68.0	70.1	126.7	142.4
Funds domiciled abroad and promoted by national providers					
Total net assets	55.0	68.0	70.1	126.7	142.4

Table 2: Net Sales of Investment Funds in Liechtenstein (EUR million)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	1,316.1	4,291.3	5,820.2	36,484.7	2,346.4
Funds domiciled abroad and promoted by national providers					
Total net sales	1,316.1	4,291.3	5,820.2	36,484.7	2,346.4

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)

	2020	2021	2022	2023	2024
Equity funds	10.1	13.0	12.7	13.2	14.0
Bond funds	7.8	8.1	7.9	8.9	9.8
Multi-asset funds	5.4	6.1	4.9	4.7	4.4
Money market funds	2.7	2.6	3.1	2.5	3.1
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	0.02	0.02	0.01	0.01	0.01
Other funds	2.6	3.2	3.1	5.4	5.4
Total	28.6	32.9	31.7	34.6	36.6
of which ➤ ETFs					
➤ Funds of funds	0.1	0.1	0.03	2.3	2.1

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	307.9	82.5	2,167.9	-837.5	-939.7
Bond funds	219.3	-75.5	459.3	446.1	320.8
Multi-asset funds	-135.2	107.7	-428.2	-940.7	-515.3
Money market funds	-533.6	-101.2	319.0	-585.8	511.0
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	0.3	-1.2	-0.4	-0.7	-1.0
Other funds	-142.7	461.9	180.0	-242.8	-452.4
Total	-284.1	474.2	2,697.5	-2,161.4	-1,076.7
of which ➤ ETFs					
➤ Funds of funds	-20.8	1.8	-0.6	-133.3	-410.5

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	1.7	2.0	1.8	2.2	2.3
Bond funds	2.0	2.2	2.9	3.2	2.0
Multi-asset funds	12.8	16.8	17.8	19.0	21.5
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	0.2	0.3	0.2	0.2	0.3
Real estate funds	0.3	0.3	0.3	0.3	0.4
Other funds	9.4	13.5	15.4	67.2	79.4
Total	26.4	35.1	38.4	92.1	105.8
of which ➤ ETFs					
➤ Funds of funds	0.2	0.2	0.1	15.1	18.0
➤ Institutional funds	0.02	0.04	0.1	0.2	0.2

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	-10.6	305.6	49.1	252.0	55.0
Bond funds	-78.0	372.9	503.5	57.1	46.2
Multi-asset funds	8.1	1,592.1	2,102.4	797.1	421.3
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	20.1	35.6	14.7	-9.6	-3.4
Real estate funds	104.3	10.3	-9.5	22.8	25.7
Other funds	1,556.3	1,500.6	462.4	37,526.7	2,878.2
Total	1,600.2	3,817.1	3,122.7	38,646.1	3,423.1
of which ➤ ETFs					
➤ Funds of funds	-6.0	-9.3	-26.9	304.4	1,278.7
➤ Institutional funds	-0.6	20.9	-0.1	77.0	11.8

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	888	1,024	1,194	1,188	1,370
Home-domiciled AIFs	1,032	1,188	1,273	1,299	1,406
Foreign funds registered for sales	572	707	927	1,159	1,326
➤ By national promoters					
➤ By foreign promoters					
Fund launches					
Fund liquidations					
Fund mergers & acquisitions					

5. REGULATORY DEVELOPMENTS

5.1. UCITS/AIFMD

UCITS

PRIIPs KIID event - Arrival Price Method

During the first half of 2024, the calculation and disclosure of transaction costs required by the PRIIPs KID were discussed as part of an exchange organised by the LAFV (Liechtenstein Investment Fund Association) for its members. On implicit transaction costs, the transitional period for using the half-spread method (mean or estimated value between the order and execution prices) was set to expire end 2024 and be replaced by the arrival price method of calculating transaction costs in the EU and EEA.

UCITS Eligible Assets

The LAFV has been monitoring the development of UCITS eligible assets, with a focus on CAT bonds UCITS. Liechtenstein is one of only a few European jurisdictions with local CAT bond funds. The market has developed well over the last 20 years, since CAT bonds have consistently demonstrated low correlation with other asset classes over this period. The LAFV submitted a position to ESMA during its Call for Evidence on the topic.

AIF

Preparations for implementation of AIFMD 2.0 in Liechtenstein

Toward the end of 2024, preparations began for amending the Liechtenstein fund laws (AIFMG and UCITSG) to implement the European Directive revisions. A number of first concrete questions were discussed between the association and the FMA (Financial Market Authority), the NCA of Liechtenstein, which is also involved in preparing the consultation report for the implementing legislation. The relevant questions pertain mostly to certain options left to Member States by the EU legislator to choose fro m. The common view is that these options should be exercised in such a way that does not create stricter regulations than those prescribed by the EU; rather, flexibility for market participants should be increased. The general tendency in Liechtenstein is a straightforward transposition of the UCITS Directive and the AIFMD, thus avoiding gold plating. The public consultation is in the first half of 2025.

NCA guidance for UCITS and AIF

A number of guidelines by the Liechtenstein NCA have been published or amended during 2024. These cover special statutory auditing and reporting by auditors, complaint-handling guidelines for securities trading and banking, requirements and duties relating to the depositary function for AIFs and UCITS, authorisation of special statutory auditors and their reporting obligations, implementing the ICT Security Directive as well the regulatory assessment of qualifying holdings.

5.2. Retail distribution (MiFID II & IDD)

There were no notable developments in this area during 2024.

5.3. CSDR

There were no notable developments in this area during 2024.

5.4. ELTIF

There were no notable developments in this area during 2024.

5.5. Sustainable Finance

National implementation of European sustainability legislation in Liechtenstein

Common Supervisory Action

As part of ESMA's Common Supervisory Action (CSA) on sustainability disclosures and the inclusion of sustainability risks, the FMA sent questionnaires to a number of market participants on behalf of ESMA. The NCA also undertook on-site inspections. In particular, the processes relating to disclosures at company level were examined.

Exchange with FMA Liechtenstein on ESG Fund Names

The LAFV had several exchanges with the Liechtenstein FMA on the topic of the ESMA ESG and sustainable fund naming guidelines. The general perception is that Liechtenstein will not introduce more restrictions than already foreseen in the guidelines. In particular, this also concerns the interpretation of 'meaningful investments in SI' in the sustainable investments arena.

Consolidated ESMA SFDR Q&A

The application of the consolidated ESMA SFDR Q&A revealed a number of problems in the 'Financial products' section for the PLF (private label fund) business that prevails in Liechtenstein. These Q&As deal with the individual definition and implementation of 'sustainable investments' by financial market participants. In the cases of funds of funds and delegations, the answers are confusing and unclear, raising doubts over whether in these constellations the individual interpretation and practice of one market participant should be imposed on the other (for example, target fund or delegation recipient). This was brought to the attention of EFAMA.

Supervisory Reviews by Auditors

During 2024, the Liechtenstein FMA informed the LAFV on the ongoing work to prepare for audits in the area of sustainable finance. The FMA had finalised a review of the audit principles for the auditors in Liechtenstein, to which the topic of sustainability has been added. There was a perception that there were few European guidelines on this topic.

Other exchanges and events

During 2024, the implementation of the Sustainable Finance Package was discussed at many levels within the Liechtenstein fund industry. The lack of ESG data and the absence of clear, sustainable product categories are viewed as problematic. A number of initiatives involve the University of Liechtenstein, with its dedicated department for financial services. The LAFV is working with the University on a platform called ESG Kompakt. This will encourage a broader dialogue on sustainable finance between the various stakeholders in the Liechtenstein financial market.

5.6. Stewardship

There were no notable developments in this area during 2024.

5.7. Benchmarks

There were no notable developments in this area during 2024.

5.8. Anti-Money Laundering

Prevention of money laundering and terrorist financing

As is known, the AML package consisting of three legal acts (AMLR, AMLAR, AMLD) was published in the Official Journal of the European Union on 19 June 2024. Liechtenstein is endeavouring to have the entire AML package enter into force three years following its publication in the Official Journal of the EU, simultaneously with the EU Member States. The government is therefore pushing for the legal acts to be incorporated into the EEA Agreement as early as possible. The two Directives - AMLR and AMLAR -apply directly in Liechtenstein, following a positive EEA adoption decision, while the AMLD will require national implementation.

Aware of its responsibilities in the international financial market, the Liechtenstein government and its authorities have therefore involved all financial market participants in implementing the relevant legal acts at an early stage and throughout 2024, informing them of the measures required. Due to the enormous scope and level of detail of the legal texts, a complete revision of the AML Act will be required in Liechtenstein. In future, there will most likely be a so-called 'money laundering handbook' compiling all legal norms relating to the prevention of AML/CTF.

In addition, the Financial Market Authority has, since 2024, placed a greater emphasis on simplified due diligence obligations. Furthermore, the law regarding the Financial Intelligence Unit was reformed and adapted to reflect current circumstances. Among other things, the reform included the risk-based approach to FIU audits and cooperation with other authorities.

National Risk Analysis (NRA) III

In 2024, the NRA review was carried out in Liechtenstein, in line with the predefined four-years cycle. The strategy for combating money laundering, including predicate offences, organised crime and terrorist financing - which was first presented by the Liechtenstein government in 2020 and embedded in the overarching financial centre strategy - has since been energetically pursued. As part of the national risk analysis, all sectors of the financial industry are analysed for their risk propensity for money laundering, terrorist financing and proliferation financing. The latest update was carried out for 2019-2022.

The Liechtenstein Government places great importance on the preparation of the national risk assessment. The PROTEGE inter-ministerial and inter-office working group is exclusively entrusted with preparing the national risk analysis and implementing corresponding measures. To obtain a meaningful picture of the existing risk and new sources of danger in relation to money laundering and terrorist financing, there were bilateral discussions between the FMA and the financial intermediaries, in addition to the early involvement of the financial services associations.

International sanctions

The financial centre strategy, presented under the 'National Risk Analysis', is also reflected in Liechtenstein's zero-tolerance policy on international sanctions. With its participation in the global financial market, Liechtenstein is aware of the importance of this topic and therefore pays close attention to compliance with, and implementation of, international and EU sanctions. In order to raise awareness among all market players, the Liechtenstein FMA hosted a virtual event with representatives from the OFAC authority of the US Department of the Treasury in summer 2024.

Furthermore, the FMA has issued a corresponding communication (FMA Communication 2024/2) to all financial intermediaries, in order to ensure compliance with the requirements for appropriate and effective risk management on implementation of, and compliance with, international sanctions; in particular, OFAC sanctions. The LAFV, along with other associations, has also offered its members customised training with an international speaker on sanctions law. To raise awareness of the risk of circumventing transactions or imposed sanctions within the entire financial sector - and to mitigate this accordingly - the FMA initiated an intersectional exchange with the participation of representatives of various associations and financial intermediaries.

5.9. Digital Finance & Cybersecurity

The enactment of a law implementing Regulation (EU) 2022/2554 on digital operational resilience in the financial sector (DORA) in Liechtenstein entails issues on numerous business relationships with the neighbouring jurisdiction of Switzerland. An analysis of the Swiss legal framework led to the detection of potential obstacles to the future commissioning of setting up information and communication technology to third-party service providers (ICT third-party service providers) based in Switzerland by Liechtenstein financial intermediaries. More specifically, Swiss Criminal Law forbids Swiss ICT service providers to share certain information with foreign authorities. Such restrictions on the side of the Swiss service providers seem difficult to reconcile with Art. 30 of the DORA Regulation. This standardises various obligations that must be contractually guaranteed between a financial undertaking domiciled in the EEA (Liechtenstein) and a (Swiss) ICT third-party service provider. The authorities, the LAFV and private providers held various information events on the implementation measures required by DORA for a wide range of financial intermediaries

In addition to the implementation measures for DORA, which are challenging for financial market players, the Cybersecurity Act applicable in Liechtenstein underwent a complete revision due to Directive (EU) 2022/2555 (NIS 2 Directive). While the Cybersecurity Act aims to increase the general level of digital security, DORA is aimed at strengthening the operational stability of digital systems in the financial sector..

5.10. Other regulatory developments

There were no notable developments in this area during 2024.

6. PENSIONS & PEPP

There were no notable developments in this area during 2024.

7. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

GloBE Act

On 1 January 2024, the Liechtenstein GloBE Act - implementing the BEPS Pillar 2 rules on 'Global Anti-Base Erosion' on a 15% global Minimum Tax - entered into force. Issues regarding the implementation were subsequently discussed at a series of seminars organised by the LAFV. One of these concerned the circumstances under which a consolidation of funds still allows for their categorisation as excluded entities (freigestellte Einheiten).

New Developments in the area of Double Taxation Agreements

During 2024, the Liechtenstein double tax treaty network was further expanded. Double tax treaties with Ireland and Belgium were initialised, while a treaty with Romania was ratified. Following the signing of the treaties, their text will be published on the Liechtenstein tax administration website.

AEOI Review of the AEOI Act and Manual

A special review of the AEOI Act was undertaken in 2024. This primarily served to implement recommendations from the OECD Effectiveness Assessment. The changes concerned new registration requirements for trustee-documented trusts (TDTs), maintenance of an 'internal organisation' for all sectors (banks, insurance companies, trust and company service providers (TCSPs) as well as UCI management companies). It also saw adjustments to the obligation to provide information and controls as well as adaptation of the provisions on abuse and sanctions as those of data protection and confidentiality provisions.

An amendment to the manual by the tax administration addressed a recommendation from the ongoing Effectiveness Assessment of the Global Forum on Transparency and Exchange of Information for Tax Purposes. According to the report, the implementation of the Common Reporting Standard (CRS) in Liechtenstein was assessed positively in many areas, although areas for improvement have been identified.

CARF
Liechtenstein, as with many countries, has committed to implementing the Cryptoasset Reporting Framework (CARF) of the OECD as of 1 January 2026 (first reporting in 2027 for the 2026 reporting period). It has also signed the Multilateral Competent Authority Agreement on Automatic Exchange of Information pursuant to the Cryptoasset Reporting Framework (CARF MCAA). The timetable for this also corresponds to that of the EU and Switzerland. The CARF will be implemented through a new CARF Act, which is scheduled to enter into force on 1 January 2026.

During November - December 2024, the Liechtenstein tax administration consulted with all financial sectors on a first legislative draft of a new CARF Act incorporating the CARF requirements (definitions, nexus rules, due diligence and reporting obligations) into national law.

8. FINANCIAL & INVESTOR EDUCATION INITIATIVES

There were no notable developments in this area during 2024.

9. OTHER ACTIVITIES OF THE ASSOCIATION

Newsletters and other publications
The LAFV has a number of publication formats, serving different audiences and different information purposes. One strand of publications is public, helping orientate potential new market participants. In addition, it helps association members communicate on the features of the financial marketplace and Liechtenstein as a fund domicile. It consists of a number of individual information leaflets on practical issues such as the typical costs and fees structure, time to market, taxes and governance frameworks.

A second strand also targets the wider public, but consists mainly of specific information and articles produced by LAFV members themselves. This gives them a platform to reach out to business relations and potential cooperation partners and customers.
There is also a regulatory newsletter produced on a quarterly basis, solely for LAFV members. This includes a national news section and comprehensive coverage of regulatory developments at European level.

LAFV Guidelines, templates
As a service and direct means of support to its members (and for their exclusive use) the LAFV produces a series of guidelines, standards and templates. One example is the standard fund prospectuses and articles of incorporation, which are developed by the association and then submitted to the Liechtenstein FMA for approval. These have existed for a number of years. However, as part of a standard procedure, an extensive review of these documents took place during 2024.

In addition, a number of more-specific tools have been created. These include a model for a ‘takeover contract’ - for cases where a fund is conferred to a new AIFM or UCITS management company - and a template for a subscription form intended for specific use cases.

Workshops and coordination of workflows with authorities
In some areas, the national authorities or government agencies organise workflows and integrated working groups comprising all financial sectors. An example is a steering committee under the lead of the Liechtenstein

EEA coordination unit, called the 'Consultative Group on Financial Regulation' (Konsultationsgruppe Finanzmarktregulierung). The group consists of representatives of all financial sector associations, the ministry for finance, the FMA Liechtenstein and other officially recognised bodies, such as the staff unit for financial centre innovation and digitalisation. It convenes on a quarterly basis and discusses matters and common issues around upcoming EU regulation and its incorporation into the EEA agreement, as well as national implementation.

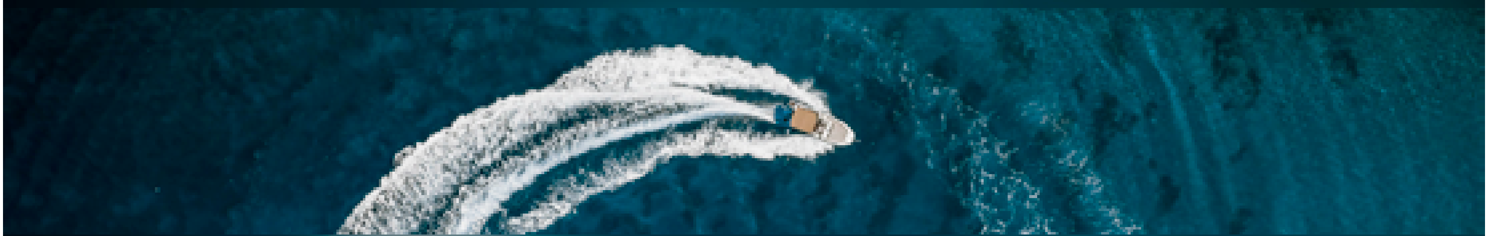
Similar steering committees or ad hoc workflows also exist in other areas, such as anti-money laundering, digitalisation and taxation. One regularly-convened steering committee - overseen by the tax administration - deals with double tax treaties. Further working groups concern other international developments and international agreements, such as in the context of the Automatic Exchange of Information in tax matters and FATCA.

Seminars, conferences

In 2024, there were a number of trainings and seminars organised for the members of the association. One such event, organised in cooperation with the Liechtenstein FMA, featured presentations by the LAFV and the supervisory authority. Topics - among others - were AIFMD 2.0, DORA, sustainable finance and rules on anti-money laundering.

A renowned advisory firm – a 'passive' LAFV member - held a seminar offering an overview of a broad spectrum of regulatory topics. It covered themes including ELTIF 2.0, DORA and sustainable finance as well as an update on international and national tax developments.

There was also a dedicated event on the AIFMD review and related implementation issues, organised in cooperation with the University of Liechtenstein.



LUXEMBOURG COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Luxembourg (EUR billion)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	4,973.8	5,859.5	5,028.5	5,285.0	5,820.1
Funds domiciled abroad and promoted by national providers					
Total net assets	4,973.8	5,859.5	5,028.5	5,285.0	5,820.1

Table 2: Net Sales of Investment Funds in Luxembourg (EUR million)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	149,621.0	394,226.0	-167,942.0	-68,207.0	58,410.0
Funds domiciled abroad and promoted by national providers					
Total net sales	149,621.0	394,226.0	-167,942.0	-68,207.0	58,410.0

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)

	2020	2021	2022	2023	2024
Equity funds	1,541.8	2,013.9	1,591.6	1,695.8	1,892.6
Bond funds	1,305.1	1,369.1	1,108.9	1,159.5	1,291.3
Multi-asset funds	772.1	931.7	798.7	791.4	838.0
Money market funds	387.2	419.1	414.4	490.3	588.2
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	152.2	190.7	164.2	154.3	166.4
Total	4,158.4	4,924.5	4,077.7	4,291.3	4,776.5
of which ➤ ETFs	237.5	322.8	280.2	338.5	444.0
➤ Funds of funds	142.4	177.6	153.4	145.5	158.2

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	71,151.0	185,327.0	-73,613.0	-79,516.0	-56,575.0
Bond funds	25,018.0	46,277.0	-109,857.0	-8,479.0	73,014.0
Multi-asset funds	-8,911.0	82,455.0	-17,384.0	-55,615.0	-22,184.0
Money market funds	49,924.0	12,439.0	-13,644.0	77,594.0	67,729.0
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	2,527.0	21,203.0	-4,185.0	-19,878.0	-4,350.0
Total	139,709.0	347,701.0	-218,683.0	-85,894.0	57,634.0
of which ➤ ETFs	17,191.3	29,616.0	1,695.1	27,744.6	28,072.8
➤ Funds of funds	2,635.0	19,401.0	-615.0	-18,163.0	-3,559.0

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	77.3	87.2	72.6	73.5	69.6
Bond funds	107.8	106.0	90.3	93.8	99.5
Multi-asset funds	191.9	210.2	197.7	205.5	213.3
Money market funds	27.2	24.4	21.1	26.2	28.2
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	93.5	110.8	137.4	133.7	136.0
Other funds	317.5	396.4	431.6	461.0	497.2
Total	815.4	935.0	950.7	993.7	1,043.6
of which ➤ ETFs					
➤ Funds of funds	140.9	176.7	185.5	206.9	223.3
➤ Institutional funds	610.5	698.6	715.8	746.0	758.1

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	470.0	-1,457.0	-6,636.0	-3,045.0	-12,125.0
Bond funds	-4,919.0	-4,678.0	3,986.0	2.0	2,432.0
Multi-asset funds	-7,692.0	780.0	9,918.0	-1,252.0	-5,069.0
Money market funds	2,373.0	-4,044.0	-3,574.0	5,017.0	533.0
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	8,425.0	12,389.0	20,563.0	-3,519.0	623.0
Other funds	11,255.0	43,535.0	26,484.0	20,484.0	14,382.0
Total	9,912.0	46,525.0	50,741.0	17,687.0	776.0
of which ➤ ETFs					
➤ Funds of funds	756.0	23,359.0	15,666.0	16,348.0	5,034.0
➤ Institutional funds	8,266.0	42,078.0	54,145.0	14,332.0	-18,045.0

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	10,163	10,142	10,130	9,934	9,746
Home-domiciled AIFs	4,427	4,303	4,192	4,047	3,853
Foreign funds registered for sales	1,850	2,110	2,390	2,564	2,758
➤ By national promoters					
➤ By foreign promoters					
Fund launches	116	107	75	97	88
Fund liquidations	251	226	190	200	219
Fund mergers & acquisitions					

5. REGULATORY DEVELOPMENTS

5.1. UCITS/AIFMD

New CSSF Circular on NAV calculation errors and investment breaches

The CSSF published a new circular (Circular CSSF 24/856) on 29 March 2024, on investor protection in the event of a NAV calculation error, non-compliance with investment rules and other errors. This replaces Circular CSSF 02/77 and is applicable from 1 January 2025.

The new circular applies to UCITS, Part II Funds, SIFs and SICARs. Thus the rules apply to UCITS, Part II Funds and SIFs that qualify as MMFs, and to Part II funds, SIFs and SICARs that qualify as ELTIFs, EuVECA or EuSEF. It also applies to unregulated AIFs (including RAIFs) when they qualify as MMF, ELTIF, EuVECA or EuSEF, where the CSSF is the competent authority in accordance with the applicable regulations.

The circular aims to provide guidelines to fund professionals in the event of errors at the UCI level. It also clarifies and extends the scope of application following the regulatory and industry developments of the past years as well as the role and responsibilities of the various stakeholders.

For NAV calculation errors in particular, the circular gives further detail as to the concept of significant NAV calculation error. It also addresses the new tolerance thresholds applicable for the different types of UCIs (including those for Part II UCIs and ELTIFs, whose units/shares may be held by investors other than professional or well-informed investors) and potential derogations. It also details correction procedures and outlines how to determine the financial impact of the errors. Notably, closed-ended funds are not obliged to of notify NAV calculation errors to the CSSF.

On investment rules, the circular distinguishes between active and passive breaches. It addresses the correction procedures and the different methods for determining the financial impact of non-compliance. Passive breaches are not subject to the same corrective measures as active ones and do not need to be notified to the CSSF. In specific circumstances, the applicable regime for non-UCITS investing in less liquid assets may be adapted in the interest of investor protection.

As well as NAV errors and non-compliance with investment rules, the circular also covers other errors. These include fees not paid in accordance with the UCI's sales documents, the incorrect application of swing pricing and of cut-off rules as well as the erroneous accounting allocation of operations linked to investments.

In addition, the new circular includes specific sections dedicated to: compliance with investment rules between two NAVs (Intra-day breaches), the specificities of compensation to investors in case of presence of financial intermediaries (including information to be provided to such investors via the prospectus or other channels in case such prospectus is not required or cannot be updated before the entry into force of the Circular) and the intervention of the *réviseur d'entreprises agréé*. In particular, it provides detailed rules for the external auditor's separate and special report.
It is up to the UCIs, the investment fund managers and those intervening in the functioning and the control of the UCI to ensure that errors covered by this circular are handled in compliance with the guidelines, with a view to protecting the investors interest as a priority.

On 24 December 2024, the CSSF published an FAQ on the Circular, which introduces new questions, notably on the scope of application of the Circular, the application of tolerance thresholds to closed-ended UCIs and non-compliant cost/fee payments at UCI level.

The FAQ regarding Circular CSSF 02/77 will continue to apply to errors /instances of non-compliance detected before 1 January 2025. The new FAQ applies to errors /instances of non-compliance detected as from 1 January 2025.

CSSF issues new notification templates for cross-border activities
The CSSF issued a communiqué on 25 June 2024, on new notification templates for cross-border activities, as a follow-up to the new Regulatory Technical Standards (and Implementing Technical Standards for the notification of cross-border activities of AIF managers, management companies and UCITS).

Following this, the CSSF informed the supervised entities concerned that they must use new templates of notification letters for their management and cross-border marketing activities within the EEA, starting 14 July 2024. The new templates were made available on the CSSF website.

5.2. Retail Distribution (MiFID II & IDD)

PRIIPs: communiqué issued by the CSSF
The CSSF issued a communiqué on the PRIIPs level 1 and level 2 Regulation on 28 May 2024, which require "manufacturers" of PRIIPs to review the information contained in the key information document (KID) every 12 months at minimum following its initial publication. With reference to existing guidance, the CSSF reminded Luxembourg UCITS and UCITS management companies of the aforementioned review requirement for 2024.

5.3. CSDR

There were no notable developments in this area during 2024.

5.4. ELTIF

The number of ELTIFs rose from 57 in November 2023 to 84 as at end of September 2024.

The Luxembourg law of 21 July 2023 had already introduced exemptions from subscription tax for European Long-Term Investment Funds in the Luxembourg funds laws.

5.5. Sustainable finance

CSSF updates its sustainable finance supervisory priorities

The CSSF issued a *Communiqué* stating its updated supervisory priorities in the field of sustainable finance on 22 March 2024. The priorities are:

- credit institutions
- the asset management industry
- investment firms
- Issuers;
- International cooperation in sustainable finance.

The *Communiqué* also contains a simplified schedule of supervision exercises at the initiative of the European authorities.

Regarding the asset management industry specifically, the CSSF highlighted the following supervisory priorities:

- Organisational arrangements of IFMs, including the integration of sustainability risks by financial market participants.
- Verification of the compliance of pre-contractual and periodic disclosures.
- Verification of the consistency of information in fund documentation and marketing material.
- Verification of the product website disclosures compliance.
- Portfolio analysis.

CSSF launches new webpage on CSRD

The CSSF informed about its new webpage on the Corporate Sustainability Reporting Directive (CSRD) on 29 April 2024. On the upper right of the page, there are links to an overview on the CSRD, its scope and application and the main requirements of the European Sustainability Reporting Standards (ESRS). The latter includes links to the relevant work of the European Financial Reporting Advisory Group (EFRAG).

CSSF Communiqué on ESMA fund naming Guidelines

The CSSF issued a Communiqué on the ESMA guidelines on funds' names using ESG or sustainability-related terms on 21 October 2024. In this, the CSSF:

- notifies on the publication of Circular CSSF 24/863, to serve to inform the market that the CSSF is applying the Guidelines
- reminds of the application dates of the ESMA Guidelines
- outlines supervisory expectations
- informs on a 'PPP' (Priority Processing Procedure) for existing UCITS and AIFs that limit the update of their issuing document / prospectus to amendments required by the entry into force of the Guidelines. According to the CSSF, any amendments must be limited to either a name change of at least one sub-fund or minor adjustments to the fund's / sub-fund's ESG engagement / SFDR precontractual disclosure. The conditions and modalities for benefiting from the PPP are further explained in the Fund naming confirmation letter.

5.6. Stewardship

There were no notable developments in this area during 2024.

5.7. Benchmarks

There were no notable developments in this area during 2024.

5.8. Anti-Money Laundering

CSSF Update of FAQ on the AML/CFT Summary Report RC (SRRC) on compliance with AML/CFT obligations in accordance with Circular CSSF 24/854

Following its initial publication on 29 February 2024, the CSSF updated its FAQ on the AML/CFT SRRC on compliance with AML/CFT obligations in accordance with Circular CSSF 24/854 on 1 July 2024.

The CSSF Circular 24/854 provides guidance on the new SRRC template, which focuses on key data points relevant for the CSSF's supervision regarding the fight against money laundering and countering the financing of terrorism ("AML/CFT"). This is in line with its strategy of digitalisation and data driven supervision.

The new version of the FAQ features a new structure, introduces new questions in the scope and the content of the SRRC as well as a modification of question 2D on those findings that must be reported in the dedicated 'AML/CFT Findings' section of the SRRC.

CSSF FAQ on AML/CFT asset due diligence obligations in accordance with CSSF Regulation No 12-02

The CSSF published, on 13 December 2024, the FAQ on AML/CFT asset due diligence obligations. The document refers to Q&As relating to the implementation of Article 34(2) of CSSF Regulation 12-02.

The FAQ includes a question on the scope of the asset due diligence obligations, in particular on securities admitted to trading on a regulated market. There are also two questions on the frequency of these obligations.

5.9. Digital Finance & Cybersecurity

There were no notable developments in this area during 2024.

5.10. Other regulatory developments

There were no notable developments in this area during 2024.

6. PENSIONS & PEPP

There were no notable developments in this area during 2024.

7. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

- Council Directive (EU) 2022/2523, on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union stemming from the OECD Pillar Two Model rules addressing the tax challenges of the digital economy, was adopted on 15 December 2022. The Directive has been transposed via a Luxembourg law approved in December 2023 and is applicable from 1 January 2024.

- Luxembourg has introduced, as of 1 January 2025, a subscription tax exemption for actively managed ETFs that applies to UCITS. It also applies to individual compartments of existing UCITS with multiple compartments, where at least one unit or share class is traded throughout the day on at least one regulated market or Multilateral Trading Facility that has at least one market maker ensuring that the stock exchange value of units or shares does not significantly vary from its net asset value and its Indicative Net Asset Value where applicable.

- Luxembourg has reduced the Corporate Income Tax (CIT) rate from 17% to 16%, starting tax year 2025. This lowers the global income tax rate (in Luxembourg city) from 24.94% to 23.87% for Luxembourg tax resident entities subject to CIT and municipal business tax. This includes, among others, Luxembourg management companies and professionals of the financial sector providing services to investment funds.

- Luxembourg has adopted measures to attract and retain talent and highly qualified experts that will apply as from 2025. Luxembourg has simplified the conditions for highly-skilled workers to benefit from the impatriate regime and extended the tax incentives for profit-sharing bonuses offered by employers. Luxembourg has also introduced changes to personal taxation, in particular adjustments to the personal tax scale and various tax credits and incentives for young employees.

8. FINANCIAL & INVESTOR EDUCATION INITIATIVES

ALFI initiative to improve financial education

The ALFI, in collaboration with our members, the LHOFT (Luxembourg House of Financial Technology) and LFF (Luxembourg For Finance), delivered a presentation in June 2024 at the Chamber of Commerce to University of Burgundy students on the Luxembourg market and the various job opportunities available.

Money Talks

The 'Money Talks' podcast series, in partnership with RTL, was continued for a third season. This represents the ALFI's contribution to the IOSCO Investor Week, a global initiative for boosting financial education and empower retail investors.

9. OTHER ACTIVITIES OF THE ASSOCIATION

Publications

- ALFI Considerations on the Implementation of Data Protection by reporting financial institutions in the context of CRS in Luxembourg (January 2024)
- Global Asset Management Conference Report (March 2024)
- ALFI PRIIPS KID Q&A, Issue 8 (April 2024)
- ALFI annual report (June 2024)
- Observatory for Management companies (September 2024)
- Global Fund Distribution Poster 2024 (in collaboration with PwC)
- Luxembourg Private Equity and Venture Capital Brochure 2024
- KPMG/ALFI Private Debt Fund survey 2024
- ALFI Considerations on Marketing and Distribution (December 2024)
- ELTIF 2.0 (December 2024)
- ETFs: Key developments for Luxembourg's ETF market (December 2024).

Conferences, seminars and webinars

- DORA getting real – first batch of specifications Seminar (5 February 2024)
- ALFI Global Asset Management Conference (19-20 March 2024)
- ALFI Seminar on Hedge funds and Liquid Alternatives (24 April 2024)
- ALFI European Risk Management Conference (7 May 2024)
- ALFI webinar on CSSF Circular 24/856 (6 June 2024)
- ALFI NextGen event (20 June 2024)
- ALFI Webinar on AIFMD II and Private Debt (28 June 2024)
- Digital Operations Resilience Act (28 July 2024)
- ALFI Private Assets Conference (25-26 September 2024)
- DORA getting real: second batch of technical standards Seminar (1 October 2024)
- ALFI Seminar on Taxes for Investment Funds (23 October 2024)
- Preventing Financing Terrorism Financing - CRF, CSSF, ABBL and ALFI seminar (8 November 2024)
- SFC Webinar on Fund Authorisation - Fastrack (21 November 2024)

- ALFI Real Estate Funds Update Seminar (3 December 2024)
- ALFI Seminar on AML/CFT compliance (3 December 2024).

Videos/podcasts

- Bridging the gap between traditional workflows and the latest in Fintech (January 2024)
- Your career in the Luxembourg Fund Industry (April 2024)
- Luxembourg has its first crypto-AIF (September 2024)
- The rise of IP Investments (7 October 2024)
- AI transforms Investing (7 October 2024).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MALTA COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Malta (EUR billion)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	15.3	21.3	19.8	20.0	23.8
Funds domiciled abroad and promoted by national providers					
Total net assets	15.3	21.3	19.8	20.0	23.8

Table 2: Net Sales of Investment Funds in Malta (EUR million)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	-158.4	3,132.4	-618.0	-118.4	-311.5
Funds domiciled abroad and promoted by national providers					
Total net sales	-158.4	3,132.4	-618.0	-118.4	-311.5

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)

	2020	2021	2022	2023	2024
Equity funds	0.4	0.5	0.4	0.5	0.6
Bond funds	1.2	1.5	1.2	1.2	1.2
Multi-asset funds	0.4	0.4	0.3	0.4	0.4
Money market funds					
Guaranteed/protected funds				0.02	0.05
Absolute Return Innovative Strategies (ARIS) funds	0.01	0.01	0.003		
Other funds	0.7	0.9	0.8	0.8	0.9
Total	2.7	3.4	2.8	2.9	3.1
of which ➤ ETFs					
➤ Funds of funds	0.01	0.02	0.03	0.03	0.03

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	41.7	52.9	3.7	-14.9	14.8
Bond funds	-166.6	31.8	-117.0	-57.4	-44.9
Multi-asset funds	-59.0	23.4	-58.9	6.2	-7.6
Money market funds	-13.3				
Guaranteed/protected funds				15.0	30.4
Absolute Return Innovative Strategies (ARIS) funds	-0.4	0.9	-3.2	-0.7	
Other funds	2.2	59.1	-10.9	-18.9	-4.4
Total	-195.3	168.2	-186.1	-70.8	-11.8
of which ➤ ETFs					
➤ Funds of funds	1.5	13.6	-3.3	-1.7	-0.7

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	2.2	3.3	2.5	3.2	3.8
Bond funds	0.8	1.2	1.2	1.3	1.4
Multi-asset funds	0.3	0.4	0.5	0.6	0.5
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	0.005				
Real estate funds	0.6	0.9	1.0	1.0	1.1
Other funds	8.7	12.2	11.8	11.0	13.8
Total	12.6	17.9	17.0	17.1	20.7
of which ➤ ETFs		0.1	0.1	0.2	0.2
➤ Funds of funds	3.1	6.1	5.9	5.3	5.5
➤ Institutional funds	12.1	16.5	15.1	14.9	17.7

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	-195.4	863.7	116.7	319.7	235.2
Bond funds	145.4	-6.3	145.0	-15.2	-26.8
Multi-asset funds	68.8	92.2	162.3	-27.0	-9.8
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	-3.2				
Real estate funds	-2.7	184.9	120.6	15.1	66.5
Other funds	24.1	1,829.8	-976.5	-340.2	-564.9
Total	36.9	2,964.3	-431.9	-47.6	-299.8
of which ➤ ETFs		54.3	9.0	0.8	12.4
➤ Funds of funds	59.4	1,504.4	-776.8	-384.1	-343.2
➤ Institutional funds	-46.9	2,069.9	-1,238.0	-232.7	-191.6

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	109	117	114	112	112
Home-domiciled AIFs	476	478	443	401	378
Foreign funds registered for sales					
➤ By national promoters					
➤ By foreign promoters					
Fund launches	49	85	48	32	36
Fund liquidations	119	75	86	76	59
Fund mergers & acquisitions					n.a.

5. MARKET DEVELOPMENTS IN 2024

The net asset value of Malta-based funds reached €23.8 billion by the end of 2024, reflecting a substantial 19.2% increase from the €20 billion recorded in 2023. UCITS funds saw a 6.7% rise in net assets, growing from €2.9 billion in 2023 to €3.1 billion in 2024. Meanwhile, non-UCITS funds recorded a notable 21.3% increase, with net assets rising from €17.1 billion in 2023 to €20.7 billion in 2024. Home-domiciled funds continued to experience net outflows throughout 2024, with the magnitude of these outflows expanding from €0.1 billion in 2023 to €0.3 billion in 2024.

UCITS Assets and Net Sales

All categories of UCITS funds experienced growth in net assets compared to the previous year. The most significant growth was recorded by guaranteed/protected funds, which surged by 200%, rising from €15.4 million in 2023 to €46.3 million in 2024. Additionally, equity funds continued their upward trend, increasing by 20.3% from €0.5 billion in 2023 to €0.6 billion in 2024.

In 2024, UCITS funds recorded net outflows of €11.8 million, a decrease from the €70.8 million in net outflows observed in 2023. Bond funds experienced the largest net outflows, totalling €44.9 million for the year. Conversely, guaranteed/protected UCITS funds and equity UCITS funds saw net inflows of €30.4 million and €14.8 million, respectively, in 2024.

Non-UCITS Assets and Net Sales
All categories of Non-UCITS funds saw an increase in net assets compared to the previous year, except for multi-asset funds, which saw a slight decline of 1.6%, from €0.6 billion to €0.5billion. Among them, 'Other' non-UCITS funds recorded the highest growth, rising by 25.4% from €11 billion in 2023 to €13.8 billion in 2024. Equity funds experienced a comparable increase, growing by 20.1% from €3.2 billion in 2023 to €3.8 billion in 2024.

Non-UCITS funds recorded net outflows of €0.3 billion in 2024, up from €47.6 million in 2023. The largest net outflows were observed in the 'Other' non-UCITS funds category, totaling €0.6 billion in 2024. In contrast, equity non-UCITS funds continued to attract inflows, reaching €0.2 billion for the year.

Number of funds
There were 490 funds licensed and registered in Malta at the end of 2024 where 112 were UCITS funds and 378 non-UCITS funds. Throughout the year, 36 new funds were issued, while 59 funds were liquidated.

6. REGULATORY DEVELOPMENTS

6.1. UCITS/AIFMD

In 2024, the MFSA (Malta Financial Services Authority) introduced key regulatory and supervisory developments for UCITS and AIFs. Key developments include:

- **Cross-border distribution of funds**
  Establishing cross-border supervision as a new priority, in order to enhance oversight of investment service license holders with cross-border operations. This initiative seeks to ensure that such entities' risk ratings accurately reflect their cross-border activities, promoting robust governance and compliance in international operations.

- **Liquidity Management**
  Focusing on the resilience of supervised entities by prioritising liquidity risk management. This includes assessing the applicability of liquidity management tools and conducting liquidity stress-testing, in line with the ESMA (European Securities and Markets Authority) guidelines for UCITS and AIFs. The supervision extends to evaluating valuation functions and related policies, particularly on the nature of assets within fund portfolios.

- **Delegation practices**
  Scrutinising the robustness of business models and governance structures of licensed investment service providers. This focuses on the adequacy of operational setups, safeguarding and segregation of client assets and monies as well as monitoring cash flow and investment restrictions, particularly in fund depositaries. In addition, with the introduction of the Notified Professional Investor Fund regime, the MFSA reviewed due diligence service providers and ongoing assessments of the net asset value calculation processes of recognised fund administrators.

- **Supervisory reporting**
  Continuing monitoring of the capital adequacy of fund managers, to ensure sufficient coverage of market and operational risks. The MFSA also evaluated the adequacy of governance structures, effectiveness of control functions and compliance with the Investment Firms Regulation and Investment Firms Directive.

- **Sustainable Finance**
  Intensifying the focus on sustainable finance, evaluating compliance with the SFDR (Sustainable Finance Disclosure Regulation), the Taxonomy Regulation and relevant delegated acts. This aligns with the broader European agenda of promoting transparency and sustainability in financial markets.

These developments reflect the MFSA's commitment to an outcomes-based supervisory approach that aims to enhance the resilience, governance and compliance of Malta's investment funds sector.

6.2. Retail Distribution (MiFID II & IDD)

There are no new national gold-plating or additional legal requirements planned that would materially diverge from the EU-level frameworks under MiFID II or IDD affecting distribution of funds to retail investors. The MFSA, however, continues to supervise value-for-money, product governance and the quality of financial advice provided to retail clients. These areas are likely to be subject to targeted thematic reviews.

6.3. CSDR

We have no insights into the impact on cash penalties at asset management level.

The move to a T+1 settlement cycle in USA offers significant benefits in terms of efficiency, risk reduction and market liquidity, amongst others. It does pose challenges for Malta as custodians seek to adapt through systems improvements, time zone issues and NAV implications. That said, we expect the trend to continue in 2025, as EU migration to T+1 is implemented by October 2027.

6.4. ELTIF

The uptake of ELTIFs in Malta remains relatively low and any significant impact on retail participation in Malta is yet to materialise. It is possible that this lukewarm reception among retail investors will change upon the implementation of ELTIF v2.

At present, there are no specific tax incentives or regulatory benefits exclusively targeted at ELTIFs. Generally, collective investment schemes in Malta are treated as tax-transparent structures, and no plans have been announced for any differential treatment of ELTIFs under the current tax regime.

6.5. Sustainable finance

The SFDR implementation in Malta presented both challenges and opportunities for market participants, with the MFSA playing a pivotal role in guiding and supervising this transition.

- **MFSAs Supervisory Approach**
  The MFSA has adopted a proactive and supportive approach. This included organising workshops to enhance the understanding on the SFDR requirements among asset management and insurance sectors. It also issued publications, through which the MFSA outlines findings from supervisory analyses and sets clear expectations for entities to enhance transparency in sustainability-relates disclosures. The MFSA emphasised the need to improve the quality and accessibility of such disclosures, in order to help investors make informed decisions.
  In 2024, the MFSA shifted to an outcomes-based supervisory approach. This focuses on assessing the effectiveness of license holders in achieving specific regulatory outcomes, including those relating to sustainable finance. This aligns with the MFSA's risk-based methodology, prioritising areas with the highest impact on stakeholders.

The MFSA continues to play an instrumental role in effectively implementing the SFDR in Malta. It emphasises collaboration, guidance and a focus on tangible outcomes to enhance sustainability practices within the financial sector.

6.6. Stewardship

There were no significant developments in 2024 in corporate governance and the exercise of shareholders' rights in Malta. The last corporate governance initiative in relation to asset management and funds was the publication of the 'Corporate Governance Manual for Directors of Collective Investment Schemes' on 30 October 2023. (link)

6.7. Benchmarks

Throughout 2024, Malta introduced several regulatory developments that impact the implementation of the BMR and the use of financial indices by investment funds. The MFSA issued guidance in support of the transition from USD LIBOR to alternative risk-free rates, in line with the EU BMR. This ensures ongoing compliance and financial stability as legacy benchmarks are phased out. On 15 July 2024, the MFSA issued a circular providing updates to all market participants on the use of Benchmarks.

The upcoming revision of the BMR, scheduled to apply from January 2026, is expected to have a positive and practical impact on financial indices used by investment funds in Malta. Key anticipated outcomes include:

1. Enhanced flexibility for fund managers:
   Fewer benchmarks will be fully regulated, making it easier for Maltese funds to use a wider range of indices

2. Better access to global benchmarks:
   Simplified rules for third-country benchmarks will benefit funds with international exposure. This will reduce reliance on the equivalence, recognition or endorsement regimes, facilitating smoother access to widely-used indices such as those provided by Bloomberg, MSCI and S&P.

3. Regulatory synergy with Malta's NPIF framework:
   The revised BMR aligns well with Malta's 2024 launch of the NPIF (Notified Professional Investor Fund) regime, which is designed for quicker, cost-efficient fund setup with lighter ongoing regulation. These funds, often managed by sub-thresholds AIFMs, will find the simplified BMR particularly advantageous in terms of compliance efficiency.

4. Continued focus on ESG indices:
   ESG indices will continue to have strict transparency and reliability requirements. Investment Funds in Malta that market ESG products will still need to maintain robust due diligence and ensure alignment with SFDR and Taxonomy obligations.

5. Improved stability in index use:
   Reduced risk of benchmark disruptions, ensuring smoother fund operations.

The 2026 BMR revision is expected to support the competitiveness and attractiveness of Malta's investment fund ecosystem, notably for smaller fund managers and internationally oriented strategies. It reinforces Malta's position as a flexible, innovative and internationally aligned jurisdiction for fund domiciliation and management.

The proposal to remove non-significant benchmarks from regulatory scope, while maintaining ESG-related disclosures for in-scope administrators, would reduce compliance burdens for smaller or less-impactful benchmarks. This would potentially reduce costs, but it does risk transparency gaps and market inconsistency. Meanwhile, maintaining ESG disclosures for significant benchmarks ensures continued sustainability transparency while supporting investor decision-making and EU climate goals.

6.8. Anti-Money Laundering

In 2024, Malta implemented significant regulatory and supervisory measures to combat money laundering and terrorist financing (AML/CFT). These align the country with evolving international standards and respond to geopolitical developments. Key initiatives included:

- **Amendments to the Prevention of Money Laundering and Funding of Terrorism Regulations**
  Malta revised its PMLFTR (Prevention of Money Laundering and Funding of Terrorism Regulations) to enhance the Financial Intelligence Analysis Unit's (FIAU) enforcement capabilities. These amendments saw the introduced a restructured fine framework, capping penalties at €5 million for serious, repeated or systemic breaches. In those cases where this cap is deemed ineffective, fines can be increased to 10% of the entity's turnover. These amendments aim to address previous legal challenges and to ensure proportionality in enforcement actions.

- **Integration of the EU Anti-Money Laundering Legislative Package**
  Following the adoption of a comprehensive AML package in June 2024, Malta has been proactively aligning its national framework with the following Directives:
  - *AML/CFT Regulation (Regulation (EU) 2024/1624)*
    This Regulation establishes a unified rulebook for harmonising AML/CFT measures across Member States, enhancing transparency and mitigating against financial system misuse.
  - *6th Anti-Money Laundering Directive (Directive (EU) 2024/1640)*
    This Directive focuses on strengthening national mechanisms, particularly those concerning beneficial ownership information and its inclusion in central registers. Member States are required to transpose its provisions into national law by July 2027.
  - *Establishment of the EU Anti-Money Laundering Authority (AMLA)*
    A new authority has been established to oversee AML/CFT compliance at EU level, directly supervising select high-risk entities starting 2028.

- **FIAU Supervisory Plan for 2024-2025**
  The FIAU (Financial Intelligence Analysis Unit) released its supervisory plan for the period spanning July 2024 - June 2025, emphasising a risk-based approach to AML/CFT compliance monitoring. The plan outlines targeted supervisory interventions for various sectors, including credit and financial institutions, remote gaming operators, company service providers, auditors, accountants, real estate professionals and notaries. The focus is on assessing the effectiveness of internal controls, customer due diligence practices and the application of risk assessments.

- **International Collaboration and Response to Geopolitical Sanctions**
  Malta has taken part in international workshops and conferences to exchange AML/CFT experiences. These have underscored the country's commitment to enhancing its cooperation and aligning with global best practices. In addition, in response to recent geopolitical events, Malta has reinforced its mechanisms for implementing international sanctions. These ensure that financial institutions adhere to global directives and effectively monitor transactions involving high-risk jurisdictions.

Malta is progressing with implementation of the European Union's new AML (Anti-Money Laundering) Package, which includes Directive 2024/1640, Regulation 2024/1620 and Regulation 2024/1624. In view of this, it is worth noting that the Maltese government is reviewing and amending national laws to align with the AMLD6 requirements, establishing central registers for beneficial ownership and enhancing transparency measures.

The FIAU is updating its protocols to comply with AMLR provisions, including stricter customer due diligence procedures and the inclusion of additional obliged entities. Malta is preparing for collaboration with the newly established AMLA to ensure seamless integration into the EU's centralised supervisory framework.

In addition, in late March 2025, FIAU representatives took part in a seminar focused on the implementation of the EU AML Package. This underscores Malta's commitment to keeping informed and involved in the EU-wide AML/CFT initiatives.

These developments also reflect well on Malta's dedication to strengthening its AML/CFT framework, ensuring compliance with international standards and effectively addressing emerging financial crime risks.

6.9. Digital Finance & Cybersecurity

In 2024, beyond DORA and its Level 2 Acts, Malta's MFSA helped enhance asset managers' operational resilience through targeted supervisory developments. These included intensified oversight of liquidity risk management with stress testing, increased cross-border supervision to ensure robust governance for internationally active firms and thematic reviews to bolster cyber-resilience via ICT risk management and incident response planning. These measures build on existing frameworks for sector-specific vulnerabilities while maintaining Malta's appeal as a fund domicile.

In 2025, with MiCA fully in effect, Malta's cryptomarkets are expected to grow as legal clarity and EU passporting attract firms. The market could shift toward institutional services and see increased stablecoin use. The MFSA's stricter oversight may lead to initial adjustments but ultimately enhance long-term stability, reinforcing Malta's cryptohub status.

In 2024, Malta introduced several national regulatory and supervisory developments on cryptoassets and cryptomarkets, primarily to align with the EU's Markets in Cryptoassets Regulation (MiCA) and enhance its existing framework. Below is a concise overview of these developments:

1. Markets in Cryptoassets Act (Chapter 647)
   Enacted on 5 November 2024, this legislation integrated MiCA into Maltese law. It designated the MFSA as the competent authority, outlined its supervisory powers, and established a comprehensive framework for crypto-asset issuance, trading and service provision. It replaced much of the prior VFA (Virtual Financial Assets) regime.

2. Fee Regulations
   The Markets in Cryptoassets Act (Fees) Regulations introduced supervisory and application fees for CASPs (Crypto issuers and Cryptoasset Service Providers). VFA providers transitioning to MiCA authorisation by 1 July 2026 will receive a 50% fee discount, encouraging compliance.

3. AML/CFT Updates
   On 30 December 2024, the FIAU revised the PMLFTR to align with MiCA and EU AML/CFT standards, strengthening due diligence and reporting for crypto firms.

4. MFSA Guidance
   The MFSA issued circulars detailing MiCA implementation, fees and transitional processes. It also undertook stakeholder engagement to ensure readiness for MiCA's full application on 30 December 2024.

These developments reflect Malta's proactive shift from its pioneering VFA framework to MiCA compliance. It maintains its status as a crypto-friendly jurisdiction while enhancing oversight and consumer protection.

6.10. Other regulatory developments

In 2023, the MFSA launched the Notified Professional Investor Fund (NPIF) regime, a streamlined, notification-based framework aimed at professional investor funds. This was complemented by adding a self-managed NPIF structure during 2024, which is subject to minimum capital requirements of EUR 125,000.

In parallel, during 2024, the MFSA also issued a revised 'Family Offices' framework. This aims to streamline its regulatory framework to simplify the setting up of single-family offices in Malta.

7. PENSIONS & PEPP

The MFSA has implemented amendments to the existing pension rules, primarily aimed at refining and clarifying the current regulatory framework. These do not introduce new measures specifically targeting the PEPP (Pan-European Personal Pension Product) regime.

8. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

Pursuant to the adoption of the VAT Rates Directive (Council Directive (EU) 2022/542 of 5 April 2022), Malta adopted Legal Notice 231 of 2023, which amends the Eighth Schedule to the VAT Act (Chapter 406, Laws of Malta). Effective 1 January 2024, this amendment sees a 12% VAT rate applied to a number of services, including the supply of custody and management of securities, among other services. This reduced rate applies to certain custodian duties provided to collective investment schemes, such as oversight of securities. It also applies to advisory and discretionary management services, which were previously subject to an 18% rate.

9. FINANCIAL & INVESTOR EDUCATION INITIATIVES

The MFSA has established an internal financial literacy committee, with representatives from all supervisory functions. The goal is to increase the MFSA's efforts to promote financial literacy among the wider public. The committee has developed a calendar of initiatives to be carried out during the current year. Initiatives undertaken are aimed at expanding the MFSA's contribution to financial literacy via various channels of mass media, including social media posts, podcasts and appearing in popular TV/radio programmes. Further initiatives include face-to-face activities and direct interaction with the public through, for example, lectures/seminars in local schools. councils and consumer associations.

The MFSA is engaged in a TSI project within the EU Commission's SG REFROM, with the aim of contributing further to Malta's next financial literacy strategy and to providing further tools that would enable the Authority to further build on the initiatives it currently undertakes.

In addition, the MFSA is also part of a national working group made up of other stakeholders who also take initiatives on financial literacy (these include other regulators, private entities and industry representatives). The aim of this group is to further co-ordinate their activities on a nationwide level to avoid any gaps and overlaps, both with respect to content as well as target audience. The MFSA also collaborates with other entities on a range of financial education initiatives.

10. OTHER ACTIVITIES OF THE ASSOCIATION

In 2024, the MASA (Malta Asset Servicing Association) undertook various initiatives, including organising two conferences in collaboration with Finance Malta:

- February 24 – London: 'Malta – Innovative New Solutions for Asset Managers'
- September 24 – Zurich: 'Navigating EU Investment Fund Frameworks: Malta's Offering'

The MASA was also invited to speak at a number of other events, including those organised by the MFSA and the FIAU.

Together with other stakeholders, the MASA is active in providing responses effecting the industry to the MFSA and other authorities. In 2024, these included leading the consultation process ahead of the successful launch of the self-managed versions of the NPIF and the Special Limited Partnership.

The Association actively also takes part in various industry working groups, including the FIAU Joint Committee and the MFSA stakeholders panel. It regularly provides guidance to industry on various topic.

MASA also organised industry-required training during 2024, with a focus on AIFMD and UCITS, amongst others.

NETHERLANDS COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Netherlands (EUR billion)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	998.7	1,036.1	773.0	826.3	902.1
Funds domiciled abroad and promoted by national providers					
Total net assets	998.7	1,036.1	773.0	826.3	902.1

Table 2: Net Sales of Investment Funds in Netherlands (EUR million)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	10,242.0	-156,716.0	-181,337.6	-21,551.7	-15,799.7
Funds domiciled abroad and promoted by national providers					
Total net sales	10,242.0	-156,716.0	-181,337.6	-21,551.7	-15,799.7

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	23.9	32.0	48.7	58.3	75.4
Bond funds	10.3	8.7	18.5	19.6	18.6
Multi-asset funds	4.8	6.4	0.3	0.3	0.4
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	0.8	0.7	3.4	3.6	4.0
Total	39.7	47.8	70.9	81.9	98.3
of which ➤ ETFs	0.8	1.7	1.4	1.9	2.9
➤ Funds of funds	2.0	2.1			

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	-5,158.0	70.0	-2,560.2	-555.9	4,780.1
Bond funds	-991.0	-1,342.0	2,197.4	197.0	-1,401.6
Multi-asset funds	466.0	1,198.0	50.1	-20.0	-12.1
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	435.0	242.0	240.9	32.8	28.2
Total	-5,248.0	168.0	-71.7	-346.2	3,394.7
of which ➤ ETFs	-727.0	325.0	76.0	328.8	715.1
➤ Funds of funds	-26.0	-113.0			

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	386.8	417.2	184.9	201.0	229.1
Bond funds	175.4	135.1	84.3	77.8	74.6
Multi-asset funds	40.0	48.8	50.4	70.1	81.6
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	126.0	136.9	122.8	117.4	118.6
Other funds	230.9	250.2	259.7	278.2	299.9
Total	959.1	988.3	702.1	744.4	803.8
of which ➤ ETFs					
➤ Funds of funds	203.9	264.6			
➤ Institutional funds					

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	-5,522.0	-70,025.0	-164,874.8	-17,334.3	-15,376.1
Bond funds	-13,973.0	-55,093.0	-21,682.8	-18,481.2	2,580.1
Multi-asset funds	16,023.0	1,907.0	8,676.3	5,506.6	1,716.8
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	7,967.0	-15,410.0	-12,466.3	1,388.7	-4,499.1
Other funds	10,995.0	-18,263.0	9,081.7	7,714.8	-3,616.1
Total	15,490.0	-156,884.0	-181,265.8	-21,205.4	-19,194.3
of which ➤ ETFs	-170.0	21.0			
➤ Funds of funds	5,061.0	9,708.0			
➤ Institutional funds					

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	93	82	102	95	94
Home-domiciled AIFs	1,666	1,418	1,509	1,523	1,546
Foreign funds registered for sales					
➤ By national promoters					
➤ By foreign promoters					
Fund launches				176	290
Fund liquidations				169	90
Fund mergers & acquisitions					

5. REGULATORY DEVELOPMENTS

5.1. UCITS/AIFMD

UCITS/AIFMD

In 2024 no changes in the Dutch implementation of the UCITS Directive and AIFMD have taken place.

In 2024, the Dutch financial markets authority AFM (Autoriteit Financiële Markten) published 'Guidelines for scenario analyses from a customer perspective'. Scenario analyses are an important part of the product approval and review process of MiFID II. Although AIFMD and UCITS managers that do not provide MiFID ancillary services are not covered by MiFID II, Art. 32 of the Decree on Conduct of Business Supervision of Financial Undertakings under the Financial Supervision Act (Besluit Gedragstoezicht financiële ondernemingen Wft) does apply to licensed AIFMD managers. That is why the AFM considers the guidelines relevant for AIFMD managers.

Prudential

Following the Dutch implementation of the Investment Firm Regulation and Investment Firm Directive (IFR and IFD), AIFMD and UCITS managers with a so-called 'MiFID top-up' are now subject to DNB (De Nederlandsche Bank - Dutch Central bank) supervision in accordance with IFR and IFD legislation. In September 2024, the Dutch ministry of Finance, AFM and DNB published a non-paper on the IFR and IFD Review. In this - among other things - they call upon the European Commission to examine the scope of the IFR and IFD, MiFID, AIFMD and UCITS, and to determine whether further harmonisation of the prudential aspects of these Directives can assist in creating a level playing field.

The DNB also published 'Good practices Guidelines for prudential reporting' in 2024. The DNB has published these because, in practice, prudential reporting regularly appears to contain (material) errors that require time-consuming rereporting. The DNB is therefore calling on institutions to take additional measures (where necessary) to better safeguard the quality of their prudential reporting. The good practices provide relevant guidance to institutions.

5.2. Retail Distribution (MiFID II & IDD)

Provision of information

The AFM has revised the 'Policy Rule on Provision of Information' (Beleidsregel Informatieverstrekking) in light of new interpretations of various legal standards and updated regulations for the provision of information. The document, which has been supplemented with a chapter on pensions, aims to provide market participants with further guidance on certain open norms, such as the requirement that information must be correct, clear and not misleading.

5.3. CSDR

There were no notable developments in this area during 2024.

5.4. ELTIF

The introduction of ELTIF 2.0 has greatly increased the attractiveness of the product for Dutch asset managers. Prior to the introduction of ELTIF 2.0, no ELTIF funds have been registered in the Netherlands; however, a number of fund managers are now looking into the possibility of establishing one, although none have been registered with the AFM as yet. Key industry players remain cautious, and are assessing market demand and regulatory alignment before proceeding with registrations.

5.5. Sustainable finance

There are limited new experiences to share. Ongoing general supervision approach to SFDR transparency requirements have been announced for 2025. There is a focus on the ESMA fund names guidelines compliance test.

Data availability and quality is limited; data providersuse a range of methodologies, making aggregation difficult, certainly in terms of ethical topics. In addition, data providers maintain diverging approaches regarding the assessment of minimum safeguards on social factors, making it difficult for asset managers to elaborate on differences. This also affects the implementation of SFDR by fnancial market participants. However, it should be noted that the interpretation of principal adverse indicators (PAI) remainsdifficult for data providers, as to a certain extent they may need to interpret what EU legislators intended. Data providers do not take the updating of methodologies lightly – they need to strike a balance to keep them both as stable and as relevant as possible.

Entity disclosures of asset managers (PAI entity statement, as well asArt. 8 Taxonomy Regulation) add no value because the statements are complex and there is no information on individual products; they lead to an unnecessary administrative burden. It has no value for end investors to make meaningful comparisons. The relevance is also questionable, as asset managers are obliged to include outcomes of individually managed portfolios, which merely reflect their clients' investment beliefs rather than the beliefs of the asset manager itself.

Product disclosures are scattered and complex, even containing inconsistencies, such as on sustainable investments vs. taxonomy aligned investments.

Art. 6/8/9 classifications, and the lack of a well-defined sustainable investment-concept, lead to greenwashing and greenhushing. We are in favour of simple relevant disclosures on double materiality for all products: inside out (integration of sustainability risk in investment decision making) and outside in (adverse impact and positive contribution) approaches.

Sustainability preferences are complex and not wellcorrelated with product classifications.

5.6. Stewardship

There were no notable developments in this area during 2024.

5.7. Benchmarks

There were no notable developments in this area during 2024.

5.8. Anti-Money Laundering

Guidelines AFM

The AFM published a revised version of the AML and Sanctions guidelines (Wwft/Sw-Leidraad voor de Wet ter voorkoming van witwassen en financieren van terrorisme en Sanctiewet 1977) in June 2024. Research findings, along with a number of developments, prompted the update to the guidelines. In addition, the risk-based approach to preventing money laundering and terrorist financing is a topic for discussion.

International Sanctions Act

A number of ministries consulted on the International Sanctions Act in 2024. In the Netherlands, the Sanctions Act 1977 is the link between international sanctions and national implementation. The Act provides the government, companies and citizens with instruments to comply with sanctions. This Act has only been amended to a limited extent in the past decade. This is despite the scope and complexity of international sanctions increasing significantly and continuing to develop. This is why the government is modernising the sanctions system and proposing a new International Sanctions Act.

UBO register

Following the ruling by the Court of Justice of the EU on the UBO register, the register is no longer accessible to all. In July 2024, the Amendment Act restricting access to registers was proposed. The crux of the Court's ruling is that making UBO information publicly accessible goes further than is required, thus violating the fundamental right to privacy. Access for 'third parties' should therefore be limited to parties with a legitimate interest. The precise definition of this 'legitimate interest' will be provided in further regulations.

Supervised institutions will regain access to the UBO register in phases. As of 1 August 2024, institutions that do not yet have direct access to the register are required to request a certified extract of the relevant UBO data from the customer. As of 1 October, incorrect UBO registrations must be reported to the Chamber of Commerce.

UBO registration for trusts and similar legal arrangements

Under current Dutch law, an investment fund for joint accounts ('Fonds voor gemene rekening (FGR)) is legally equated to a trust. This creates deviations from other EU member states and leads to practical objections and competitive disadvantages for Dutch fund managers.
The new AMLR, which entered into force on 20 July 2024, provides a harmonised approach to identifying the UBOs of collective investment undertakings, such as FGRs. The AMLR requires UBOs to be determined - regardless of the legal form in which the undertaking is set up - and provides clarity by using a single uniform definition of UBOs for UCITS and AIFs. The DUFAS has requested that the Dutch Ministry of Finance pay specific attention to this aspect.

5.9. Digital Finance & Cybersecurity

DORA

Throughout 2024, the AFM has continued to provide guidance through a series of updatesl. These have covered various aspects of DORA, including ICT risk management, incident reporting and testing of digital operational resilience.

In July 2024, the AFM published a checklist to assist financial organisations in assessing their readiness for DORA compliance. This highlighted ten key themes related to DORA, and emphasised the need for organisations to enhance their ICT risk management frameworks to meet the regulatory requirements.

In May 2024, DUFAS (Dutch Fund and Asset Management Association), in collaboration with other financial sector trade associations such as the Pension Federation and the Dutch Association of Insurers, published a DORA contract clause template. The goal of this initiative is to support financial institutions in updating their outsourcing and third-party IT service contracts to comply with the DORA.

MiCAR

The Markets in Cryptoassets Regulation (MiCAR) came into force on 29 June 2023. Crypto-service providers in the Netherlands have been preparing for its phased implementation. The AFM has:

- provided initial guidance for Dutch firms on the authorisation process and compliance expectations.
- launched a Q&A platform to clarify licensing requirements and the transition regime.
- published Good Practices that highlight practices for governance, risk management and internal controls to assist firms with MiCAR compliance. These include guidance on customer due diligence, risk-based transaction monitoring and outsourcing oversight.

Outsourcing

The AFM released, in September 2024, a report highlighting deficiencies in the control of investment firms and fund managers on outsourcing risks, including IT risk governance. The AFM found that firms often lack structured processes for identifying and monitoring outsourcing arrangements. This leads to vulnerabilities in IT security, data management and business continuity. The report offers 20 recommendations, including defining clear outsourcing policies, maintaining comprehensive oversight of third-party providers and implementing robust IT risk controls and incident management procedures. While the focus is on asset managers, the AFM's guidance also applies to proprietary traders, trading venues and other investment firms that rely on third-party IT services.

Artificial Intelligence

The AFM and DNB published, in April 2024, a report on the impact of AI on the financial sector and supervision. Following this report, a symposium was organised in July 2024. Discussions between market participants and regulators show that many institutions say they are currently cautious about using generative AI, while at the same time recognising the potential. Some are gradually starting to use AI for support processes.

5.10. Other regulatory developments

Data-driven supervision

The proposed AFM Supervisory Supportive Reporting Act was published in May 2024. This aims to improve the AFM's ability to conduct data-driven supervision. It introduces a mandatory periodic reporting requirement for financial service providers, investment firms, fund managers, credit servicers and credit purchasers. The law would allow the AFM to proactively identify risks and market developments, strengthening its risk-based supervisory approach. The Dutch Data Protection Authority (DPA) issued a warning, in December 2024, that the legislative proposal needs to be adjusted to ensure that the privacy of people is properly protected. The DPA also commented that it is unclear how AFM supervision will actually improve as a result of this proposed use.

6. PENSIONS & PEPP

The Netherlands has built up a considerable expertise in retirement provisions since 1948, when state, industry and corporate pension schemes were first introduced in the country. Dutch pension schemes are among the largest schemes in the world, investing worldwide and applying a wide range of modern investment techniques. Dutch skills in the area of retirement provisions include services on solvency and fiduciary management, liability-driven investments, asset-liability matching, actuarial techniques, pension scheme management, administration and pension communication.

Following prolonged negotiations, the government, employee and employer organisations agreed on adaptions to the pension scheme in 2020. The new pension contract should be less complex and more transparent. The changes will be implemented by the Future Pensions Act (Wet toekomst pensioenen (Wtp)), which has three goals. First, a supplementary pension that grows more quickly; second, a more-personal and clearer pension accrual; third, a pension system that is better-suited to the reality that people no longer work with a single employer for 40 years. The new pension rules entered into force on 1 July 2023. The social partners (employers' associations and trade unions) and pension providers have until 1 January 2028 to adjust their pension schemes accordingly. It is a large (administrative) transition for most pension funds, and most of them expect to require the full implementation period.

7. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

Fiscal classification of mutual funds (fonds voor gemene rekening)

The Corporate Income Tax Act (Wet op de vennootschapsbelasting 1969) has two special fiscal regimes for investment institutions. These are namely the regulation for the fiscal investment institution (FBI) and the regulation for the exempt investment institution (VBI). The aim of these schemes is to stimulate collective investment by avoiding additional taxation compared to a direct investment. This way, Dutch private investors can invest at the same cost as if they were to invest directly themselves.

In 2023, the Qualification of Legal Forms Act (Wet fiscaal kwalificatiebeleid rechtsvormen), Adjustment of the Mutual Fund Exempt Investment Institution Act (Wet aanpassing fonds voor gemene rekening en vrijgestelde beleggingsinstelling) and the Comparison of Foreign Legal Forms Decree (Besluit vergelijking buitenlandse rechsvormen) were adopted by the Dutch parliament. As a result, a number of investment institutions that are structured as a Dutch open limited partnership (Commanditaire Vennootschappen) will be qualified as open mutual funds (open FGR) for fiscal purposes. Open mutual funds qualify as fiscally transparent vehicles under Dutch tax law, which means that taxes must be paid by the investment institute, the beneficial owner. This can be avoided by structuring the fund as a closed mutual fund (Besloten FGR), as these legal forms are not fiscally transparent. Following feedback from multiple industry associations, the Dutch parliament has published a consultation on the bottlenecks for this new tax regime for mutual funds. Meetings with market participants and the Dutch Ministry of Finance to further discuss these problems are expected. The DUFAS has responded to this consultation and will closely monitor any further developments.

Box 3

In the Dutch Income Tax Act 2001, taxable income from savings and investments is a category of income. This forms box 3 in the box system of the Dutch law. In September 2023, the rates for 2024 (as is customary annually) were adjusted.

On 24 December 2021, the Supreme Court issued the so-called 'Christmas judgment'. In this, the Supreme Court ruled that the box 3 system had been unlawful since 2017. The capital gains tax in box 3 was ruled as contrary to the right to property and the prohibition of discrimination, as laid down in the ECHR. Only the taxpayer's actual return should be included in taxation. In 2023, the legislative proposal Act Actual Return Box 3 (Wetsvoorstel Wet werkelijk rendement box 3) was introduced. This, however, was dismissed by the Dutch Council of State (Raad van State). The Dutch parliament is now examining potential alternative legislative proposals. The DUFAS closely monitored these developments during 2024.

8. FINANCIAL & INVESTOR EDUCATION INITIATIVES

Although the new coalition government has acknowledged the importance of financial literacy as such, there is no significant shift in policy as yet. There is no coherent national strategy, let alone one that includes the role that investing can play in helping consumers build up equity of their own.

Against this backdrop, however, there is some growing political concerns over the risks younger people are taking with crypto investments, the role so-called 'finfluencers' play and whether warnings for retail investors might be overly cautious. Thus there seems to be momentum behind stronger national advocacy for a financial education strategy with a better balance between warnings and empowering potential retail investors in a way that is less patronising and risk averse than is currently the case. Such a strategy could be part of a more-coherent approach to financial literacy, which could replace the existing, fragmented one.

As a national association, together with an increasing number of our members, we fund and support an educational programme designed to help secondary school children gain a better understanding of the opportunities and risks of retail investing. The programme is used by qualified teachers voluntarily and is delivered in the classroom. Hundreds of schools are using the programme and their numbers are increasing each year (www.beleggeruitlegger.nl).

9. OTHER ACTIVITIES OF THE ASSOCIATION

The DUFAS maintains close contact with the government, notably the Ministry of Finance, supervisors and the regulators; the DNB and AFM in particular. Topics range from technical implementation to the (international) positioning of the Dutch investment industry.

Via committees, expert groups, regulatory update calls, newsletters, conferences, webinars, LinkedIn and our website, the DUFAS keeps its members informed on all relevant developments in the asset management industry.

Activities that the DUFAS has started or carried out in 2024 include:

- In 2024, the DUFAS - together with DVJ Insights - undertook research into how the Dutch view investing. This provided invaluable insights into the motivations of investors and savers. It examines how the Dutch think about their financial future and what role investing plays in this.

- The DUFAS started a DEI (Diversity, Equity and Inclusion) working group, in which best practices are shared among members.

- The DUFAS-initiated 'College Tour' was renewed, following its great success in 2023. Various asset management company CEOs visited universities throughout the country, giving students an exclusive 'behind the scenes' look at their work.

NORWAY COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Norway (EUR billion)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	142.6	181.1	157.9	173.1	207.8
Funds domiciled abroad and promoted by national providers	28.0	35.0	40.0	50.0	75
Total net assets	170.6	216.1	197.9	223.1	282.8

Table 2: Net Sales of Investment Funds in Norway (EUR million)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	5,022.6	13,737.3	361.1	6,291.5	11,492.5
Funds domiciled abroad and promoted by national providers					
Total net sales	5,022.6	13,737.3	361.1	6,291.5	11,492.5

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)

	2020	2021	2022	2023	2024
Equity funds	74.1	103.8	90.3	98.1	123.0
Bond funds	49.0	53.1	46.1	59.8	61.9
Multi-asset funds	7.8	9.7	8.3	6.3	6.5
Money market funds	10.6	13.0	12.0		
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	1.1	1.5	1.2	0.4	0.2
Total	142.6	181.1	157.9	164.5	191.6
of which ➤ ETFs					
➤ Funds of funds					

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	1,314.2	7,932.8	2,027.4	1,175.6	6,848.5
Bond funds	3,013.9	3,080.4	-911.4	3,985.6	1,705.4
Multi-asset funds	-32.1	627.9	-374.5	-458.4	-171.0
Money market funds	766.2	1,925.8	-421.3		
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	-39.6	170.5	40.8	-66.9	-9.1
Total	5,022.6	13,737.3	361.1	4,636.0	8,373.8
of which ➤ ETFs					
➤ Funds of funds					

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds				3.9	8.2
Bond funds				1.5	2.7
Multi-asset funds				2.2	2.3
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds					
Other funds				1.0	3.0
Total				8.6	16.3
of which ➤ ETFs					
➤ Funds of funds					
➤ Institutional funds					

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds				1,215.9	236.1
Bond funds				258.0	1,475.5
Multi-asset funds				163.4	-165.8
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds					
Other funds				18.2	1,573.0
Total				1,655.5	3,118.8
of which ➤ ETFs					
➤ Funds of funds					
➤ Institutional funds					

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	836	836	836	686	674
Home-domiciled AIFs				150	70
Foreign funds registered for sales	1,100	1,100	1,100	1,100	1,100
➤ By national promoters					
➤ By foreign promoters					
Fund launches					
Fund liquidations					
Fund mergers & acquisitions					

5. REGULATORY DEVELOPMENTS

5.1. UCITS/AIFMD

In 2022, the Finanstilsynet (Norwegian Financial Supervisory Authorities – 'FSA') revoked its circular from 2007 concerning management fee rebate agreements (so called 'sideletters'). The backdrop for this decision - effectively banning such sideletters - was the European Commission's statement in the ESMA Q&A Application of the UCITS Directive, published in November 2021. The FSA concluded that such agreements could not legally be concluded under Norwegian law. In an effort to allow for greater flexibility around fund distribution, in late December 2024, the Ministry of Finance asked the FSA to investigate how Norwegian fund management companies can enter into fee rebate agreements with large institutional clients while remaining within the framework of the Commission's ESMA Q&A statement. The FSA has been given until 1 May to publish a consultation paper. This government initiative as welcomed by the industry.

The updated UCITS and AIFM Directives await Norwegian transposition.

5.2. Retail Distribution (MiFID II & IDD)

In most cases, distributors in Norway do not retain any inducements provided by the fund management company, but pass the payments on to the end investor, effectively in the form of a rebate. In return, the distributor charges the retail client a platform fee. Also, clean share classes have become widespread in Norway, as many retail clients pay a platform fee for access to execution-only platforms or financial advice.

The FinDatEx EMT template is widely used in Norway.

5.3. CSDR

Cash penalties were introduced in Norway on 1 March 2022. As expected, the penalties generate a small - almost negligible - net income for Norwegian funds. The cost of administering and operationalising the penalties and related cashflows mostly falls on the custodian banks, who credit or debit the amounts. Income received from penalties is credited the fund, while penalties paid due to errors and failed trades caused by the ManCo is treated as an undue cost and be covered by the ManCo.

We expect Norwegian funds to adapt to shorter settlement cycles when the EU migrates to T+1.

5.4. ELTIF

The revised ELTIF regulation is still pending implementation in Norway, awaiting - among other things - implementation of the EU - Norway EEA agreement. The Government launched a public consultation in September 2024. With ELTIF 2, we expect greater take up among retail investors who receive investment advice, but still expect that ELTIF will be a product targeted at more advanced investors and institutional investors.

At present there are no specific tax rules for AIFs in Norway, and we are not aware of any such initiatives.

5.5. Sustainable finance

The main concerns from market participants remain the lack of precise definitions and clarifications - from either ESMA or the national NCA - of central aspects of the SFDR Regulation. This, combined with a lack of reliable data, has left the market participants following a 'best effort' approach in what is a new and challenging environment. The greatest uncertainty for the SFDR now relates to what will happen with it in the future.

The lack of reliable ESG data - along with the low quality of available data - remains a major challenge. This has created uncertainty over compliance, reputational risk and danger of greenwashing. This is making it more difficult to move capital to sustainable activities.

Information on taxonomy compliance in investments and information on the most important negative consequences for a product is vital. Without such central data, it is difficult to comply with the regulations.

A lack of data access, and of high-quality data, means that asset managers are (overly) dependent on external data providers. This gives these data providers significant influence over definitions and key terms, which can often be based on subjective assessments by the individual provider. Access to these data providers is usually expensive, posing an additional challenge, particularly for smaller financial companies.

5.6. Stewardship

There were no notable developments in this area during 2024.

5.7. Benchmarks

We do not foresee any major impact on the use of financial indices following the revision of the Benchmarks Regulation.

5.8. Anti-Money Laundering

If the new AML package (Directive 2024/1640, Regulation 2024/1620 and Regulation 2024/1624) is incorporated into the EEA Agreement, it will most likely be implemented in Norwegian law through incorporation. This means that a legal provision will be included stating that the Regulation applies as Norwegian law, with the adaptations specified in the EEA Committee decision.

5.9. Digital Finance & Cybersecurity

During the spring of 2024, the Norwegian Ministry of Finance launched a public consultation on the national implementation of DORA. The Ministry aims to present a Prop. LS to Parliament during the first quarter of 2025.

5.10. Other regulatory developments

Since October 2024, our association has been in close discussions with the Ministry of Finance and the FSA over the urgent need to improve the tax rules and the regulatory framework for asset managers in Norway. The backdrop for this dialogue is that late last year, a large asset manager decided to register their fixed income funds in Sweden. This was due to what they perceived as flawed tax rules for fixed income funds and a general lack of regulatory flexibility and gold plating by the Norwegian FSA. Following their decision, several other Norwegian asset managers quickly signalled plans to flag out and register their funds outside Norway in order to maintain their competitive capability. Flawed tax rules for funds and a general lack of flexibility when it comes to fund distribution and the treatment of inducements have been cited as the main reasons for the discontent, which put Norwegian funds at a competitive disadvantage compared with their peers domiciled in other EU countries. Discussions with the Ministry are progressing well, and the industry is optimistic over regulatory enhancements that will create a level playing field.

6. PENSIONS & PEPP

There were no notable developments in this area during 2024.

7. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

All tax rates and tax rules with an impact on funds and fund investors are unchanged since 2023.

8. FINANCIAL & INVESTOR EDUCATION INITIATIVES

There were no notable developments in this area during 2024.

9. OTHER ACTIVITIES OF THE ASSOCIATION

Publications

- 39 ‘members only’ newsletters
- 19 newsletters available to anyone with an interest in funds
- quarterly reports on the association’s activities (members only)
- Four factsheets on different surveys and research, such as regular savings plans, geographical surveys, half-yearly and yearly market statistics
- monthly statistics on fund flows and statistics for individual pension savings and equity investment accounts
- a gender proportion survey among employees in the member companies. This is the fourth time this gender survey has been undertaken.
- annual survey of Norwegian households on investment funds and investment behaviour, expectations and motivations for saving.

The association arranged the following seminars and conferences in 2024:

- In March, the annual Investment funds conference, attended by over 300 participants from the industry.
- In October, the annual seminar on compliance and risk, attended by 80 participants.
- In October - together with three other associations - presented a report prepared by Menon Economics on the financial sector’s importance for capital access to Norwegian businesses.

- The association took part in the podcast ‘Sparepenger på børs’.
- The association took part in a panel debate on framework conditions for the management of bond funds in Norway.

POLAND COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Poland (EUR billion)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	61.5	65.6	56.9	73.8	88.7
Funds domiciled abroad and promoted by national providers					
Total net assets	61.5	65.6	56.9	73.8	88.7

Table 2: Net Sales of Investment Funds in Poland (EUR million)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	78.0	2,210.4	-4,940.1	5,044.3	9,881.5
Funds domiciled abroad and promoted by national providers					
Total net sales	78.0	2,210.4	-4,940.1	5,044.3	9,881.5

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)

	2020	2021	2022	2023	2024
Equity funds	4.8	6.6	4.8	6.4	6.7
Bond funds	18.0	15.9	12.2	17.9	25.6
Multi-asset funds	4.0	4.6	3.3	4.0	4.3
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	0.04	0.03	0.02	0.01	0.02
Other funds	0.1	0.2	0.2	0.2	0.2
Total	27.0	27.3	20.5	28.6	36.8
of which ➤ ETFs					
➤ Funds of funds	0.5	0.7	0.5	0.5	1.1

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	-192.0	912.3	-388.4	-317.2	-285.1
Bond funds	7.1	-1,447.9	-3,045.4	2,930.1	6,408.3
Multi-asset funds	45.4	482.8	-671.1	-180.4	-24.9
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	4.5	-8.7	-1.4	-4.9	3.5
Other funds	48.8	97.7	12.5	-53.4	-42.4
Total	-86.2	36.1	-4,093.8	2,374.2	6,059.3
of which ➤ ETFs					
➤ Funds of funds	-21.3	72.3	-101.7	3.4	549.2

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	1.3	2.1	1.5	2.0	2.3
Bond funds	6.7	6.2	5.5	7.8	10.5
Multi-asset funds	3.6	5.1	5.6	8.8	11.5
Money market funds					
Guaranteed/protected funds	0.04	0.03	0.01	0.01	0.01
Absolute Return Innovative Strategies (ARIS) funds	1.1	1.4	1.0	1.2	1.4
Real estate funds	0.5	0.1	0.1	0.1	0.1
Other funds	21.3	23.5	22.7	25.2	26.2
Total	34.5	38.3	36.4	45.2	51.9
of which ➤ ETFs					
➤ Funds of funds	1.8	2.8	2.1	2.9	3.7
➤ Institutional funds					

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	113.4	649.6	-165.3	90.1	139.1
Bond funds	-616.5	-317.5	-1,283.4	1,257.5	1,814.0
Multi-asset funds	737.9	1,611.9	990.8	1,515.8	1,867.8
Money market funds					
Guaranteed/protected funds	-2.8	-2.6	-21.3	0.1	-0.1
Absolute Return Innovative Strategies (ARIS) funds	-36.8	190.1	-229.6	32.9	196.4
Real estate funds	-28.4	-8.6	-3.2	-19.7	-16.3
Other funds	-2.7	51.2	-134.2	-206.6	-178.7
Total	164.2	2,174.2	-846.3	2,670.1	3,822.2
of which ➤ ETFs					
➤ Funds of funds	277.9	968.7	-395.5	280.0	575.0
➤ Institutional funds					

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	302	303	273	257	257
Home-domiciled AIFs	813	818	776	794	745
Foreign funds registered for sales					
➤ By national promoters					
➤ By foreign promoters					
Fund launches	126	65	28	13	27
Fund liquidations	148	54	74	53	95
Fund mergers & acquisitions					

5. MARKET DEVELOPMENTS IN 2024

- In 2024, the investment fund market grew by 18.4%. This represents an increase in assets by EUR 13.8 billion.
- The year 2024 also closed with an all-time high net asset value of all funds, exceeding EUR 88.8 billion.
- The capital funds market was by far the most dynamic, growing by EUR 13.3 billion during the year.
- The asset value of non-public market funds increased by EUR 0.5 billion in 2024.
- Total net sales amounted to EUR 9.9 billion in 2024.
- Debt funds had a dominant share of sales, reaching EUR 8.3 billion.
- Target date funds are increasingly important, acquiring EUR 1.7 billion of new capital.

6. REGULATORY DEVELOPMENTS

6.1. UCITS/AIFMD

PFSA Office's position on cash loans

The Office of the Polish Financial Supervision Authority (PFSA Office) has issued a position paper to TFIs providing guidance on cash lending by closed-end investment funds (FIZs), interpreting the provisions of the Act of 27 May 2004 on investment funds and management of alternative investment funds (Position Statement). In the Position Statement, the PFSA Office explained that:

The legislator has provided for the possibility of the fund to grant cash loans, as expressed in the disposition of the provision of Article 153(1)(1) of the Act: "A closed-end investment fund may, taking into account the fund's investment objective, grant cash loans up to an amount not exceeding 50% of the value of the fund's assets, however the amount of a cash loan granted to one entity may not exceed 20% of the value of the fund's assets." However, pursuant to Article 3(1), an investment fund is a mutual investment institution whose sole object is to invest the funds collected by offering to purchase participation units or investment certificates in securities, money market instruments and other property rights specified in the Act. (...) **The Fund may therefore only lend money if such activity takes the fund's investment objective into account. Such a relationship exists when the circumstances surrounding the loan fit within the investment objective.**

However, in the current legal environment, the fund's investment policy cannot identify lending activities as an independent means of achieving the fund's investment objective, identical to the fund's core business –that is, making investments - the permissible catalogue of which is defined in Article 145(1) of the Act. For any instance where the fund grants a cash loan that takes into account the fund's investment objective and is within the limits on the amount of debt financing granted, as set forth in the provision, should be considered to meet the disposition of the provision of Article 153(1)(1) of the Act. **In this context, however, it needs to be emphasised that the obligation to determine whether a fund's planned cash loan transaction meets the requirements provided for this type of activity in the Act and the Fund's charter rests with the Company managing the Fund in question and should be carried out still at the pre-contractual stage.** This is because the Company's role is to ensure that the activities of the managed Fund comply with the law.

In the opinion of the PFSA Office, permissible instances for providing cash loans include the provision of this type of debt financing to entities other than the fund's portfolio companies. Examples include:

1) Entities in a specific business industry - as long as the fund's investment policy provides for the investment of assets in securities issued by entities operating in a particular industry (such as the real estate development industry) or shares in the share capital of such entities or in other property rights of such entities as defined by the Act.
2) Entities operating within various business industries - as long as the fund's investment policy envisages provision of debt financing (taking up bonds and lending to third parties); the fund's cash lending rules should be consistent with the its investment strategy for taking up of the aforementioned debt instruments issued by specific categories of entities. As an example, one can cite private debt funds. These finance the activities of entities in various business sectors, using both of the aforementioned forms of debt financing. The approach indicated above should aim to make the criteria for selecting entities for which to provide debt financing, regardless of its form, i.e. taking up bonds issued by these entities or providing them with cash loans, more consistent at the level of the fund's investment strategy. The PFSA Office believes this practice will help ensure that the fund's assets are allocated to financing entities that match its investment strategy and risk profile.

New rules for the implementation of reporting obligations

On 1 January 2024, the Regulation of the Minister of Finance of 25 September 2023, on periodic reports and current information on the activities and financial position of investment fund management companies, investment funds and investment funds in liquidation provided by these entities to the Polish Financial Supervision Authority, came into force. The Regulation introduced new rules for implementing reporting obligations, modified the existing information obligations of TFIs, investment funds and investment funds in liquidation regarding, among others, the scope of reported data, and the form and timing of delivery of reports.

PFSA Office's position on information published by investment funds
The PFSA Office has published a Position Statement, stating that:

'If the name suggests a specific nature of the fund (for example, investments in specific financial instruments, geographic range of investments and selection criteria for investments), the vast majority of the fund's assets should be of that nature. It is considered good practice to ensure that at least 80% of a fund's net asset value meets such criteria. At the same time, it is permissible to refer in the fund's name to a specific asset class – for example US stocks -in a situation where exposure to these assets is also obtained indirectly, such as by purchasing titles of foreign funds that invest in US stocks.

The names of the funds should not use phrases such as 'safe', 'capital protection' or similar, which may suggest that investment in the fund is not subject to the risk of loss.

The PFSA Office expects at least one key parameter of the investment policy pursued to be included or clarified in the fund's charter. For example, for debt funds it is reasonable to indicate the level of modified duration."

6.2. Retail Distribution (MiFID II & IDD)

The Chamber is not aware of any significant changes to MIFID II and IDD in 2024. There have also been no indications that FinDatEx and EET have a serious role in the overall distribution of products in the country.

6.3. CSDR

The Chamber holds no opinion on the cost of implementing cash penalties at the asset manager level in Poland; we have not encountered the issue.

The Chamber has only received information that the Polish Government considers the changes contained in the European Commission's legislative proposal to amend Regulation No. 909/2014 on a shorter settlement cycle in the Union (T+1) as correct and in the long-term interest of the domestic financial market, as well as in the wider economy.

6.4. ELTIF

The review of the ELTIF Regulation has not visibly affected product offerings in Poland. Consequently, we expect no increase in the number of ELTIF investments from retail investors.

We are not aware of any legislative proposals introducing incentives for ELTIF investments.

6.5. Sustainable finance

IZFiA Members have highlighted the lack of precise definitions in the acts implementing the SFDR. The product classifications under the SFDR is unclear (notably Articles 6, 8 and 9 of the SFDR). There are few products of this type available due to the low availability of information. Despite regulatory obstacles, Chamber members are complying with information requirements.
In evaluating the SFDR regime, IZFiA Members primarily emphasised:

Current requirements of the SFDR
The SFDR has helped raise awareness on ESG and sustainable investments. However, the delegated Act fails to provide the market with sufficiently clear parameters to confirm whether or not an investment is truly sustainable. As a result, the market itself is trying to figure out how to classify the investment and because of lack of common practice and the number of set standards there is significant difference between investment companies on how these assets are classified. It makes comparisons between funds impossible, creates confusion among clients and exposes the industry to a trust risk in terms of reliability. European standards-setting authorities are much better

placed to set clear and robust indicators on this; much more so than national supervisory authorities given their scale of activity, expertise and being able to look at EU market as a whole.

In our opinion, it is crucial to define ‘transition financing’ in order to enable and facilitate such investments. We believe it would be helpful to define ‘promoting environmental or social aspects’ or introduce product labels, as products with different level of ‘ESG flavour’ currently all into the same article 8 category.

Disclosures of Principal Adverse Impacts

Again, in our opinion, reporting PAIs(Principal Adverse Impacts) at an entity level is not necessary. One entity can have different products, so the entity level disclosure does not give any information and the data are difficult to compare. PAIs should be published at a product level so that data of comparable products can be evaluated on a like-for-like basis (for example, DM fund vs DM funds and EM funds vs EM funds).

There are too many PAIs to disclose, compare and get reliable data for which investment professionals have issues identifying, understanding and gathering data, not to mention clients who are much less educated on these issues. The market is facing significant challenges in covering this area. Ultimately, it fails to do so in many cases, which leads to confusion among market participants. It would be better to start with small steps; for example, introduce four or five PAIs that are widely used and reported, such as Scope 1&2 Emissions, Board Diversity, Taxonomy reported operating, revenue and investment percentage, equal pay policies disclosures and involvement in ESG-friendly practices. This would reduce current misunderstandings over precisely how companies are adjusting to ESG matters.

6.6. Stewardship

The Ministry of State Assets has submitted a draft document on the Code of Best Corporate Governance Practices for public consultation.

The document is intended to establish clear, transparent and modern standards for managing state-owned companies, state legal persons and to professionalise the activities of all participants in the supervisory process over state-owned companies; the Ministry’s employees, supervisory boards and management boards of companies, among others. The Code seeks to counter unfair market practices and prevent irregularities. It discusses the role and tasks of the shareholder meeting, the supervisory board and the management board. It focuses attention, among other things, on the principles of cooperation between the corporate bodies, issues relating to remuneration and qualification procedures for companies’ corporate bodies.

Link:https://www.gov.pl/web/aktywa-panstwowe/kodeks-dobrych-praktyk-nadzoru-wlascicielskiego

The Chamber did not identify any changes on ‘exercising of shareholders’ rights - exercise of voting rights; filing of shareholders resolutions and multiple voting rights’.

6.7. Benchmarks

There has been a decision to select a proposal for an index named WIRF- based on unsecured deposits of Credit Institutions and Financial Institutions, as a target interest rate benchmark to replace the WIBOR benchmark. Under the WMD Regulation, the administrator of the WIRF- index will be GPW WSE Benchmark S.A. WIRF- is expected to become a key interest rate benchmark within the meaning of the WMD Regulation. It will be suitable for use in financial agreements (such as loan agreements), financial instruments (such as debt securities or derivatives) and by investment funds (for example, in setting management fees).

The Chamber has not estimated the impact of the Benchmarks Regulation revision - no such data is available.

6.8. Anti-Money Laundering

The Polish government has announced amendments to the legislation aimed at supplementing the provisions of the Act of 1 March 2018 on Anti-Money Laundering and Terrorist Financing, with a regulation related to restrictive measures used to counter the proliferation of weapons of mass destruction and the financing of their proliferation.

The requirement to establish such restrictive measures to counter the proliferation of WMDs is part of the international standards established by the Financial Action Task Force (FATF Recommendation No. 7). The revision is scheduled for the Q1 of 2025.
https://www.gov.pl/web/premier/projekt-ustawy-o-zmianie-ustawy-o-przeciwdzialaniu-praniu-pieniedzy-oraz-finansowaniu-terroryzmu2

6.9. Digital Finance & Cybersecurity

The bill of the Act on the crypto asset market, implementing the MiCA, authorises an investment fund management company to provide the crypto asset services referred to in Article 60(5) of Regulation 2023/1114 under the terms laid down in the regulation. The Act allows closed-end investment funds to acquire, for their investment portfolio, publicly offered or authorised asset-linked tokens or tokens that are e-money. The aforementioned assets offered to the public or admitted to trading may not account for more than 20% of the value of the closed-end investment fund's assets. At the same time, asset-linked tokens or tokens that are e-money issued by a single entity offered to the public or admitted to trading may not account for more than 10% of the value of the fund's assets.

The PFSA Office has rescinded its previously effective communication of 23 January 2020 on information processing by supervised entities in public or hybrid cloud computing, along with a number of other guidelines and recommendations issued for the capital market. The cancellation of the aforementioned acts is due to the convergence of their subject matter with the obligations under the DORA Regulation and related implementing acts.

Link: https://www.knf.gov.pl/?articleId=92241&p_id=18;

6.10. Other regulatory developments

The Minister of Finance is working on the introduction of:

- ETF-type solutions in the formulation of new types of investment funds:
  - A UCITS ETF (based on open-ended investment funds - FIO).
  - a non-UCITS ETFs (based on funds of specialised, open-ended investment funds (SFIOs) with the investment policy of a FIO or a closed-end investment fund (FIZ)).
  - ETF sub-funds within existing umbrella FIOs or SFIOs that are not UCITS ETFs or non-UCITS ETFs, respectively.
  - Categories of participation titles that are securities in a FIO or SFIO with 'traditional' participation units.

- An investment fund, tailored to the needs of the private equity and venture capital market, along with an investment fund exclusively for institutional investors and to serve as a vehicle for transformation projects.

7. PENSIONS & PEPP

There were no notable developments on this issue in 2024.

8. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

Tax rates/treatments impacting investors in investment funds, asset management companies, distributors and/or fund administrators;

As of 1 January 2024, the taxation of income from participation in capital funds has changed. A new type of income has been singled out, namely that from the redemption, repurchase, buy-out or otherwise termination of participation titles in capital funds. So far, this has been included in the broad category of income from participation in capital funds. In future, investors will be able to offset income from investments in capital funds with losses, both those incurred from investments in funds and from the sale of securities (shares, investment certificates) in companies. This will make it possible to use losses to reduce income tax due.

Withholding tax rates on dividends and interest distributed/paid;

Tax rates have not changed - they remain 19% for dividends and 20% for interest –but with the potential for reduction on the basis of relevant double taxation treaties, among others. Meanwhile, on the application of withholding tax regulations, the Ministry of Finance issued two general tax rulings in November 2024. One was on the conditions for the exemption from taxation of dividends, while the other addressed the exemption of interest and royalties. Although these do not directly address rate changes, they may affect how the regulations are applied in practice.

9. FINANCIAL & INVESTOR EDUCATION INITIATIVES

There were no notable developments on this issue in 2024.

10. OTHER ACTIVITIES OF THE ASSOCIATION

1. Market research

In 2024, the Chamber of Fund and Asset Management was a partner in the nationwide survey campaign 'Polish Investor 2024.' The survey results are planned for publication as three reports: 'Polish Investor''Polish Women and Their Investments' and 'Finance through the Eyes of GenZ'.

In cooperation with the CFA Society Poland, the first survey thoroughly analysed the Polish investment industry's 'sustainable' landscape. This saw the publication of a report entitled 'Pragmatism or Ideals? ESG in Polish Investment Funds'.

2. Media contacts

In official communiqués, the Chamber mainly informed the media on significant events. These included joining EFAMA as of January 2024, reports prepared jointly with other organisations, the IZFiA annual report, and key meetings between the community and the state administration.

3. 18th Fund Forum

Under the theme 'In Transition', the 18th IZFiA Fund Forum - the main event of the investment fund market and also the flagship event of the Chamber of Fund and Asset Management - was held on 17-18 June 2024. The conference was attended by representatives of the asset management market and the business community, independent experts and representatives of state regulatory and supervisory authorities. The Forum featured 52 speakers and 320 participants from 159 companies and institutions.

4. Women in Financial Markets Club

There were two conferences in 2024, as part of the 'Women in Financial Markets Club'. The summer edition was held on 6 June and the autumn on 17 October.

5. Other conferences and patronages

IZFiA has also been a partner of many capital markets conferences, such as the 24th IDM Capital Market Conference, the 14th European Financial Congress, the 5th edition of the WSE Foundation's 'Go4Poland' project and the 6th Capital Market Bridge Championships. IZFiA has also been a patron of events such as the '#ScaleITGlobal Summit' at the Google Campus in Warsaw, the 30th edition of the 'Bulls and Bears' awards, the 19th edition of the 'Golden Wallets' awards organised by Gazeta Giełdy i Inwestorów 'Parkiet', the 10th anniversary edition of the Invest Cuffs 2024 conference and the 15th EFPA Poland Congress.

6. Training/Seminars

The Chamber organised and undertook 14 training sessions in 2024, including both open online training and dedicated private training tailored to the individual needs of participants.

PORTUGAL COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Portugal (EUR billion)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	25.5	31.0	29.4	33.1	38.6
Funds domiciled abroad and promoted by national providers					
Total net assets	25.5	31.0	29.4	33.1	38.6

Table 2: Net Sales of Investment Funds in Portugal (EUR million)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	1,477.4	4,260.3	-412.5	141.4	1,249.6
Funds domiciled abroad and promoted by national providers					
Foreign-domiciled funds promoted by foreign providers	184.9				
Total net sales	1,662.3	4,260.3	-412.5	141.4	1,249.6

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	1.9	3.4	3.3	3.6	3.9
Bond funds	3.0	2.9	2.6	3.8	4.7
Multi-asset funds	6.7	10.3	8.5	8.4	8.4
Money market funds	0.4	0.3	0.4	0.8	1.4
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	1.9	2.0	1.5	1.2	1.7
Total	13.9	18.9	16.3	17.9	20.0
of which ➤ ETFs					
➤ Funds of funds	4.2	6.3	5.2	5.6	5.2

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	110.2	875.6	398.9	-133.4	67.3
Bond funds	309.5	-42.7	-108.4	416.7	741.0
Multi-asset funds	772.4	3,190.4	-270.9	-720.4	-528.0
Money market funds	177.4	-83.5	79.0	325.2	562.2
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	64.1	145.1	-468.2	332.3	407.8
Total	1,433.6	4,084.9	-369.6	220.5	1,250.2
of which ➤ ETFs					
➤ Funds of funds	391.5	1,868.7	-227.4	-509.8	-464.2

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds					
Bond funds	0.03	0.03	0.03	0.03	0.03
Multi-asset funds	0.02	0.04	0.03	0.04	0.47
Money market funds					
Guaranteed/protected funds	0.004				
Absolute Return Innovative Strategies (ARIS) funds	0.001	0.001	0.001	0.001	0.001
Real estate funds	10.8	11.1	12.2	14.5	17.3
Other funds	0.7	0.9	0.8	0.7	0.7
Total	11.6	12.0	13.0	15.3	18.5
of which ➤ ETFs					
➤ Funds of funds	0.2	0.2	0.2	0.2	0.1
➤ Institutional funds					

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds					
Bond funds	-2.2	-2.6	-2.4	-1.8	3.5
Multi-asset funds	3.6	18.3	0.4	-0.7	53.2
Money market funds					
Guaranteed/protected funds	3.7				
Absolute Return Innovative Strategies (ARIS) funds	-0.02		-0.03		-0.02
Real estate funds					
Other funds	38.7	159.7	-40.9	-76.6	-57.3
Total	43.8	175.4	-42.9	-79.1	-0.6
of which ➤ ETFs					
➤ Funds of funds	-56.7	-22.0	-24.7	-55.6	-41.5
➤ Institutional funds					

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	142	144	152	166	166
Home-domiciled AIFs	217	217	240	292	351
Foreign funds registered for sales[(1)]	4,175	4,434	4,663	1,902	1,916
➤ By national promoters	27	30	31		
➤ By foreign promoters	4,148	4,404	4,632		
Fund launches	15	25	50	76	85
Fund liquidations	21	18	15	10	14
Fund mergers & acquisitions	6	5	4		12

(1) After 2023 (inclusive) contains only the number of Foreign Funds sold in Portugal, excluding the Foreign Funds registered for sale that don't have any amount marketed in Portugal

5. MARKET DEVELOPMENTS IN 2024

The Portuguese Investment Funds' market grew 16.6%, in 2024, reaching a total of 38.6 EUR billion of assets under management, the highest value since August 2007.

This performance is mostly explained by the Real Estate Funds' market. The total net assets of Real Estate Funds increased to 17.3 EUR billion, a 19.6% rise since the previous year.

This result is greatly explained by the conversion of 66 Real Estate Companies into Real Estate Funds, opting for a more transparent, regulated and supervised regulatory framework and for a more favourable tax environment. The converted companies, represented a total of 2.5 EUR billion of assets under management at the end of 2024.

UCITS Funds grew 12.2% to 20.0 EUR billion, as a consequence of a greater demand by investors, with annual net sales reaching a total of 1.3 EUR billion. Bond Funds remained the most demand type of UCITS Funds, in 2024, with 0.7 EUR billion of net sales, that contributed to the 23.1% increase in assets under management (4.7 billion at year-end).

Also Money Market Funds had large inflows (0.6 EUR billion), with investors taking advantage of the higher interest rate while, at the same time, ensuring a safe harbour from the higher volatility in the equity markets

6. REGULATORY DEVELOPMENTS

6.1. UCITS/AIFMD

Following the new legal framework governing the management of investment funds ('Regime da Gestão de Ativos' or 'RGA'), published on 28 April 2023, a new CMVM Regulation complementing the new Regime, was published at the end of 2023 (CMVM Regulation n.º 7/2023). This entered into force at the beginning of 2024.

The new legal framework introduced a shift from an ex-ante supervision (where specific authorisation from the CMVM was required prior to most of the vicissitudes in the management of investment funds) to an ex-post supervision (where most of these no longer require such authorisation).

In the new Regulation, the CMVM decided to anticipate the future transposition of Directive 2024/927 of the European Parliament and of the Council (AIFMD II/ UCITS VI). It defined new rules for the use of liquidity management tools by open ended funds.

During 2024, the RGA was amended to introduce the possibility of Management Companies investing the amount of own funds that exceed the minimum amount of own funds required by Law. The CMVM has been given powers to specify the rules under which such investments are permitted and launched a public consultation on the subject at the end of 2024.

6.2. Retail Distribution (MiFID II & IDD)

Portuguese investment funds are mainly sold by the depository, which is often part of the same group as the management company. This facilitates a relationship for obtaining/providing the information that needs to be disclosed under MiFID II.

We have no knowledge of whether the EET is currently playing an important role in the Portuguese Market. However, there has been a growing awareness of the EET among funds managers, and we expect this to play an increasingly important role in the distribution and disclosure processes.

6.3. CSDR

We have not seen any shortening of the Portuguese mutual funds' settlement cycle; most have a settling cycle between T+3 and T+5.

6.4. ELTIF

We have not seen any particular interest among Portuguese Fund Managers on ELTIFs. Nevertheless, the CMVM has been trying to draw the market's attention to the potential of this product, and has requested the support of the APFIPP (Associação Portuguesa de Fundos de Investimento, Pensões e Patrimónios). The APFIPP has prepared a brief note, highlighting the main characteristics of ELTIFs and the new level 1 rules, to help its members understand the new features of ELTIF and to encourage reflection on whether to launch ELTIFs.

Currently, no incentives tax or other) to promote investments in ELTIFs were created or are expected.

6.5. Sustainable finance

The Common Supervisory Action (CSA) launched by ESMA in July 2023, in which the CMVM and Portuguese asset management companies participated, was concluded in 2024. This examined sustainability-related disclosures and the integration of sustainability risks.

According to the Asset Management's Circular, published by the CMVM at the beginning of 2025, Portuguese management companies globally have complied with the expectation set out in the CSA assessment framework.

However, opportunities for improvement were identified. These included measures for Article 8 and Article 9 products, the use of PAI to address the 'do no significant harm' criteria and the publication of information on asset management company's websites, among others.

Market participants continue to struggle with the scarcity of viable and reliable data to comply with Sustainable Finance framework. The different ESG results/ESG ratings disclosed by different providers also pose additional difficulties and challenges for asset managers.

6.6. Stewardship

There were no notable developments in this area in 2024.

6.7. Benchmarks

We don't expect any major impact in the use of financial indices by Portuguese investment funds from the revised Benchmarks Regulation.

6.8. Anti-Money Laundering

The CMVM continued to conduct its supervisory function on AML on a risk-based approach that considered the level of exposure to the AML risk of the supervised entities and the controls they implemented to mitigated it.

At the start of 2024, the CMVM finalised a thematic supervisory action on venture capital Funds, continuing previous supervision cycles. In addition, another supervisory exercise was undertaken in 2024 in the real estate area. This was to verify compliance with AML duties related with Real Estate Funds' participants and other counterparties.

Work also began in 2024 on updating the national risk assessment under the coordination of Portuguese anti-money laundering and counter-terrorist financing (AML/CFT) Coordination Commission (CC-BCFT). The results will be known in 2025.

On national implementation of the new AML Package, we have no information.

6.9. Digital Finance & Cybersecurity

On ICT and Cybersecurity, the CMVM has undertaken a new supervisory action during 2024 covering a wide range of entities under its prudential supervision. Within this, it collected information on cybersecurity, in anticipation of the implementation of DORA. The results will be considered by the Portuguese supervisory during 2025 during the verification of compliance with DORA and related regulation.

During 2024, the CMVM conducted a public consultation on MiCA, with the following goals: (i) understanding which entities were interested in operating nationally under the MiCA Regulation (types of activities, size and other characteristics); (ii) analysing the impact of implementing the MiCA Regulation in Portugal; and (iii) preparing the implementation of the MiCA Regulation, taking into account the characteristics and contributions of those entities interested in operating in Portugal.

From with the responses received, the CMVM concluded that there are a small number of entities that intend to offer cryptoassets to the public.

At the end of 2024, CMVM published in its website a set of Q&A about MiCA.

6.10. Other regulatory developments

Following a public consultation at the end of 2024, the CMVM published a set of guidelines on the compliance function and the procedures for assessing the suitability of the compliance officer. The value of this initiative was recognised by the market, as it defines the CMVM's expectations about the profile of the compliance officer and the exercise of the compliance function. This will allow the supervised entities to align with the supervisor's expectations.

7. PENSIONS & PEPP

Law 31/2024 of 28 June established the taxation regime for PEPP in Portugal, giving it the same fiscal treatment as PPR (a Portuguese Retirement Savings Plan). This does not align with the position set out by the APFIPP and the financial sector.

8. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

Law 31/2024 of 28 June - mentioned above – approved a number of other tax measures aimed at boosting capital markets. One of the main changes introduced was to establish a regressive tax regime for capital gains derived from securities - including those originating from open-ended investment funds - where the amount of taxable gains decrease as the holding period increases. This is something that the Portuguese Investment Fund Industry has been asking for, for a long time, in order to mitigate the less-favourable tax treatment of investment funds vis-à-vis other financial instruments, namely insurance products. With this amendment, the level of gains subject to tax is reduced by 10%, for holding periods of between two and five years, by 20% for holding periods of between five and eight years and by 30% for holding periods longer than eight years. The (nominal) tax rate on capital gains was maintained at 28%.

9. FINANCIAL & INVESTOR EDUCATION INITIATIVES

From 7 to 11 October 2024, the CMVM coordinated the activities of the 'World Investor Week' (WIW) in Portugal, with the main topic being: 'Young people and the financial sector: opportunities and challenges?'.

The APFIPP also took part in this initiative, partnering with Euronext Lisbon in the promotion of a special podcast on the subject 'What do young people know about financial literacy?. This was led by Bárbara Barroso (journalist and founder of the MoneyLab, a financial literacy laboratory, specialising in personal finance) and featured an informal conversation between three well-known Portuguese young people. In this, they shared their life journeys, experiences and their relationship with their personal finances.

As part of the activities under the PNFF (National Plan for Financial Education), the APFIPP continued to help prepare the 'Financial Education Workbooks'. After finalising those for primary and secondary education, it turned to producing a guide to financial education in pre-school education. This completed the range of materials to support teachers in the implementation of the 'Core Competencies for Financial Education'.

In a scholarly context, the APFIPP promoted a number of educational activities aimed at boosting awareness of the importance of savings. On 29 October, at the Dance School of the National Conservatory in Lisbon, it organised an activity for 60 students, entitled 'Game - Discovering Savings', explaining the concept of 'saving' in a fun and entertaining way, under the slogan 'Unity is strength - together we learn to save and we prepare our future!'.

Also in 2024, APFIPP took part in a workshop organised by the IAPMEI's SME Academy on the subject of 'Pension Funds, a savings strategy for retirement'.

Moreover, APFIPP continued its collaboration with journalist Camilo Lourenço - which began in 2022 - with the aim of periodically posting short videos on social media (Facebook and YouTube). These are dedicated to relevant topics in the field of asset management and pension funds - as well as other personal finance issues - and use clear language, complemented by infographics.

10. OTHER ACTIVITIES OF THE ASSOCIATION

- **Publications (reports, newsletters, surveys, research)**
  As usual, the APFIPP remains the main source of statistics on the Portuguese asset and pension fund management, providing regular data on the sectors it represents, via both its website and by e-mail.

- **Conferences, seminars and webinars**
  The second edition of the Investment Management and Pension Forum (IMPF) took place in 2024. This is an annual APFIPP initiative aimed at improving financial knowledge and encouraging a joint reflection on the current and future role of the asset management and pension fund management industries, focusing on the promotion of savings and their profitability. The latest edition took place on 11 December and was made up of two main panels of guest speakers, talking on: (i) 'Is Sustainable Finance Legislation changing the world? In what way?; and (ii) 'Do we need to make changes in the Pension Systems?'

ROMANIA COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Romania (EUR billion)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	8.4	9.9	8.4	7.1	8.4
Funds domiciled abroad and promoted by national providers	0.7	1.0	0.8	1.0	0.45
Total net assets	9.1	10.9	9.2	8.1	8.9

Table 2: Net Sales of Investment Funds in Romania (EUR million)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	-669.1	472.5	-1,368.6	203.9	1,026.5
Funds domiciled abroad and promoted by national providers	6.2	183.1	-21.5	-22.4	27
Total net sales	-662.9	655.6	-1,390.1	181.5	1,053.5

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)

	2020	2021	2022	2023	2024
Equity funds	0.2	0.4	0.4	0.5	0.8
Bond funds	2.8	2.7	1.6	1.8	2.4
Multi-asset funds	0.3	0.5	0.4	0.5	0.6
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	0.03	0.05	0.02	0.02	0.01
Other funds	0.8	0.9	0.6	0.7	0.8
Total	4.0	4.5	3.0	3.5	4.7
of which ➤ ETFs	0.003	0.01	0.01	0.04	0.1
➤ Funds of funds					

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	29.0	153.3	-9.3	50.1	250.3
Bond funds	-654.3	1.3	-979.2	70.3	437.4
Multi-asset funds	33.4	177.6	-87.0	27.5	130.3
Money market funds					
Guaranteed/protected funds	-14.4				
Absolute Return Innovative Strategies (ARIS) funds	-31.9	19.7	-0.2	-1.5	-0.3
Other funds	-50.8	108.0	-264.5	63.5	219.8
Total	-689.0	459.9	-1,340.2	209.9	1,037.5
of which ➤ ETFs	0.7	4.7	2.5	15.1	53.6
➤ Funds of funds					

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	4.1	5.0	5.1	3.3	3.4
Bond funds					
Multi-asset funds	0.03	0.04	0.04	0.04	0.04
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	0.1	0.1	0.1	0.1	0.1
Real estate funds					
Other funds	0.2	0.2	0.2	0.2	0.2
Total	4.4	5.3	5.4	3.6	3.7
of which ➤ ETFs					
➤ Funds of funds					
➤ Institutional funds					

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds			1.3	6.2	1.0
Bond funds					
Multi-asset funds	0.1	4.5	0.9	-0.3	-0.5
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	12.0	-1.3	-0.1	0.02	-0.5
Real estate funds					
Other funds	7.8	9.5	-30.5	-11.9	-11.0
Total	19.9	12.6	-28.4	-6.0	-11.0
of which ➤ ETFs					
➤ Funds of funds					
➤ Institutional funds					

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	81	86	89	92	92
Home-domiciled AIFs	33	34	36	32	36
Foreign funds registered for sales				151	456
➤ By national promoters	108	114	115	79	117
➤ By foreign promoters				72	339
Fund launches	4	7	8	3	89
Fund liquidations	1	1	3	2	
Fund mergers & acquisitions	3	1		1	

5. MARKET DEVELOPMENTS IN 2024

Net assets of local funds have increased during by 18.3%, driven by bond funds and equity funds evolution, with a hefty 58% increase for the latter (partially because of the significant yearly returns of their portfolios). This evolution was accompanied by a large increase in investor participation, with the number of investors increasing by 38% for UCITS, reaching a total of over 812.000, while the equity fund number of investors grew by 76% in 2024 and mixed funds by 36%, for comparison.

All four quarters had positive net inflows which became smaller trough the end of the year. Net sales for UCITS were 5 times bigger than in the previous year, 6.2 times bigger for bond funds, 5 times for equity funds and 4.7 for mixed ones.

In 2024, AIFs registered net outflows and a less significant increase, of 4%, of the AUMs.

6. REGULATORY DEVELOPMENTS

6.1. UCITS/AIFMD

Legislative amendments have been introduced to ensure that the Digital Operational Resilience Act (DORA) (Regulation (EU) 2022/2554) is implemented.

National Law No. 75/2015, transposing AIFMD, was also amended by introducing a provision stating that when the Romanian NCA receives a notification accompanied by a declaration from a competent authority of another Member State regarding the intention of an AIFM established in that Member State to manage (directly and/or by creating a branch) an AIF from Romania, or to provide the management (on a discretionary basis and on an individual basis) of individual investment portfolios (including those held by pension funds), the Romanian NCA shall not impose additional obligations on the AIFM in question in relation to matters falling under the scope of the national law.

6.2. Retail Distribution (MiFID II & IDD)

The FinDatEx EMT (European MiFID Template) and EET (European ESG Template) do not play an important role in Romania's overall distribution and disclosure processes.

6.3. CSDR

The move to the T+1 settlement cycle in the US has brought about some shortening of fund settlement cycles - by one day - for those funds exposed to US securities. It is reasonable to expect this trend will continue to gain ground throughout 2025, even in Romania, given the announced EU migration to T+1 by October 2027.

6.4. ELTIF

The revision of the ELTIF regulation has not affected the offer and uptake of ELTIFs in Romania. We do not anticipate further investments from retail investors in these types of funds.

We do not anticipate that Romania will put in place any incentives to promote investments in ELTIFs in the foreseeable future.

6.5. Sustainable finance

For the application of the SFDR Regulation ((EU) 2019/2088), the details of the monitoring methods by the Romanian NCA (ASF) of certain requirements established by the regulation were taken into account, as were the establishment of sanctions in case of violations of the Regulation provisions. The national provisions were included in Law No.158/2020, for the amendment and completion of certain normative acts.

The transposition of Directive (EU) 2022/2464 (CSRD) was carried out through:

- Norm No. 4/2024, amending and supplementing the Financial Supervisory Authority Norm No. 39/2015 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards. This is applicable to entities authorised, regulated and supervised by the FSA in the financial instruments and investments sector, as well as the Investor Compensation Fund.
- Norm No. 17/2024, amending and supplementing the financial supervisory authority Norm No. 14/2015, on accounting regulations in accordance with European directives applicable to the private pension system.

6.6. Stewardship

The revised corporate governance code for the Romanian market was published by the BVB (Bucharest Stock Exchange) at the end of 2024. The BVB and the EBRD (European Bank for Reconstruction and Development) collaborated on revising the code, aligning it with recent regulatory changes, current international standards and market participants' priorities. Its main purpose is to support the corporate resilience of issuers in a rapidly changing world, to increase market resilience and access to capital as well as to encourage innovation and sustainable practices. This initiative will support Romania's ambition to join the Organisation for Economic Cooperation and Development (OECD).

6.7. Benchmarks

There were no notable developments on this issue in 2024.

6.8. Anti-Money Laundering

At the end of 2024, a new government emergency ordinance was issued, aimed at bringing about significant changes for cryptoasset service providers and moving towards a concise and well-defined regulatory framework. Providers are required to meet more rigorous compliance requirements. The provisions of the emergency ordinance also impose additional KYC measures on cryptoasset service providers, particularly in cross-border correspondent relationships involving entities outside the EU. These additional measures will help increase supervision and security in cross-border transactions involving cryptoassets, reducing the risks of these services being exploited for illegal activities accordingly.

6.9. Digital Finance & Cybersecurity

There were no notable developments on this issue in 2024.

7. PENSIONS & PEPP

There were no notable developments on this issue in 2024.

8. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

Taxpayers report, via the annual tax return, certain gains from transfers of securities - such as those from the sale of shares traded on foreign exchanges - that are not intermediated by Romanian brokers, taxed at 10%. For such incomes earned from 1 January 2024, new rules apply on the carry forward of losses, in view of their compensation with future income. Those individuals who earn gains from the sale of shares/fund units through transactions carried out through Romanian brokers, continue to benefit from a reduced taxation of 1% during 2024, depending on the holding period of the shares (i.e. for more than one year). In this case, the tax is withheld by the broker, losses cannot be carried forward and compensated for and the individual does not have to submit the annual tax return for reporting income tax.

Other types of income reported through the annual tax return declaration are interests and dividends earned outside Romania. Interest income is taxed at 10%, with dividends at 8%. Individuals should check if these types of income have been taxed abroad and if the respective taxes can be considered for tax credit in Romania based on double tax treaties with other states.

9. FINANCIAL AND INVESTOR EDUCATION INITIATIVES

In April 2024, the national financial education strategy for the period 2024-2030 was approved. Through this the Government aims to increase the level of knowledge and skills of Romanian citizens and economic operators in Romania in the field of finance. This way, consumers of financial products, instruments or services can be aware of both the risks and the opportunities, meaning that when they have to make a decision, they can do so responsibly and with proper knowledge.

Main measures that are included in the strategy:

- Introducing elements of financial education into the national curriculum at all levels.

- Creating complementary financial education actions and events addressed to pre-university and university levels

- Introducing financial education in universities.

- Promoting responsible financial behaviour among children and young people through the media (such as audio spots, video spots, internet, educational resources for this audience, including textbooks, TV shows and video games).

- Introducing financial education programmes for teachers (such as courses, online platforms with teaching resources, thematic activities and financial education workshops).

- Offering counselling and support for parents to assist in the financial education of their children.

- Launching financial education campaigns for the adult population (through the media) with a focus on information, the importance of saving for the future and the promotion of financial education resources (such as websites and applications).

AAF continued the Save smartly!' financial education project 'in 2024. The objective of this is to promote correct investment principles and increase the level of information and education among the general public about the asset management market. It is recognised that any process of changing public perception requires consistency and, implicitly, a prolonged exposure to the relevant messages. At the same time, in order to respond to current demographic changes and to increase interest in investments and the capital market for the public in under-35 years old, in 2024 AAF implemented a rebranding and repositioning strategy. This saw a new direction into the financial education project, one with a strong visual component. The AAF website was redesigned in order to better address the need for visibility of AAF members and for information for the general public, but without changing the mission of the association.

The 2024 campaign consisted of transmitting key messages by investment market specialists on saving and investing via more than 40 press articles and TV and radio shows. (https://economisesteinteligent.ro/ - Romanian language only).

10. OTHER ACTIVITIES OF THE ASSOCIATION

The 6th edition of the Romanian Asset Managers Summit took place in Bucharest in September 2024, featuring relevant topics and top speakers (https://summit-aaf.ro/). There was also a gala event at the end, where the investment performances of asset managers were recognised with the granting of three special prizes.

In addition in 2024, AAF members participated in:

- press interviews and participating in online and TV interviews (12)

- public events organised by mass media (8)

- financial education podcasts (10)

- courses to promote financial education - organised by the Institute of Financial Studies (ISF) - among university students in Romania

- The Investment Academy (3rd edition) project, organised in partnership with the ASF, ISF, the Bucharest Stock Exchange and Estinvest.

SLOVAKIA COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Slovakia (EUR billion)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	7.8	9.4	8.8	9.6	11.2
Funds domiciled abroad and promoted by national providers	2.4	3	2.9	1.6	1.96
Total net assets	10.2	12.4	11.7	11.2	13.1

Table 2: Net Sales of Investment Funds in Slovakia (EUR million)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	274.7	1,147.3	212.1	162.7	683.1
Funds domiciled abroad and promoted by national providers	174.7	364.9	252.8	-45.9	109.68
Total net sales	449.4	1,512.2	464.9	116.8	792.8

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)

	2020	2021	2022	2023	2024
Equity funds	0.7	1.3	1.4	2.0	2.8
Bond funds	1.4	1.3	1.1	1.2	1.5
Multi-asset funds	3.6	4.2	3.5	3.4	3.3
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds					
Total	5.8	6.7	6.0	6.5	7.6
of which ➤ ETFs					
➤ Funds of funds					

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	54.9	346.3	357.8	309.1	404.6
Bond funds	-134.4	-145.6	-149.0	72.0	245.3
Multi-asset funds	204.8	583.5	-118.1	-449.6	-284.8
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds					
Total	125.4	784.1	90.7	-68.5	365.1
of which ➤ ETFs					
➤ Funds of funds					

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds				0.003	0.02
Bond funds	0.1	0.1		0.01	0.04
Multi-asset funds	0.3	0.6	0.6	0.6	0.8
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	1.7	2.0	2.2	2.5	2.8
Other funds					
Total	2.0	2.7	2.8	3.1	3.6
of which ➤ ETFs					
➤ Funds of funds					
➤ Institutional funds	0.1	0.2			

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds				3.6	12.4
Bond funds	21.9	0.9	-11.5	6.7	22.6
Multi-asset funds	-21.4	89.5	-9.9	17.4	60.2
Money market funds					8.4
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	148.8	272.8	142.8	203.6	214.5
Other funds					
Total	149.3	363.2	121.4	231.2	318.0
of which ➤ ETFs					
➤ Funds of funds					
➤ Institutional funds	7.4	24.4			

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	68	68	67	69	67
Home-domiciled AIFs	22	28	30	29	26
Foreign funds registered for sales					
➤ By national promoters	556	531	528	159	167
➤ By foreign promoters		177	328	699	800
Fund launches	4	213	192	51	120
Fund liquidations	11	32	33	33	10
Fund mergers & acquisitions	2	23	10	15	6

5. MARKET DEVELOPMENTS IN 2024

Excellent conditions on global financial markets in 2024 also positively impacted the results of the Slovak collective investment market.

Assets in open-ended mutual and investment funds managed by domestic SASS members reached a value of EUR 11.2 billion as of December 31, 2024, representing an increase of EUR 1.5 billion compared to the end of 2023 and also the historically highest value of assets in mutual funds in Slovakia at the end of a calendar year. Despite decreasing interest, investors in domestic funds still have the most invested in mixed funds, accounting for 36% of all investments. Equity and real estate funds each had a 25% share, and the proportion of bond investments stabilized at 14%.

Net sales of domestic mutual funds in 2024 reached EUR 683.1 million, which was more than 4 times the sales in the previous year. Equity funds were the best-selling, and after years, bond funds also sold well again, with interest also in real estate funds. On the other hand, mixed funds were of less interest to investors, where their sell-off continued.

In 2024, funds achieved an average return of 9.8%. Equity funds were the best-performing class, achieving an average return of 18.6%. Investors were certainly pleased with the double-digit performance of structured and alternative funds. Real estate funds experienced a slightly weaker year in terms of performance, with a return of 2.2%. We registered positive returns in all categories of mutual funds.

6. REGULATORY DEVELOPMENTS

6.1. UCITS/AIFMD

Following the revision of the AIFMD and UCITS Directives, we await their implementation into national legislation, particularly the use of liquidity management tools and of loan origination funds. Other topics are not relevant to the Slovak market, as they are not widely used.

6.2. Retail Distribution (MiFID II & IDD)

In 2024, the National Bank of Slovakia (NBS) has not introduced any new specific approaches over the previous year, when the local MiFID II Q&A was amended by the NBS, including on the topic of inducements.

EMT and EET templates are widely used in the Slovak market by both advisors and financial market participants.

6.3. CSDR

We expect this shortening of fund settlement cycles to continue in 2025.

6.4. ELTIF

We are monitoring developments in ELTIF legislation. However, despite the positive changes and the opening of the product to retail investors, there is no apparent interest in ELTIFs in Slovakia. To the best of our knowledge, no ELTIF has been established in Slovakia to date.

We do not expect Slovakia to introduce tax advantages or incentives for ELTIFs. Currently, Slovakia is undergoing fiscal consolidation, resulting in measures such as a transaction tax and a higher VAT rate.

6.5. Sustainable finance

NBS organised a capital market seminar in 2024, where it introduced a new website dedicated to sustainable finance. This provides supporting materials for relevant legislation, such as the SFDR. At this event, the NBS also presented a Common Supervisory Action (CSA), focusing on sustainability risks and SFDR disclosures. No significant violations were found in the Slovak market. A final report is expected in Q1 2025, followed by discussions with local asset management companies.

Access to ESG data is currently widely available, with cost the primary limitation. We use several sources, including MSCI, Sustainalytics and Bloomberg. However, we believe that relying solely on ESG ratings has limited value, as the information they provide is often opaque. Instead, we therefore prefer using simpler data that allows for clearer interpretation.

6.6. Stewardship

We are not aware of any relevant corporate governance or stewardship developments in Slovakia in 2024.

Slovak asset managers predominantly invest in foreign companies, where their equity stake is often negligible. As a result, they rarely exercise their voting rights.

6.7. Benchmarks

There have been no relevant national regulatory developments to the Benchmarks Regulation (BMR) in 2024.

The main impact of the Benchmarks Regulation is that most Slovak asset management companies have stopped actively using benchmarks, except for pure performance comparisons between funds and indices. This does not qualify as 'use of a benchmark' under the Regulation.

6.8. Anti-Money Laundering

In 2024, Slovakia amended the AML Act No. 297/2008 Coll., based on recommendations from Moneyval. The goal is to gradually achieve full compliance with the Moneyval recommendations. Slovakia is also preparing to implement the new EU AML package..

6.9. Digital Finance & Cybersecurity

In Slovakia, the main focus is on implementing DORA and aligning related regulatory frameworks. Upon DORA's entry into force, financial sector regulations - such as the Banking Act - were adjusted accordingly. In addition, a new version of the Cybersecurity Act has entered into force, implementing the European NIS 2 Directive.

In September 2024, Act No. 248/2024 (MiCA Regulation, MiCAR), based on EU Regulation 2023/1114, was approved by Parliament. This defines obligations and rights relating to cryptoassets and aligns Slovak legislation with EU standards. Key provisions took effect on 1 November 2024, 1 January 2025 and 30 December 2024.

- The NBS has become the sole supervisory authority for the cryptoassets market.
- The NBS will issue two measures; reporting requirements for supervised entities and education/professional exams for cryptoasset advisors.
- The term 'virtual currency' has been replaced with 'cryptoasset'.
- A 12-month transition period for obtaining necessary licenses has been granted, ending on 30 December 2025.

Many smaller Virtual Asset Service Providers (VASPs) may struggle to meet MiCA's requirements, leading to potential market consolidation. Larger players, such as Binance and Coinbase, are expected to strengthen their positions after licensing and passporting their licenses throughout the EU.

Other digital finance developments: In 2024, the AML Act was amended and the Cybersecurity Act revised. However, surprisingly, the latter did not extend its scope to include asset management companies.

7. PENSIONS & PEPP

There has been no relevant legislative developments in pension funds or PEPPs. However, a review of personal pension account statements and pension estimate calculations is underway. In Slovakia's second pension pillar, a legislative amendment is being prepared to allow investments in Slovak projects with economic or social benefits, such as hospitals, social housing and infrastructure..

8. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

There have been no new rules affecting fund or asset management in 2024.
It is important to note that fund taxation remains unfair when compared to securities traded on regulated markets. While securities held for over a year are exempt from tax, redemptions from funds are subject to a 19% withholding tax. We are continuing to advocate for more equitable taxation. Another issue is that mutual funds in Slovakia lack tax subjectivity, meaning they do not benefit from double taxation treaties..

9. FINANCIAL AND INVESTOR EDUCATION INITIATIVES

The NBS, in collaboration with the Slovak Association of Asset Management Companies, has launched - and continues to develop - an educational initiative called '**5 Money**'. This project aims to improve financial literacy in Slovakia through:

- a dedicated website
- financial education programmes for schools
- educational centres and webinars
- activities for parents and children
- partnerships with other educational projects.

The association has also promoted - via its website and distribution to members - EFAMA's '**Sustainable Investing Explained in 9 Questions'** brochure. A Slovak translation has been prepared, and plans are in place to translate another EFAMA brochure, '**Invest Early, Achieve Big**'**.**

10. OTHER ACTIVITIES OF THE ASSOCIATION

The Slovak Association of Asset Management Companies (SASS) has undertaken the following activities in 2024:

- **Publications**: Weekly and monthly reports on the Slovak collective investment industry, available via the SASS website.
- **Conferences & Seminars:**
  - **Spring 2024**: 'Next Steps in Asset Management,' co-organised with the Czech Association AKAT in Šamorín, Slovakia.
  - **Autumn 2024**: 'Collective Investment in Slovakia,' SASS's flagship event, held in Modra, Slovakia.
  - **February 2024**: 'Top Fund Slovakia 2023' competition in Bratislava, recognising the best funds in various categories.

SLOVENIA COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Slovenia (EUR billion)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	3.4	4.7	4.4	5.5	7.0
Funds domiciled abroad and promoted by national providers					
Total net assets	3.4	4.7	4.4	5.5	7.0

Table 2: Net Sales of Investment Funds in Slovenia (EUR million)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	148.4	460.1	208.0	338.3	528.6
Funds domiciled abroad and promoted by national providers					
Total net sales	148.4	460.1	208.0	338.3	528.6

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)

	2020	2021	2022	2023	2024
Equity funds	2.1	2.9	2.6	3.2	4.4
Bond funds	0.3	0.3	0.3	0.3	0.4
Multi-asset funds	0.8	1.1	1.0	1.1	1.3
Money market funds	0.1	0.1	0.1	0.1	0.2
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	0.001	0.002	0.003	0.004	0.01
Total	3.2	4.3	3.9	4.8	6.2
of which ➤ ETFs					
➤ Funds of funds	0.1	0.1	0.1	0.1	0.1

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	97.9	285.9	149.3	200.7	421.3
Bond funds	22.0	27.3	-2.1	62.7	66.9
Multi-asset funds	13.1	161.9	37.8	12.4	7.7
Money market funds	15.0	-15.6	22.4	61.8	32.1
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds	0.3	0.7	0.7	0.7	0.6
Total	148.4	460.1	208.0	338.3	528.6
of which ➤ ETFs					
➤ Funds of funds	-7.3	0.4	-13.9	4.0	2.2

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds					
Bond funds					
Multi-asset funds					
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	0.05	0.1	0.1	0.2	0.2
Other funds	0.1	0.3	0.4	0.5	0.6
Total	0.2	0.3	0.5	0.7	0.8
of which ➤ ETFs					
➤ Funds of funds					
➤ Institutional funds	0.2	0.3	0.5		

4. TRENDS IN THE NUMBER OF FUNDS

Table 6: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	82	79	78	77	71
Home-domiciled AIFs	47	60	59	68	73
Foreign funds registered for sales	257	312	400	528	642
➤ By national promoters	111	120	119	138	154
➤ By foreign promoters	146	192	281	390	488
Fund launches	3		6	12	9
Fund liquidations	2		7	4	4
Fund mergers & acquisitions	19	3	1		6

5. REGULATORY DEVELOPMENTS

5.1. UCITS/AIFMD

On 11 April 2024, the Securities Market Agency (Slovenia's NCA) adopted amendments to the Decision on the valuation of alternative investment fund assets, the calculation of net asset value and the unit value of alternative investment funds. It also adopted the Decision Amending the Decision on capital requirements for alternative investment fund managers.

5.2. Retail Distribution (MiFID II & IDD)

By 1 April 2024, management companies had aligned their operations with the amended Decision on the method and conditions for marketing investment fund units. The Securities Market Agency has revised the procedure for marketing investment funds, ensuring a clearer distinction between investment advice and the marketing of investment funds.

In 2024, there were preparations and regulatory consultations for the implementation of the Act on Accessibility of Products and Services for Persons with Disabilities (ZDPSI). This was adopted in late 2023, in line with Directive (EU) 2019/882 of the European Parliament and of the Council of 17 April 2019 on accessibility requirements for products and services (OJ L 151 of 7 June 2019, p. 70).

EMT and EET forms are not mandatory; their use and distribution depend on the individual financial institution. In Slovenia, these forms are particularly essential for those companies working with partners that require the submission of an EMT or EET form.

5.3. CSDR

There is no data is available to quantify the costs associated with implementing cash penalties at the asset manager level.

The adjustment in settlement time in the US is not expected to significantly impact Slovenian management companies.

5.4. ELTIF

There are currently no ELTIF funds in Slovenia, and we are unaware of any plans to introduce them in the near future. Consequently, no legislative changes are expected.

5.5. Sustainable finance

In 2024, most investment fund management companies in Slovenia moved forward with their approaches to responsible investing. Measures included developing new products, enhancing methodologies and expanding data sources for monitoring sustainability factors effectively.

Cooperation between management companies and exchange of good practices plays a significant role in expanding knowledge and advancing responsible investing practices within the Slovenian financial sector.

In Q4 2023, the Securities Market Agency initiated a review of selected asset management companies and issued a request for information. The purpose of the review was to assess whether these companies are adequately integrating sustainability risks and disclosing relevant information. In Q1 2025, the Agency concluded its review, finding no irregularities nor regulatory violations among the companies involved.

In recent years, Slovenian asset managers have analysed and integrated various sustainability data providers - including ESG ratings - to enhance their regulatory reporting capabilities.

This process involved systematically developing internal expertise, testing and comparing data across providers and gaining a deeper understanding of individual providers' methodologies. Managers acknowledged the importance of understanding the nuances of each methodology, in order to ensure the accurate interpretation and application of data. They also identified significant differences between providers, particularly in specific data categories (such as, for example, reported vs. estimated Scope 3 emissions).

Slovenian asset managers anticipate that these discrepancies will diminish over time. This will be driven by improved corporate non-financial reporting and expected regulatory harmonisation, which will enhance data quality and methodological comparability.

5.6. Stewardship

Certain management companies have continued to strengthen their voluntarily engagement in active ownership initiatives. Specifically, they are establishing systems - on a global scale - for the systematic exercise of voting rights and other shareholder entitlements.

We have not identified any specific obstacles to exercising shareholders' rights.

5.7. Benchmarks

There has been no significant activity at the national level. The impact of these changes is expected to be minimal.

5.8. Anti-Money Laundering

During 2024, Slovenia made significant advancements in its regulatory and supervisory framework for combatting money laundering and terrorist financing (AML/CFT), aligning with international standards and addressing geopolitical challenges. In May 2024, MONEYVAL, the Council of Europe's anti-money laundering body, recognised the improvements to Slovenia's criminal legislation against terrorist financing. In October 2024, MONEYVAL launched its 6th round mutual evaluation process for the Republic of Slovenia.

A training session in Ljubljana was attended by more than 130 representatives from government ministries, the State Prosecutor's Office, the judiciary, the police, the Financial Intelligence Unit, supervisory authorities (including the Bank of Slovenia, the Insurance Supervision Agency, the Securities Market Agency) as well as the Bar Association, the Chamber of Notaries. There were also a significant number of private sector representatives present.

Slovenia intends to transpose Directive 2024/1640 into national law, reinforcing its commitment to enhancing AML/CFT measures.

The country is also aligning its regulatory framework with Regulations 2024/1624 and 2024/1620. In response to recent geopolitical developments, Slovenia has strengthened its AML/CFT framework to ensure effective implementation of targeted financial sanctions. The aim is to prevent misuse of the financial system for money laundering and terrorist financing, ensuring compliance with international standards.

Overall, Slovenia's efforts in 2024 reflect its strong commitment to enhancing its AML/CFT regime, aligning with international standards to effectively combat financial crimes.

5.9. Digital Finance & Cybersecurity

There have been no relevant regulatory or supervisory changes at the national level.

Slovenia has already implemented a number of measures and guidelines aligned with EU legislation. These include a requirement for cryptocurrency service providers to register to Slovenia's NCA and the enforcement of AML and CFT regulations.

The Securities Market Agency (ATVP), the Bank of Slovenia (BS) and the Financial Administration of the Republic of Slovenia (FURS) oversee compliance with these regulations.

Slovenia will continue to align with European regulatory developments. However, the implementation of MiCA is expected to introduce further changes, particularly on the obligations of cryptoasset issuers. Regulators will need to adapt their procedures and supervisory frameworks accordingly.

5.10. Other regulatory developments

There were no other notable national regulatory or supervisory developments in these areas in 2024.

6. PENSIONS & PEPP

There have been no relevant national regulatory or legislative changes to pension funds in 2024.

7. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

There were no changes to tax legislation or taxation policies were adopted in 2024.

8. FINANCIAL & INVESTOR EDUCATION INITIATIVES

At the Ministry of Finance, an interministerial working committee has been developing a new National Financial Literacy Programme. The committee includes representatives from the Ministry of Education and the financial industry. Changes to school curricula in this area are expected in the near future. The programme also foresees establishing a common digital educational platform, which will be freely accessible to all citizens.

The Ministry of Education has also announced new financial literacy initiatives, implemented by public institutions throughout Slovenia. These programmes follow a curriculum developed by the Slovenian Institute for Adult Education for non-formal adult education.

ZDU GIZ is active in expert working groups involved in the aforementioned financial literacy projects. In addition, we undertake various financial literacy initiatives, including:

- Organising free educational webinars featuring external expert speakers on contemporary financial topics. These are later made available, free of charge, on our YouTube channel and website. Examples include:
  - 'Stock Market Developments in 2023 and Prospects for 2024' (February 2024).
  - 'Can Ethics Protect Our Assets in the Financial Industry?' (June 2024).
  - 'Cybersecurity in the Financial World' (September 2024).
  - 'Youth and Financial Literacy' (December 2024).

- Regularly shares valuable information, event invitations and financial statistics on our LinkedIn and Facebook profiles: LinkedIn | Facebook: https://www.linkedin.com/company/76569245/admin/feed/posts/

- https://www.facebook.com/zdruzenjedruzbzaupravljanjeinvesticijskihskladov

- Taking part in educational events organised by other relevant institutions in Slovenia.

9. OTHER ACTIVITIES OF THE ASSOCIATION

Publications (reports, newsletters, surveys, research)

- Commissioning and presenting the ‘Analysis and Profile of the Youth Generation’ survey, carried out in collaboration with Valicon agency. This was followed up with the dissemination and publication of the survey findings.

- Publishing, analysing and visually presenting investment fund statistics on our website, as well as sharing them on the ZDU GIZ website, Facebook and LinkedIn pages.

Conferences, seminars and webinars

- Organising quarterly webinars (as outlined above).

- Delivering training sessions and conducting twice-yearly proficiency tests for investment fund distribution.

- Hosting an annual seminar on Anti-Money Laundering (AML).

- Holding biannual press conferences to present industry activities and discuss current topics.

Videos/podcasts:

- Sharing content via LinkedIn, YouTube and Facebook posts.

SPAIN COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Spain (EUR billion)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	302.3	347.1	322.7	364.1	417.5
Funds domiciled abroad and promoted by national providers	12.0	22.0	18.0	24.0	28.0
Foreign-domiciled funds promoted by foreign providers	220.0	287.0	245.0	265	310
Total net assets	534.3	656.1	585.7	653.1	755.5

Table 2: Net Sales of Investment Funds in Spain (EUR million)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	1,105.0	25,726.0	17,215.0	18,311.0	26,480.0
Funds domiciled abroad and promoted by national providers					
Total net sales	1,105.0	25,726.0	17,215.0	18,311.0	26,480.0

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	79.9	124.6	117.0	60.0	69.0
Bond funds	73.1	79.9	92.2	126.5	155.9
Multi-asset funds	81.2	87.1	65.7	119.8	123.4
Money market funds	4.6	4.5	5.2	10.5	22.8
Guaranteed/protected funds	0.3	0.3	1.6	3.0	2.8
Absolute Return Innovative Strategies (ARIS) funds	7.7	7.6	7.1	6.7	7.2
Other funds					
Total	246.8	304.0	288.7	326.4	381.2
of which ➢ ETFs	0.2	0.3	0.2	0.2	0.2
➢ Funds of funds					

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	-549.0	8,539.0	-2,313.0	-3,431.0	-605.0
Bond funds	4,019.0	7,006.0	19,434.0	29,754.0	23,904.0
Multi-asset funds	166.0	10,828.0	-3,492.0	-16,325.0	-4,551.0
Money market funds	800.0	-89.0	797.0	5,046.0	11,787.0
Guaranteed/protected funds	-8.0	-18.0	1,209.0	1,332.0	18.0
Absolute Return Innovative Strategies (ARIS) funds	-1,457.0	2,199.0	9.0	-538.0	212.0
Other funds					
Total	2,971.0	28,465.0	15,644.0	15,838.0	30,765.0
of which ➤ ETFs	40.0		-30.0	-43.0	-6.0
➤ Funds of funds					

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	6.4	0.8	1.2	1.3	1.6
Bond funds	8.7	8.6	8.6	11.6	10.4
Multi-asset funds	22.3	20.0	10.4	10.4	12.8
Money market funds					
Guaranteed/protected funds	15.1	10.2	9.9	10.0	7.1
Absolute Return Innovative Strategies (ARIS) funds	0.2	0.0	0.01	0.01	0.004
Real estate funds	0.3	0.3	0.3	0.3	
Other funds	2.5	3.1	3.6	4.1	4.4
Total	55.4	43.1	34.0	37.7	36.3
of which ➤ ETFs					
➤ Funds of funds					
➤ Institutional funds					

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	-163.0	465.0	59.0	3.0	99.0
Bond funds	-652.0	-378.0	987.0	2,238.0	-1,790.0
Multi-asset funds	319.0	110.0	-32.0	-65.0	403.0
Money market funds					
Guaranteed/protected funds	-1,198.0	-3,330.0	598.0	157.0	-2,969.0
Absolute Return Innovative Strategies (ARIS) funds	-62.0	-13.0	-2.0		-1.0
Real estate funds					
Other funds	-110.0	407.0	-39.0	140.0	-27.0
Total	-1,866.0	-2,739.0	1,571.0	2,473.0	-4,285.0
of which ➤ ETFs					
➤ Funds of funds					
➤ Institutional funds					

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	2,245	2,459	2,657	2,764	2,854
Home-domiciled AIFs	520	409	403	428	425
Foreign funds registered for sales	1,048	1,074	1,095	1,115	1,135
➤ By national promoters					
➤ By foreign promoters					
Fund launches					
Fund liquidations					
Fund mergers & acquisitions					

5. MARKET DEVELOPMENTS IN 2024

In 2024, assets in the Spanish collective investment industry increased by an outstanding 16%, recording a new all-time high of EUR 755.1 billion, EUR 102.4 billion more than in 2023. Inflows and market returns have both been key factors for this rise in assets. During the year, the less-volatile financial markets allowed for strong performances in both bond and stock markets, thanks in part to a more controlled inflation rate that allowed central banks to cut interest rates.

The increase in the total AuM had a greater impact in home-domiciled funds, over EUR 53 billion. This segment recorded a new all-time high (EUR 417.5 billion), thanks to the financial market performance and also for the positive net sales towards these funds. Also, foreign-domiciled funds experienced a notable increase in their AuM (EUR 45 billion), as well also achieving an all-time high. Following two years of recording outflows, foreign-domiciled funds recorded inflows in 2024.

In domestic UCITS, AuM reached EUR 381.2 billion, a remarkable increase of 16.8% (EUR 54.8 billion) over 2023. In the past five years, UCITS fund assets have risen an outstanding EUR 134.4 billion; indeed, only one of the last five years recorded a decrease in assets, due to the 2022 market turmoil. Net sales for UCITS recorded robust net inflows at almost EUR 31 billion.

The attractive returns in bond markets (around 3.4% in the short term) again made this fund type the most popular choice among unitholders (EUR 23.9 billion), with greater weight on short-term bond funds. MMFs also registered inflows of close to EUR 12 billion. Despite the outstanding returns for equity funds, net outflows (EUR 0.6 billion) were recorded, confirming a preference for lower-risk options for Spanish unitholders.

The AIF market decreased by EUR 1.4 billion due to the net outflows recorded (EUR 4.3 billion), offset by market returns. Only multi-asset and equity funds registered net inflows.

6. REGULATORY DEVELOPMENTS

6.1. UCITS/AIFMD

On liquidity management tools, a modification to the CIS regulations came into effect in Spain in January 2024. This reduced the automatic threshold to 1% of affected assets, due to a suspension on trading for activating partial subscriptions and redemptions.

This 1% threshold makes the application of partial redemptions/subscriptions highly likely, creating a number of issues. There have been significant practical difficulties identified in the procedure, which in many cases are disproportionate.

6.2. Retail Distribution (MiFID II & IDD)

In 2024, a modification of Spanish law entered into force that provides flexibility to the marketing regime of hedge funds (known as 'IICILs' in Spanish open-ended CIS law). This allows for non-professional investors to access these funds, provided that at least one of the following conditions is met:

(i) **Minimum investment commitment** of **EUR 100,000** with certain formalities.

(ii) **Access to investment through a personalised recommendation** from an investment advisory service provider, provided that, if the client's financial assets do not exceed **EUR 500,000**, the investment is at least **EUR 10,000** and does not exceed **10%** of their total assets.

(iii) **Non-professional investors may also invest in an IICIL** on their own initiative, provided they meet the requirements set out in **(i) or (ii)**.

(iv) **IICIL shares or units may also be marketed** - without meeting any of the above requirements - to:

- The **directors, executives or employees** of the **SGIIC** or self-managed entity.
- Investors who can **demonstrate experience in managing or advising on IICILs** similar to that of their intend investment.

Some funds are being distributed without any FinDatEx templates, this may be the case for those funds distributed through banks that are parent companies of asset managers.

6.3. CSDR

On the cost of implementing cash penalties, currently, we do not any data to provide insight on this matter.

On the move to the T+1 settlement cycle in the US, We are gathering feedback from our members and assessing their reactions.

6.4. ELTIF

The demand for open ELTIFs is not expected to be strong unless it is accompanied by fiscal incentives. In addition, the different approaches by NCAs for registering open-ended ELTIF are still to be seen and properly analysed.

Despite INVERCO's ongoing advocacy, there is no expectation for the implementation of tax incentives on ELTIFs.

6.5. Sustainable finance

SFDR implementation has been stable during this year. In terms of supervision, the CNMV has recently (25 February) reviewed the commercial communications on the websites of a sample of asset managers, both for open (SGIIC) and closed (SGEIC) collective investment vehicles, to detect possible 'greenwashing' practices.

The CNMV's review indicates that, in general, the sustainability-related information on the websites is adequate, both in terms of the entities and the commercial information about the products managed.

In addition, in accordance with their work Programme for 2025, CNMV will focus on compliance with ESMA Guidelines on those fund names using ESG or sustainability-related terms. The CNMV has indicated that there will be a follow-up on all funds affected, to ensure that they either change their names or adjust their investment policies to comply with the guidelines.

6.6. Stewardship

There were no notable developments on this issue in 2024.

6.7. Benchmarks

Changes to the Benchmarks Regulation must be viewed in the context of other developments in sustainable finance. However, we are concerned that a potential imbalance between the availability and cost of information, and the disclosure requirements for funds, could restrict the ESG offering.

6.8. Anti-Money Laundering

There has been no progress in the implementation of the new AML package. We are aware that a new draft piece of legislation is being prepared, but as yet, nothing has been shared publicly.

As part of the process of acquiring supervisory powers in the area of anti-money laundering, the CNMV has conducted a supervisory action to assess compliance with the legal obligation to have a money laundering risk analysis in place. This action has included the supervision of fund management companies, among other entities.

6.9. Digital Finance & Cybersecurity

The CNMV has repealed the crypto-asset advertising Circular, in anticipation of MiCA's application.

The CNMV has published the application and manual for financial entities to notify their intention to provide crypto-asset services.

In addition, the General Directorate of Taxation (DG Tributos) has issued several binding rulings on crypto-assets.

Please see below some developments in terms of AI in Spain.

AESIA

The Spanish Agency for Artificial Intelligence Supervision (AESIA) has been established by means of Royal Decree 729/2023 as a public entity, under the Ministry of Economic Affairs and Digital Transformation. AESIA will oversee the use of AI in Spain, and has the authority to impose sanctions and certify AI systems, ensuring their safe and responsible deployment. Additionally, it will foster AI regulatory sandboxes, ethical AI training and collaborate with European and national authorities.

AI sandbox

Royal Decree 817/2023, of 8 November, has been published, establishing a controlled testing environment to assess compliance with Regulation 2024/1689.

Artificial Intelligence Strategy 2024

The Ministry for Digital Transformation and Public Service published, on 14 May, the 'Artificial Intelligence Strategy 2024'. This is structured around three pillars:

- Technological reinforcement through investment in supercomputing, sustainable infrastructure and the development of language models in Spanish and co-official languages.

- Promotion of AI adoption in SMEs and the public sector.

- Ethical use of AI, including creating AESIA and establishing a comprehensive cybersecurity framework for AI.

CNMV 2024 plan

The CNMV included, in its 2024 plan, a supervisory action on entities using AI in Spanish markets, aimed at identifying emerging risks or exacerbation of existing ones.

7. PENSIONS & PEPP

The unconditional liquidity in pension plans for contributions over ten years old, without the need to meet exceptional conditions such as retirement or disability, was approved in 2015. This has been effective as of 1 January 2025.

The Spanish Act on Pension Funds and Pension Plans provides for regulations to establish the conditions, terms and limits under which vested rights may be exercised. However, the Spanish regulator has not limited (for example, by establishing a maximum amount) the assumption of unconditional liquidity for individual or occupational pension plans:

- Exceptional liquidity cases have been created for the following exceptional circumstances: serious illness, long-term unemployment and foreclosure proceedings on the habitual residence. Additional exceptional liquidity events were established to allow early withdrawal of pension rights for individuals impacted by the COVID-19 crisis and those affected by the volcanic eruption in La Palma. All of these exceptional liquidity scenarios, and those that may be created in the future subject to a situation of need, are more than sufficient to ensure members can access their vested rights in the event of need in exceptional circumstances.
- This unconditional liquidity will have - if - not limited or eliminated - a harmful impact in almost all cases. Among them are:

  - The potential for the massive exercise of this early drawdown affects the composition of portfolios. It leads to more-liquid assets, to the clear detriment of the future performance of participants.
  - Clear risk of employing pension plans' assets in a manner that jeopardises the financial stability and proper functioning of pension fund markets.
  - Significant risks for participants, including – among others - higher taxes, running out of savings earlier than expected or choosing inappropriate investment strategies.
  - Potential questioning of the tax treatment of pension plans.

On 22 October 2024, Royal Decree 1086/2024 was approved, introducing amendments to the Regulation on Pension Plans and Funds (RPFP). This sought to complete and correct certain aspects of the previous amendment of the RPFP (Royal Decree 668/2023 of 18 July).

The sanctioning regime of PEPP has not yet been definitively approved in Spain, but a draft is currently under review.

8. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

Law 7/2024 implements Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the EU. This includes the exemption foreseen in the Directive for Pension Funds and Investment Funds that are an ultimate parent entity. It also modifies the rate of taxation of the net savings base in the Personal Income Tax Law which applies, amongst others, to capital gains arising from reimbursement of investment funds or dividends received by investment funds. With effect from 1 January 2025, the tax rate applicable when the net savings base exceeds 300,000 euros will be set at 30% (previously 28%), which represents the sum of the general scale and the regional scale. The Implementation of Directive 2022/2523 has not yet been completed, as there is a draft regulation complementing Law 7/2024 pending approval.

In addition, in 2024, the Preliminary Draft Law amending Law 58/2003 of 17 December 2003 on General Taxation (LGT), on mutual assistance and collection and other tax regulations, (known as 'DAC 8'), was in public hearing. This continues with the transposition of Council Directive (EU) 2023/2226 of 17 October 2023, amending Directive 2011/16/EU on administrative cooperation in the field of taxation.

9. FINANCIAL & INVESTOR EDUCATION INITIATIVES

On financial literacy, Inverco has contributed through:

- The 'INVERCO Observatory' (http://www.observatorioinverco.com/), which seeks to spread and explain the characteristics and advantages of investments funds and Pension Plans. The Observatory undertook the following activities during 2024:
    - A perception survey among asset Managers on a number of aspects. These included prospects for 2024, distribution channels, ESG investments, creation of new products, retail investment strategy, financial literacy and the profiles of unitholders.
    - 7th Report on knowledge of unitholders on investment funds.
    - Report on assets invested in CIS, by Spanish regions.
    - Articles and interviews in the media.
    - Educational sessions with the financial specialised media.

- 5th Edition of 'Rumbo a tus sueños', a finance training programme for young students. In this, volunteers from asset management companies explain the relevance of setting clear objectives, and the importance of saving and investing properly in achieving them. The goal of this initiative is to explain different basic financial concepts to those vocational students e not studying finance as part of their curriculum.

- 6th report on financial education initiatives carried out by asset managers. The aim of the report is to bring together the main initiatives in financial education and demonstrate their overall relevance to society.

10. OTHER ACTIVITIES OF THE ASSOCIATION

Link to newsletters: https://www.inverco.es/archivosdb/nuevo-registro-webfeb-25.pdf

- 29/11/2024 – NEWSLETTER NOVEMBER 2024
- 30/07/2024 - NEWSLETTER JULY 2024
- 24/05/2024 - NEWSLETTER MAY 2024
- 29/02/2024 - NEWSLETTER FEBRUARY 2024

SWEDEN COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1a: Net Assets by the Fund Industry in Sweden (EUR billion)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	479.9	610.4	495.2	584.6	657.4
Funds domiciled abroad and promoted by national providers	52.9	54.1	40.2	30.3	60.9
Total net assets	532.8	664.5	535.4	614.9	718.3

Table 1b: Total Assets by Fund Type in Sweden (domiciled home and abroad) (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	335.4	439.2	343.7	409.0	490.0
Bond funds	76.5	81.3	71.7	76.8	86.5
Multi-asset funds	116.3	166.3	113.7	123.8	136.2
Money market funds					
Other funds	4.6	5.1	6.4	5.3	5.4
Total	532.8	691.9	535.4	614.9	718.3
of which > ETFs	4.1	4.9	4.7	5.6	5.5

Table 2a: Net Sales of Investment Funds in Sweden (EUR million)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	6,595.3	20,342.5	5,343.8	12,597.1	16,633.3
Funds domiciled abroad and promoted by national providers	-1082.3	-1498.4	-3040.4	-2743.8	1026.9
Total net sales	5,513.0	18,844.1	2,303.4	9,853.3	17,660.2

Table 2b: Total Net Sales by Fund Type in Sweden (domiciled home and abroad) (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	5,308.0	8,233.0	795.7	9,272.7	9,507.8
Bond funds	2,202.0	6,193.0	855.7	2,356.4	8,959.3
Multi-asset funds	-1,276.0	4,091.0	-823.1	-1,043.4	-894.0
Money market funds					
Other funds	-721.0	327.0	1,475.0	-732.6	87.1
Total	5,513	18,844	2,303	9,853.1	17,660.2

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds	306.7	404.0	318.4	388.3	442.5
Bond funds	60.8	67.0	62.7	69.8	81.2
Multi-asset funds	87.7	108.5	88.8	99.0	106.8
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	0.1	0.1	0.2	0.1	0.2
Other funds	0.02	0.1	0.2	0.3	0.4
Total	455.3	579.8	470.2	557.5	631.1
of which ➤ ETFs	3.8	4.7	4.6	5.4	5.3
➤ Funds of funds	45.4	58.1	48.3	52.9	53.6

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	5,662.2	8,319.5	1,699.7	11,604.1	7,705.1
Bond funds	3,087.7	7,438.2	3,450.4	2,788.7	9,250.7
Multi-asset funds	-1,077.8	2,711.7	-565.0	-1,123.6	-1,340.9
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	-41.2	-0.2	66.3	-54.1	46.7
Other funds	1.0	8.2	20.6	9.9	13.6
Total	7,632.0	18,477.5	4,672.1	13,225.0	15,675.2
of which ➤ ETFs	-407.7	-155.5	693.2	252.6	-250.8
➤ Funds of funds	253.2	3,449.0	503.7	791.2	1,448.5

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)

	2020	2021	2022	2023	2024
Equity funds	10.0	13.7	9.7	11.0	9.8
Bond funds	1.6	1.5	1.2	1.3	1.7
Multi-asset funds	10.5	12.6	10.4	11.7	13.1
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	1.0	0.9	0.9	0.7	0.7
Real estate funds					
Other funds	1.4	1.8	2.8	2.3	1.1
Total	24.6	30.6	25.0	27.1	26.3
of which ➤ ETFs	0.2	0.2	0.2	0.2	0.2
➤ Funds of funds	12.1	14.1	11.3	14.0	13.2
➤ Institutional funds					

Table 6: Net Sales of AIFs by Fund Type (EUR million)

	2020	2021	2022	2023	2024
Equity funds	525.1	930.4	-238.3	-392.3	386.9
Bond funds	-133.6	-44.5	-104.5	83.9	110.8
Multi-asset funds	-103.1	686.4	237.6	276.2	689.9
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	-401.0	-81.1	-62.5	-81.3	-67.3
Real estate funds					
Other funds	-924.1	373.9	839.4	-514.4	-162.3
Total	-1,036.7	1,865.1	671.8	-627.9	958.1
of which ➤ ETFs	55.1	14.2	10.2	-7.5	-6.6
➤ Funds of funds	-330.9	100.9	-136.7	-254.2	724.5
➤ Institutional funds					

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds

	2020	2021	2022	2023	2024
Home-domiciled UCITS	545	559	582	595	609
Home-domiciled AIFs	94	107	126	117	121
Foreign funds registered for sales	9,575	11,819	12,867	13,478	13,910
➤ By national promoters					
➤ By foreign promoters					
Fund launches					
Fund liquidations					
Fund mergers & acquisitions					

5. MARKET DEVELOPMENTS IN 2024

Total net assets increased by EUR 103 billion in 2024 and amounted to EUR 718 billion at the end of the year. The 17% growth was due to higher asset prices but also the relatively large net inflows. Since year-end 2020 the total AuM in Sweden have increased by EUR 186 billion (+35 %).

All fund types experienced an increase in net asset in 2024, equity funds experienced the largest increase.

Total net sales of funds amounted to EUR 17,66 billion in 2024, the largest net sales ever recorded for a calender year.

Positive equity markets in 2024 contributed to equity funds dominating the net sales of funds, getting Euro 9 508 million. Bond funds also received large net inflows while multi-asset funds experienced outflows.

Mainly due to a positive stock market development, Swedish UCITS experienced an increase (EUR 74 bn or 13 %) in AuM during 2024.

Total net sales of UCITS amounted to EUR 15 675 million in 2024. Bond funds recorded the largest net inflows.

Swedish AIF assets decreased in 2024 by EUR 1 billion. Total net sales of AIF amounted to EUR 958 million in 2024.

6. REGULATORY DEVELOPMENTS

6.1. UCITS/AIFMD

A lot of preparatory work has been undertaken to adapt Swedish fund legislation for the AIFMD/UCITS review. Until now, there have been no specific rules on loan origination funds, despite such funds existing. It remains an open question as to whether or not those funds will be able to loan money to retail clients. So far, there have been no such restrictions, and mortgages to retail clients through AIFs do exist. An important question is whether loan-originating funds, when managed by an AIFM within a banking group, will trigger capital requirements for the bank. There are statements from the Swedish NCA Finansinspektionen (FI) indicating that this may be the case. This would effectively hinder the establishment of loan origination funds.

Not all liquidity management tools have been allowed in Sweden in the past. All Swedish funds will have to modify their fund rules to comply, a considerable administrative burden and one which will require a grace period. The new delegation rules will add administrative burden to AIFMs, given that all services included in Annex I to the AIFM Directive are to fall within the scope of the delegation regime. Until now, this has not been the case, for example when it comes to real estate administration activities.
There is also a public enquiry looking at proposals to introduce new fund structures for AIFs - including ELTIFs - and tax transparent funds (UCITS), but nothing has been presented yet. The Swedish Investment Fund Association (SIFA) has a chair in the public enquiry.

The FI has informed the European Securities and Markets Authority (ESMA) that it will comply with ESMA's guidelines for fund names containing ESG or sustainability-related terms. The required bar for sustainable investments, when using sustainable-related words in the fund name, will probably be set rather high

6.2. Retail Distribution (MiFID II & IDD)

The FinDatEx EMT (European MiFID Template) and/or EET (European ESG Template) are used and are appreciated.

6.3. CSDR

On the cost of implementing cash penalties, we have no new information.

On the move to the T+1 settlement cycle in the US, Sweden-domiciled funds already settle at T+1 (or T+0).

6.4. ELTIF

We do not foresee ELTIFs being established in Sweden in the near future. This is due to the lack of a suitable national framework for fund vehicles as well as an unclear tax treatment of the funds. However, the Swedish Government has launched a public investigation into a better legal framework for ELTIFs .

6.5. Sustainable finance

In 2024, the FI focused on ensuring that securities companies, fund management companies and AIF managers complied with the new 2022 sustainability regulations.

The FI has undertaken a study into how securities companies, fund management companies and AIF managers set about integrating and accounting for sustainability factors and risks in their operations. The purpose was to map how these companies have adapted their processes and internal controls to meet the new requirements in the 2022 sustainability regulations. The FI sought an overview of how well the companies have evolved to these new rules and identify areas for further improvement.

Although there have been a number of improvements, finding reliable data remains a challenge.

6.6. Stewardship

According to our members, the current practices are functioning well.

6.7. Benchmarks

A national law came into effect, on 1 January 2018, to adapt Swedish law to the BMR, Supplemental Provisions for the EU Benchmark Regulation Act (2017:1185). This stated that the FI is the competent authority in Sweden under the BMR, and contains provisions for the FI to levy fees for assessing applications, registrations and notifications in accordance with the BMR.

There has been little reaction to proposals to remove non-significant benchmarks from the scope of the Benchmarks Regulation. We do not anticipate any major impact..

6.8. Anti-Money Laundering

There are ongoing discussions with the FI on the RTS:s on ML/TF risk assessment methodology and the customer due diligence process under the new AML/CFT regime.

6.9. Digital Finance & Cybersecurity

Some new regulations have been implemented, specifying technical criteria and important dates for reporting according to the Dora Regulation. There have also been some adaptations to current financial regulations, aimed mainly at avoiding duplication.

7. PENSIONS & PEPP

Sweden has adopted supplementary provisions to the PEPP regulation in order to align its law with the Regulation. These lay down uniform rules for the registration, development, distribution and supervision of PEPPs; they entered into force on 1 January 2023. To date, the FI has not registered any PEPP on the Swedish market.

The Swedish national pension system has been the subject of extensive and prolonged debate. The premium pension system, whereby a small proportion of the pillar one pensions are invested into UCITS funds, is currently undergoing substantial change. New legislation, involving a new procurement regulation for premium pension funds, entered into force in 2022. The initial procurement by the first fund category - out of about 30 - began in 2023. The procurement process is expected to severely limit the number of funds available in the system. The SIFA has been highly critical of these changes, arguing that they will not benefit pension system end-users and that they risk distorting competition. The initial procurement process is expected to last for the coming two to three years.

8. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

The Investment Savings Account are taxed at a flat annual tax – 'Schablonskatt' - on holdings (not returns), currently equivalent to 0.888% (based on Swedish government borrowing rate +1% * 30% (1.96% + 1.00% * 30%) (2025)). Since 2025, new rules apply, with savings up to an amount of SEK 150,000 (in ISK and/or in an endowment insurance) becoming made tax-free. This will be increased to SEK 300,000 from 2026 (in other words, the annual flat tax is only levied on savings exceeding SEK 150,000 / SEK 300,000).

9. FINANCIAL & INVESTOR EDUCATION INITIATIVES

The SIFA is active in the Swedish National Network on Financial Education, a set of nationwide personal finance educational initiatives. The network – made up of authorities, organisations and financial firms - was initiated by the Swedish Ministry of Finance and is coordinated by the FSA. The goal is to educate consumers to better understand their finances. The network trains instructors, who can then spread this knowledge to others. SIFA is responsible for the fund-saving element of the training.

The SIFA is a co-financer of 'Ung Privatekonomi' ('Young Personal Finances'), a school information project providing annual personal finance and savings education for more than 35,000 pupils in Sweden's upper secondary schools. The underlying concept is 'youth meet youth'. The talks and educational materials are made available free of charge to upper secondary schools. The project is financed by a number of organisations, including the SIFA. It employs communication staff throughout Sweden, covering as many upper secondary schools as possible.

The SIFA 'Fondkollen' ('Fund Check') initiative provides a financial education website, featuring interactive tools such as an investment calculator and a 'check my fund' and a 'find a new fund' tool. The aim of Fondkollen is to boost savers' financial self-confidence. SIFA's fund economist regularly shares information about fund saving on the website, while the SIFA promotes the site via social media.

10. OTHER ACTIVITIES OF THE ASSOCIATION

- **Publications (reports, newsletters, surveys, research)**
  The SIFA publishes a monthly newsletter, open to everyone interested in keeping up with the Association's activities.

  A members-only newsletter - in Swedish and English - is distributed to all member companies six times during the year.

  An annual report on the fund savings in Sweden 2023 was published in January, and launched at a press conference.

  There were surveys undertaken on fund preferences among men and women, on sustainable savings and on savings for children.

- **Conferences, seminars and webinars**
  The annual 'Fonddagen' conference was held on 20 May, with approximately 250 participants. During the event, the 40th anniversary of the introduction of Allemansfonderna in Sweden was celebrated; this was when Swedes discovered mutual funds as a savings product. The Minister for Financial Markets, Niklas Wykman, gave the opening addressed. He was followed by Deputy Governor of the Riksbank, Per Jansson, who spoke on the economic situation and monetary policy.
  One panel at the event explored how commissions and price regulation may affect the future fund market. Another explored the significance of the stock market. The conference concluded with a lecture by Erik Angner, economist, philosopher and professor of practical philosophy at Stockholm University entitled 'Optimism Despite Everything'. He argued that economics can be used as a tool for tackling global problems.

Several seminars were held during the year, both physical and digital. Topics covered included the role of politics in the development of fund savings, sustainability labelling of funds in the UK, the commission ban in Canada, how passive investments affect the market, the Chinese market and Swedish fund investors, social liberalism and self-managed companies.

- **Videos/podcasts**
  Several short videos, explaining how fund saving works, were distributed via social media.

SWITZERLAND COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Switzerland (EUR billion)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	660.3	777.3	756.6	883.0	986.4
Funds domiciled abroad and promoted by national providers	173.5	171.1	139.4	162.7	159.9
Total net assets	833.8	948.4	895.9	1,045.7	1,146.3

Table 2: Net Sales of Investment Funds in Switzerland (EUR million)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	29,475.1	34,946.8	56,455.2	38,643.4	30,048.2
Funds domiciled abroad and promoted by national providers	14,986.3	19,175.4	15,087.0	n.a.	9,769.8
Total net sales	44,461.4	54,122.2	71,542.2	n.a.	39.818.0

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)

	2020	2021	2022	2023	2024
Equity funds	226.0	300.3	268.4	325.8	377.2
Bond funds	194.1	215.0	200.2	229.4	244.4
Multi-asset funds	51.7	68.6	87.3	102.3	117.8
Money market funds	18.7	19.6	28.5	34.9	40.4
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds					
Total	490.5	603.5	584.4	692.4	779.9
of which ➤ ETFs	6.2	8.0	7.8	9.8	18.7
➤ Funds of funds	21.7	26.3	33.8	41.0	48.3

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	-1,680.2	10,770.7	6,880.9	15,356.1	11,124.8
Bond funds	12,961.1	15,057.2	7,052.6	8,658.4	10,256.7
Multi-asset funds	6,588.1	8,260.1	29,942.8	3,997.1	3,966.2
Money market funds	369.6	-407.8	7,755.4	5,595.7	4,547.6
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Other funds					
Total	18,238.5	33,680.3	51,631.6	33,607.2	29,895.3
of which ➤ ETFs	606.0	310.9	1,006.5	1,204.5	4,098.1
➤ Funds of funds	1,210.1	2,484.0	4,464.3	2,220.2	792.0

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds					
Bond funds					
Multi-asset funds					
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	39.5	44.6	46.7	46.8	52.6
Other funds	130.3	129.3	125.5	143.9	153.9
Total	169.8	173.9	172.2	190.7	206.5
of which ➤ ETFs	15.4	15.7	15.9	18.0	22.5
➤ Funds of funds	11.0	13.7	20.4	23.9	28.2
➤ Institutional funds	100.3	100.7	89.2	99.1	100.9

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds					
Bond funds					
Multi-asset funds					
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	1,161.4	4,741.1	-553.4	207.4	948.9
Other funds	10,075.2	-3,474.5	5,377.0	4,828.7	-796.0
Total	11,236.5	1,266.5	4,823.6	5,036.1	153.0
of which ➤ ETFs	790.3	5,222.2	-576.3	2,276.9	-285.7
➤ Funds of funds	421.3	899.4	1,142.9	1,144.1	1,528.7
➤ Institutional funds	6,539.6	-3,071.4	3,587.0	818.5	-2,607.2

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	940	1,008	1,017	1,053	1,061
Home-domiciled AIFs	186	187	182	176	178
Foreign funds registered for sales	8,133	8,357	8,578	8,526	8,560
> By national promoters					
> By foreign promoters					
Fund launches					
> Home-domiciled UCITS and AIF	120	131	57	43	65
> Foreign funds registered for sales	136	242	247	57	101
Fund liquidations					
> Home-domiciled UCITS and AIF	79	56	2	11	14
> Foreign funds registered for sales	175	18	26	109	67

5. MARKET DEVELOPMENTS IN 2024

Growth in Net Assets

- Total net assets increased to **EUR 1,133.8 billion**, reflecting a continuing market expansion. Home-domiciled UCITS and AIFs surged to **EUR 973.9 billion**, while foreign-domiciled funds declined slightly to **EUR 159.85 billion**. Such a shift indicates a growing investor preference for domestic funds.

Net Sales of Investment Funds

- Overall net sales stood at **EUR 41.03 billion**, down from 2022's peak but demonstrating resilience. Home-domiciled funds dominated sales at **EUR 31.26 billion**, although lower than the previous year. Foreign-domiciled funds saw a sharp decline in net sales to **EUR 9.77 billion**, potentially due to market volatility.

UCITS Fund Developments

- UCITS assets grew to **EUR 779.9 billion**, led by equity funds (**EUR 377.2 billion**) and multi-asset funds (**EUR 117.8 billion**). MMFs continued to grow, reaching **EUR 40.4 billion**, reflecting cautious investor sentiment. Net sales of UCITS declined to **EUR 29.89 billion**, down from **EUR 33.6 billion in 2023**. **ETFs saw significant growth**, with net sales climbing to **EUR 4.09 billion**, nearly quadrupling from the previous year's level.

Alternative Investment Funds (AIF) Trends

- AIF assets grew to **EUR 206.5 billion**, with real estate funds at **EUR 52.6 billion**. Net sales of AIFs dropped to **EUR 153 million**, with institutional funds experiencing significant outflows of **EUR 2.6 billion**. ETFs within AIFs saw negative net sales (**EUR 285.7 million**), reversing the previous year's growth.

Fund Market Structure

- The number of home-domiciled UCITS funds rose to **1061**, while AIFs remained stable at **178**. Foreign funds registered for sale remained steady at **8560**, showing sustained international interest. Fund launches rebounded, with **65 home-domiciled and 101 foreign funds introduced**. This marked a recovery over 2023. Fund liquidations increased, particularly for foreign funds (**67 liquidations**).

Key Takeaways

The Swiss fund industry remains resilient, with growth in total assets and ETFs, despite fluctuations in net sales and institutional fund outflows.

6. REGULATORY DEVELOPMENTS

6.1. UCITS/AIFMD

There were no notable developments on this issue in 2024.

6.2. Retail Distribution (MiFID II & IDD)

There were no notable developments on this issue in 2024.

6.3. CSDR

Shortening of settlement cycle to T+1

Stock exchanges in the USA, Canada and Mexico have shortened their settlement cycle from two days (T+2) to just one (T+1) at the end of May 2024. This change affects all transactions permitted on these North American exchanges executed via a regulated market or multilateral trading facility (MTF) or in over-the-counter (OTC) trading – unless the parties involved agree otherwise.

While the shorty cycle increases efficiency and resilience in transaction and settlement processes, it also reduces some systemic risks; in the case of counterparty risk, significantly so. It also brings new regulatory challenges, particularly for those mixed-asset funds from European providers that invest substantial portions of their assets in both North American and European securities. It also places an increased workload on Swiss institutions for suitable measures in portfolio management to prevent temporary violations of investment restrictions, such as excessive cash holdings or borrowing above 10%.

That said, lengthy preparations ensured a smooth transition both in North America and in Europe. There was a collective sigh of relief when it was announced - on the day after the changeover - that almost 95% of transactions had been affirmed on the same day, with an extremely low fail rate of unsettled trades. This was despite having to settle twice the usual daily trading volume that day.

Sentiment among Swiss institutions towards shortening to T+1 in the near future is thus positive. Banks, asset managers, fund management companies and other financial intermediaries want the two different settlement cycles in North America and Europe to be resolved as quickly as possible. It is therefore essential that the Swiss industry and the federal authorities coordinate the changeover with their counterparts in the UK and the EU.

In the UK, the Accelerated Settlement Taskforce's report (known as the Geffen Report after its Chairman) states that the country should (1) move to a T+1 settlement cycle, (2) do so by 31 December 2027 at the latest and (3) seek opportunities for close collaboration with the EU and other European countries – principally Switzerland –to coordinate the transition to T+1.

The European Securities and Markets Authority (ESMA) published a report, on 18 November 2024, announcing that it would prepare for migrating to T+1 in the EU by the fourth quarter of 2027, coordinating with other European jurisdictions such as the UK and Switzerland. ESMA has appointed Giovanni Sabatini to chair an independent industry committee that will take charge of the T+1 migration efforts in the EU. Sabatini will coordinate industry work and liaise with EU market participants. In its report, ESMA recommends 11 October 2027 as the optimal transition date. The authority would also like to avoid the first Monday in October, as this would be the first Monday following the end of the previous quarter. The UK's Accelerated Settlement Taskforce has also recommended 11 October 2027, as confirmed in its Technical Group's report in January 2025..

6.4. ELTIF

The updated, more flexible rules on ELTIFs - a category of product originally created in 2015 - entered into force in January 2024. ELTIFs are intended to enable retail clients to invest in private markets (private equity, private debt and infrastructure).

The main changes affect four areas: improved access for small investors, a broader spectrum of investments, a fund-of-funds structure and provision for an open-ended fund structure subject to certain conditions.

Easier access for small investors: Abolishing the minimum investment threshold of EUR 10,000 and the minimum net assets for investors (distributors previously had to ensure that investors with portfolios totalling less than EUR 500,000 did not invest more than 10% of their total assets in ELTIFs). The rules on distribution were also harmonised by aligning the assessment of suitability with that under MiFID II, offering considerably easier access for retail clients.

Broader spectrum of investments: Eligible investment assets now additionally include fintech investments as well as investments in social and ecological infrastructures to promote sustainability ('green bonds'). The threshold value of EUR 10 million previously applied to investments in real assets has been removed, meaning that ELTIFs can now also acquire real assets with a value lower than this under the new Regulation. This is intended to further diversify the investment portfolio and make investments in real assets more attractive.

Fund-of-funds structure: Changes to the investment restrictions allow for ELTIF assets to be invested with greater flexibility. Fund-of-funds structures are now possible, provided that the target funds are EU alternative investment funds (AIFs). Master-feeder structures are also now allowed, but only where the master fund is itself an ELTIF. Other restrictions, applying to ELTIFs marketed solely to professional investors, have been relaxed.

Open-ended fund structure: The ELTIF Regulation essentially covers closed-ended funds. However, open-ended structures are now also possible if the following conditions are met:

- Units cannot be redeemed before the end of a minimum holding period or before the investment limits take effect.
- An appropriate redemption policy and liquidity management tools are in place, compatible with a long-term investment strategy.
- The redemption policy clearly indicates the required procedures and conditions.
- Redemptions are limited to a percentage of the assets eligible for UCITS.
- Redemptions on a pro-rata basis are possible, if required.

6.5. Sustainable finance

Combating greenwashing: self-regulation on transparency and disclosure for sustainability-related collective assets, 29 April 2024 (SR 2.0)

The second version of the self-regulation on transparency and disclosure for sustainability-related collective assets entered into force on 1 September 2024.

The Federal Council decided, on 19 June 2024, that the latest version of the AMAS self-regulation - together with those of the Swiss Bankers Association (SBA) and the Swiss Insurance Association (SIA) - adequately reflects its position on the prevention of greenwashing. The Federal Council has therefore opted against state regulation in the form of an ordinance.

AMAS welcomes this decision. The Association revised its self-regulation last year, in close cooperation with the authorities. This was to ensure that it comprehensively reflects the Federal Council's 16 December 2022 position on preventing greenwashing.

It thus replaced version 1.1. with the expanded and clarified version 2.0. AMAS point out that the self-regulation offers many benefits for the market, in particular its flexibility and compatibility with international standards. It is expected to evolve further, particularly among real estate funds.

Consultations in the area of greenwashing
A number of consultations on sustainability took place in 2024:

- Transparency around sustainability: amendments to the Code of Obligations (CO), Audit Oversight Act (AOA) and Swiss Criminal Code (SCC). The Association's position can be found on our website. Essentially, AMAS notes that the regulatory cycle is becoming ever-denser, and suggests that the Federal Council rethink its approach. Much is at stake, not simply in the financial sector. AMAS also calls for avoiding any form of 'Swiss finish' and for restricting the number of institutions required to publish a sustainability report.
- Climate Protection Ordinance (CIO; SR 814.310.1): On 27 November, the Federal Council decided that the CIO would enter into force. The Ordinance defines the instruments provided for by the act for the industrial and construction sectors. AMAS, which took part in the consultation, was quoted four times in the report. Overall, the draft does not have major implications for the financial sector. However, AMAS has achieved an important success in that - at AMAS' request - the timetables drawn up by the financial industry and the minimum requirements for transition plans have been harmonised.
- FINMA Circular 'Nature-related financial risks': AMAS took part in the consultation on this circular, which is set to enter into force in stages, from 1 January 2026.

6.6. Stewardship

Engagement Letter
On 5 December 2024, AMAS published an Engagement Letter, which urged Swiss companies to adopt strong corporate governance and sustainability practices to align with international standards and contribute to a climate-neutral economy. This engagement is driven by Switzerland's commitments to the UN's 2030 Agenda for Sustainable Development and the Paris Agreement on climate change, aiming for net-zero emissions by 2050.

AMAS stresses the importance of active ownership and engaging with companies to achieve long-term financial, environmental and societal value. In collaboration with Swiss Sustainable Finance, AMAS published the Swiss Stewardship Code in 2023, promoting corporate engagement to support sustainable outcomes.

The letter encourages AMAS members to engage with Swiss companies on a voluntary basis to help them meet international governance and sustainability standards. These standards include robust corporate governance, sustainability accountability at the board level, enhanced environmental disclosures (such as climate-related risks and greenhouse gas (GHG) emissions) and adopting decarbonisation strategies in line with the Paris Agreement.

AMAS expects companies to adopt a responsible business conduct framework, disclose their GHG emission levels and commit to science-based targets. Furthermore, companies should ensure a just transition, protecting human rights and worker livelihoods as part of their decarbonisation plans.

While the letter is not legally binding, asset managers will review companies' progress annually and may take escalation actions. These could include voting against company proposals if engagement does not lead to satisfactory outcomes. Individual companies may be approached based on this Engagement Letter.

The letter has already been endorsed by seven asset managers, demonstrating strong industry support. AMAS is now calling on all its members to incorporate these standards into their engagement practices, advancing collective efforts toward a sustainable and climate-neutral economy.

Swiss Stewardship Code

AMAS joined forces with PRI to launch a series of stewardship roundtables aimed at fostering implementation of stewardship activities in Switzerland and building on the Swiss Stewardship Code. These roundtables support the industry in building and sharing knowledge as well as ensuring peer-group comparability of stewardship best practices across asset managers and asset owners. These are held quarterly and are co-hosted by Principles for Responsible Investment (PRI), which provides global complementary expertise. They are open to both AMAS members and PRI signatories and target asset owners, asset managers and service providers. Four roundtables were held in Zurich, Geneva and Lausanne last year. Given the success and members' clear interest, the roundtables will be continued into 2025.

6.7. Benchmarks

There were no notable developments on this issue in 2024.

6.8. Anti-Money Laundering

There were no notable developments on this issue in 2024.

6.9. Digital Finance & Cybersecurity

There were no notable developments on this issue in 2024.

6.10 Other regulatory developments

Limited qualified investor fund (L-QIF)

The revised versions of the Collective Investment Schemes Act (CISA) and the Collective Investment Schemes Ordinance (CISO) entered into force on 1 March 2024. This marked the completion of a project to create a new category of Swiss fund called the limited qualified investor fund (L-QIF). Originally the Association's idea - one that AMAS had supported and promoted since the outset - it offers qualified investors an alternative to similar foreign products. The introduction of the L-QIF represents an important step in strengthening the Swiss financial sector and enhancing the country's competitiveness as a location for funds and asset management. It was inspired by Luxembourg's Reserved Alternative Investment Fund (RAIF), which has similar characteristics but enjoys certain wider freedoms.

In principle, an L-QIF is a collective investment scheme based on the traditional legal forms that accords with the CISA. The main difference is that it is free of any requirement for approval and ongoing supervision, allowing it to be launched independently and thus accelerating time to market. There is also a great deal of scope of customisation when designing L-QIFs. In particular, they do not need to comply with any investment regulations. The fact that approval and supervision are not required is balanced by the fact that they are restricted to qualified investors. Institutions managing L-QIFs also have to meet special criteria; they must be licensed and supervised. An L-QIF set up as a contractual fund, for example, must be managed by a regulated Swiss fund management company. This allows FINMA to indirectly monitor the fund's compliance with basic requirements. Such supervision is backed up by 'supplementary audits' of the operations of the L-QIF, undertaken by the managing institution's audit firm.

The L-QIF itself is not bound by investment regulations or diversification requirements, although it is largely subject to the same requirements as other funds for alternative investments in terms of investment restrictions and techniques. These are more restrictive than those for RAIFs, which have no fixed limits. The redemption frequency can be optimised or restricted (up to a maximum of five years) where illiquid or hard-to-value investments are involved. This aids liquidity management and thus should be encouraged. We welcome the introduction of this new class of product and see considerable potential for Swiss market. AMAS will support its members in launching their own L-QIFs and closely track their development.

The new product has now established itself in the industry, with 18 launched as of December 2024 (see list of L-QIFs registered with the FDF at https://www.sif.admin.ch/de/limited-qualified-investor-funds-lqif). Various legal forms are now represented, including SICAVs and limited partnerships, but most are contractual funds. We expect further projects in the coming weeks and months and will keep track of their progress.

Berne Financial Services Agreement (BFSA)
Switzerland and the UK signed a financial services agreement (Agreement between the Swiss Confederation and the United Kingdom of Great Britain and Northern Ireland on Mutual Recognition in Financial Services) on 21 December 2023. This underscores the two countries' shared goal of mutually recognition of regulatory and supervisory frameworks for the financial market. What is unique about the Agreement is that, for the first time, two countries have signed a bilateral treaty recognising the equivalence of their respective legal and supervisory frameworks in selected areas of the financial sector, with a view to offering cross-border services. The BFSA aims to strengthen cooperation between these leading financial centres and enhance Switzerland's ability to act internationally.

It covers the following sectors: asset management, banking, financial market infrastructure, insurance and investment services. This closer cooperation will establish high quality, internationally comparable, sustainability-related corporate disclosure standards with the aim of aligning financial flows with the Paris Agreement on climate change.

The BSFA brings legal certainty for Swiss asset management on the cross-border provision of a wide range of asset management services. As well as delegating portfolio management and risk management as well as the private placement of funds to high-net-worth retail clients, it also offers high-net-worth individuals (over GBP/ CHF 2 million) cross-border wealth management services. Clients and services must be disclosed (notification and reporting requirements). The BFSA has no effect on existing UK branches of Swiss asset managers.

The Federal Council published a dispatch on the BFSA on 4 September 2024. Under the heading 'Impact', the dispatch states that implementation will have no material consequences in terms of staff or finances for the federal, cantonal or communal governments. It is only expected to increase the workload for the supervisory authorities, specifically FINMA. FINMA is wholly funded by fees and supervisory charges paid by supervised institutions.

AMAS attended the Swiss-UK industry roundtable on 15 October 2024. It joined the UK Investment Association (IA) in calling on both countries' authorities to take into account simplified market access for new fund products - such as those relating to tokenisation – in the further development of the agreement and the detailed wording of its provisions. Asset management and banking industries were encouraged to submit their questions and suggestions on the detailed wording either directly or via industry associations (SBA and AMAS)

The Council of States approved the agreement unanimously on 19 December 2024. The BFSA will enter into force one month after it is approved by both countries' parliaments. We expect this to happen at the end of 2025, at the earliest.

7. PENSIONS & PEPP

OPA21 Reform: The debate on reforming occupational pensions has made one thing clear: the public is still insufficiently aware of the key role of the 'third contributor' in supporting the Swiss pension system.
As one vote ends, preparation for the next one begins. In the run-up to the referendum on 22 September 2024 on reforming occupational pensions, attacks, especially from left-wing parties, in the system were mounting. They were aimed at systematically weakening the second pillar in favour of the first, namely the state pension. Playing the two pillars off against each other is detrimental to Switzerland's proven and internationally respected pension system – and to Switzerland's pensioners.

The financial robustness of Swiss pension funds that arises from the long-term saving process is the strongest argument for a strong second pillar. Put simply, occupational pensions act as a 'piggy bank' for workers, which trebles the value of every single franc paid in up to retirement. This is because - in addition to their individual contributions and those of their employer - capital market returns act as the 'third contributor' to their pension fund assets.

The importance of this 'third contributor' is again demonstrated by the excellent results achieved in 2024, when capital market returns added more than CHF 90 billion to Swiss pension fund assets. Furthermore, this 'third contributor' is sustainable, adding more than CHF 500 billion to pension fund assets since 2004. This is over a third of the current total of CHF 1.2 trillion, and corresponds to an average of some CHF 100,000 per pension fund member. Another thing the critics downplay is the fact that almost a third of the state pension - which they like to claim is more efficient - is in reality funded by the taxpayer.

The polemic directed toward occupational pensions with the one-sided and unfounded accusation that the financial industry 'eats up' billions of francs a year is missing the point. The financial and asset management services for managing – and indeed increasing – the actuarial reserves covering pension fund members and pensioners alike generate a long-term average cost equivalent to 0.48% of the current total assets (CHF 1.2 trillion). Not only is this in line with other countries' pension systems, thanks to fierce competition on the Swiss market, but it also represents significant return on the investment. it is also a small price to pay for the huge contribution.

In view of the polemic surrounding financial services for occupational pensions, the asset management industry must do better at promoting the public image of the second pillar as a means of saving. A significant proportion of our AMAS members' assets under management come from pension funds. AMAS needs to get the message across to voters that occupational pensions work extremely well and that the 'third contributor' plays a vital role. Only this way can the asset management industry expect to gain majority support for any future reforms aimed at strengthening the second pillar. Otherwise, we will face an impasse or, worse still, a further expansion of the first pillar at the expense of the second.

8. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

There were no notable developments on this issue in 2024.

9. FINANCIAL & INVESTOR EDUCATION INITIATIVES

For employees of its member institutes, AMAS 2024 continued its knowledge transfer forum. With 'AMAS Meet & Eat', each month a company presents on innovative topics with the aim of transferring new knowledge. In 2024, the focus was on topics such as crypto, DLT, on-chain fund management and decentralised finance.

10. OTHER ACTIVITIES OF THE ASSOCIATION

Swiss Asset Management Study 2024

The Institute of Financial Services Zug IFZ - part of Lucerne University of Applied Sciences and Arts - and AMAS have produced the seventh edition of the Swiss Asset Management Study, providing a comprehensive overview of asset management in Switzerland.

Report on the Third Contributor

In 2024, for the third time, AMAS has published a report on the 'third contributor' (only available in German).

Events

Over 300 guests attended the Asset Management Day 2024 - the Swiss asset management industry's most important annual event - at the Bellevue Palace in Bern on 7 June. Speakers - on the theme of the event: 'Navigating the Financial Horizon: Swiss Asset Management in a Dynamic Global Landscape' - included Ambassador Rita Adam, Head of Switzerland's Mission to the EU, Andréa Maechler, Deputy General Manager of the Bank for International Settlements (BIS), Renaud de Planta, Senior Managing Partner of the Pictet Group and Oliver Zimmer, historian and Research Director at the Centre for Research in Economics, Management and the Arts.

AMAS is founding partner of the international 'Building Bridges Summit' in Geneva and was again heavily involved in the 2024 edition. This high-level summit aims to build synergies, develop new initiatives and make finance a key catalyst for change.

The 'GIPS Day 2024', in Zurich on 19 November, offered insights into the Global Investment Performance Standards and their significance for the financial world.

TÜRKIYE (TURKEY) COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in Turkey (EUR billion)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	26.2	27.9	48.2	67.7	154.9
Funds domiciled abroad and promoted by national providers	0.002	0.003	0.002	0.002	0.002
Total net assets	26.2	27.9	48.2	67.7	154.9

Table 2: Net Sales of Investment Funds in Turkey (EUR million)

	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	-799.1	6,462.6	14,431.7	17,683.8	51,557.7
Funds domiciled abroad and promoted by national providers					
Total net sales	-799.1	6,462.6	14,431.7	17,683.8	51,557.7

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (EUR billion)

	2020	2021	2022	2023	2024
Equity funds	1.1	1.6	3.0	2.6	4.6
Bond funds	2.6	2.3	2.7	2.0	3.0
Multi-asset funds	1.5	1.4	1.8	1.4	1.7
Money market funds	2.9	2.7	5.0	4.5	34.2
Guaranteed/protected funds	0.1	0.1	0.02	0.001	0.0003
Absolute Return Innovative Strategies (ARIS) funds	3.8	6.6	17.6	32.2	60.6
Other funds	2.4	3.3	4.0	5.8	11.0
Total	14.4	18.0	34.2	48.6	115.1
of which ➤ ETFs	0.4	0.5	0.7	2.0	2.9
➤ Funds of funds	1.0	1.7	1.5	1.3	1.8

Table 4: Net Sales of UCITS by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds	420.6	654.0	648.6	-218.3	1,265.3
Bond funds	-902.1	438.4	364.1	-359.3	389.6
Multi-asset funds	134.6	292.8	41.6	-207.9	-83.1
Money market funds	-2,050.9	648.1	2,819.8	575.3	22,639.8
Guaranteed/protected funds	-2.5	-94.1	-76.5	-9.4	-1.1
Absolute Return Innovative Strategies (ARIS) funds	409.5	2,510.6	9,114.0	15,190.7	20,238.1
Other funds	899.7	1,558.2	466.7	1,186.4	2,846.8
Total	-1,091.1	6,008.0	13,378.3	16,157.6	47,295.2
of which ➤ ETFs	354.5	120.8	72.8	678.0	383.2
➤ Funds of funds	589.6	1,016.4	-255.2	-225.3	164.8

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (EUR billion)					
	2020	2021	2022	2023	2024
Equity funds					
Bond funds					
Multi-asset funds					
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	10.9	8.4	11.3	14.6	32.5
Other funds	0.9	1.4	2.7	4.6	7.3
Total	11.8	9.9	14.0	19.2	39.8
of which ➤ ETFs					
➤ Funds of funds	1.0	1.7	1.5		
➤ Institutional funds					

Table 6: Net Sales of AIFs by Fund Type (EUR million)					
	2020	2021	2022	2023	2024
Equity funds					
Bond funds					
Multi-asset funds					
Money market funds					
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds					
Real estate funds	171.0	134.5	508.8	308.7	907.8
Other funds	121.0	320.0	544.7	1,217.5	3,354.7
Total	292.0	454.6	1,053.5	1,526.2	4,262.5
of which ➤ ETFs					
➤ Funds of funds	589.6	1,016.4	-255.2		
➤ Institutional funds					

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	566	795	1,152	1,250	1,657
Home-domiciled AIFs	136	219	336	468	596
Foreign funds registered for sales	9	9	9	9	9
➤ By national promoters					
➤ By foreign promoters	9	9	9	9	9
Fund launches					
Fund liquidations					
Fund mergers & acquisitions					

5. REGULATORY DEVELOPMENTS

Corporate governance – major developments

Corporate Governance Principles in Turkey were issued by the CMB in June 2003. As a result, the CMB has defined corporate governance principles to be used primarily by listed companies and joint stock companies in both the private and public sectors.

The Turkish Institutional Investment Managers' Association (TKYD) adopted the EFAMA code of conduct for investment and asset management firms, issuing these principles as a guide to its members. Borsa Istanbul (Istanbul Stock Exchange) works on several international projects as part of the EU accession process.

TYKD also published 'Ethical Principles and Codes of Conducts Guide for the Asset Management Sector' in September 2021.

Fund governance

At the end of 2012, the mutual funds industry entered a new era. This followed the new Capital Markets Law (Nr. 6362) and related regulations coming into force. Investment companies and asset management companies now play a more important role in the capital markets. The Turkey Electronic Fund Trading Platform (TEFAS) has been implemented, and has been one of the most important steps for the growth and spread of mutual fund adoption. In addition, the new law allowed portfolio management companies to establish mutual funds. The ongoing process of adapting to new rules and notifications has been completed, with the transition process ending in 2015. Portfolio management companies took over the mutual funds as founders.

In Turkey, mutual funds are established in the form of open-end investment companies (Although mutual fund does not have a legal entity, the assets of the fund are separated from the founder. the protection of fund assets is guaranteed by law). They operate according to the rules stated in the prospectus, which include general terms on the management of the fund, custody of assets, valuation principles and conditions of investing in the fund. Turkey is closely watching developments in the European fund Industry and the Turkish fund industry compliance with EU legislation.

The investment fund industry currently represents 10.7% of country's GDP. The sector has grown strongly over the last three years; TRY 799 billion in 2022, TRY 1,829 billion in 2024 and TRY 4,627 billion in 2024. Even higher growth is expected in the coming years, from the changing investment behaviour in the country and investors becoming used to TEFAS and comparing mutual funds of the industry. The total investment industry also gained momentum over recent years, reaching 15.8% of GDP in 2024.

TEFAS, which has been in operation since January 2015, has been positive in developing and supporting the mutual fund industry, beginning in 2021. The CMB's new regulations are mandatory for investment funds traded through the platform. This was an important step to ensure the growth of the sector and for the system to become operational. An open architecture approach created by TEFAS for delivering mutual funds to investors made a significant contribution. The product variety has increased, and investors can access numerous asset classes and themes, irrespective of the scale of the investors' savings. In 2016, the types of investment funds changed in to comply with EU standards; Debt Securities, Money Market, Mixed and Variable, Alternative, Equity, Funds of Funds, Precious Metals, Participation, Hedge Funds, ESG Funds and Exchange Traded Funds.

With the new law, capital markets are gaining new investment products and asset classes for alternative types of investment funds. There are new products entering the market, such as interest-free products (Islamic products), venture capital funds and real estate investment funds, providing variety. These funds came into capital markets in 2016 and have continued to grow in 2024. ESG funds, funds created for green economy, hedge funds and equity funds have become popular over the last two years, as a result of the low-interest rate policy of the government. The total number of open-ended funds is 2167, compared with only 569 in 2020.

The CMB issued communiques on establishing private equity funds and real estate funds in January 2014. There are real estate investment trusts that are all closed-ended instruments in the Turkish Capital Markets. Both types showed extensive growth during the recent years. Real estate funds reached TRY 151.1 billion, while private equity funds reached TRY 246.0 billion at the end of 2024, compared to 75.6 billion and 126.7 billion, respectively, at the end of 2023.

The CMB's new investment funds communique, issued under the new Capital Markets Law, entered into force on 1 July 2014. An investment funds handbook prepared by CMB - in line with this communique - was also published in June 2014. The latest amendments were published on 21 November 2024.

According to the communiqué published in late 2006, hedge funds in Turkey are regulated by the CMB.

6. PENSIONS

Private Pensions, Auto Enrolment and Investment Funds

The current pension system in Turkey is the third pillar, a voluntary system that began on 10 October 2003. The new auto-enrolment system was initiated on 1 January 2017 by the Government. In 2023 and 2024, the system continued to grow, by 59.5% and 64.0%, respectively. In 2013, along with the government contribution starting from 1 January 2013, the pension fund industry demonstrated clear growth for the last 11 years. The Turkish government continued to contribute 25% until 21 January 2022. Subsequently, government support was raised to 30%. The aim of this is to make the pension system more attractive to savers. The purpose of the new government support is to increase savings by Turkish investors, which will help improve Turkey's economic outlook and reduce its current deficit.

In Turkey, funds used to invest heavily in traditional standard instruments namely equities, bills and bonds, deposits and - to a degree - the futures markets. For several years, during the development of capital markets by the CMB, funds began to invest both internationally and locally. The need for longer-term instruments is now surging through this rapidly growing industry. Although it is a voluntary system, participation continued to grow rapidly. Following the pandemic, the system picked up and the number of participants grew to 9.5 million at end December 2024, compared to 8.7 million at end December 2023.

The current Turkish pension system is fund-based, managed by the asset management companies in Turkey. It is complementary to the national social security system, on a voluntary participation basis. The defined contribution principle is aimed at directing individual pension savings to investment. The aims are to improve welfare levels by providing a supplementary income during retirement and to contribute to economic development by creating long term resources for the economy.

The CMB provided opportunity for constructing longer-term and alternative capital market instruments such as real estate investment funds and venture capital funds. These are appropriate for longer-term investment opportunities for pension fund portfolios. Infrastructure funds are also important for long-term investments and portfolio diversification.

In 2013, the proportion of pension funds in household's investment portfolio was only 2%, increasing to 6.5% in September 2024, demonstrating that government support has been successful over the last seven years. It is clear that the pension system is a particularly important tool for improving savings.

At the end of 2012, the total amount was TRY 20 billion. In 2024, the system grew to TRY 1,137.1 billion, with 9.5 million participants; Government support to the system reached TRY 137.5 billion.

There are many types of pension fund, with different investment strategies. Previously, the majority of assets in Turkish funds were government bonds. Now, participants prefer Absolute Return Innovative Strategies (ARIS) funds, Money Market Funds, Government Bond Funds and Equity Funds and ETFs, respectively. Withholding for income tax is applied when a participant leaves the system. Taxation rates differ, depending on the participant's opting-out period. Participants who stay 10 years in the system and retire at the age of 56 pay only 5% withholding tax. Participants who do not stay in the system for a minimum of 10 years, however, must pay 15% withholding tax (also on the government support). In addition, if participants complete 10 years in the system and opt out before reaching 56 years of age, they pay 10% withholding tax. Finally, the participant pays 5% withholding tax if they qualify for retirement (death or becoming disabled). It is also effective for the auto-enrolment system.

From 3 June 2024, the process for participants to transfer their receivables arising from private pension contracts to banks has begun to be implemented.

The Regulation on Partial Payment in the Private Pension System entered into force on 1 July 2024. If a private pension participant gets married, buys a house or experiences a natural disaster, he or she will be able to accomplishpartial withdrawals from their pension account without paying tax.

The Turkish Government established another pillar – auto-enrolment - to attract more participants to the pension system; this came into force in 2017. In August 2016, the Private Pension and Savings Code was reformed, and a new article added, in which employees will automatically be enrolled into a pension plan; this currently covers all employees under 45 years of age. The employer transfers a minimum 3% of the salary to the system. The employees can use the right of withdrawal and opt out in two months' time. The new system gradually began to operate in 2017. Both the government support for the voluntary pension system and auto-enrolment will bring further participants to the pension system. The auto-enrolment system also has government support, originally 25% of contribution paid and now 30%, since beginning from 2022. If the participant prefers to use the pensionbuying 10-year period annuity contract, 5% of the savings will be paid to the pensioner. Conditions for entitlement entitled to government support are shown in the table below:

Private Pension System	Auto Enrolment System
Amount of Governmental Support Account	**Amount of Governmental Support Account**
minimum three years in the system: 15%	**minimum three years in the system: 15%**
minimum six years in the system: 35%	**minimum six years in the system: 35%**
minimum ten years in the system: 60%	**minimum ten years in the system: 60%**
retirement, death and disability: 100%	**retirement, death and disability: 100%**

The private pension and auto-enrolment participant has the right to change the distribution of the funds in a pension plan six times in a calendar year. This changed from 12 times following legislation published on 6 May 2021.

At the end of May 2019, the CMB added an article to the pension funds guide in which underperforming asset management companies will be sanctioned, with the aim of improving the fund returns. Over a three-year period, if the fund underperforms in two periods, management will be switched to an asset management company. Outperformers, meanwhile, will be awarded with extra payments.

In September 2024, the Presidency of Strategy and Budget of Republic of Turkey announced a medium-term programme (2025-2027). The pension system is important for improving long-term savings, and the medium-term amendments will be practiced for the duration of the pension system:

Financial literacy will be improved to increase savings awareness and financial instrument competence. Regulations to improve the private pension and automatic participation systems, which are important for increasing long-term savings, will be implemented.
A complementary pension system will be established, where the auto-enrolment system will be transformed into a second-tier pension system with the contribution of employers.
Standard pension investment in the private pension system funds will be redesigned to generate greater added value for participants' savings.

Access to private pension funds will be given to auto-enrolment participants, and arrangements will be made to simplify deductions. Here, the attractiveness of the system will be increased, leading to a greater inflow of funds and participants. Financial literacy will be improved by expanding financial education activities.

In June 2020, it was announced that supplementary pension system will be activated on 1 January 2022. The system will come in to use in the last quarter of 2025. It offers two options; one is a combined supplementary pension system and will be compulsory, the other is subject to employee preference. In the combined supplementary system, 3% of monthly severance pay of employees (8.33%) will be transferred to supplementary fund account of the employees. In the second model, every employee will have a supplementary fund account. Employers will contribute 4% as provisions for severance pay, while the government will contribute 1%. A 0.5-3.0% haircut will be made from the salaries of employees and transferred to fund account. Employees will have right to opt out of the combined system and transfer to the other.

According to law of 25 May 2021, parents will be able to save in the private pension system (BES) on behalf of their children who have not reached the age of 18.

The Law also stipulates that associations, foundations and other trade companies with legal entity that have made pension commitments to their members or employees in Turkey or abroad within the scope of existing pension plans as of January 1, 2021, they may transfer these amounts to the pension system in whole or partially at the end of December 31, 2023.

Amounts transferred to the private pension system are exempt from income tax. Those members transferring amounts will not be able to leave the system (disability and death excluded) within three years of the date of transfer.

In subparagraph 2 of Article 2 of the Presidential Decree of 22 December 2020, numbered 3321, the withholding rate applied to income and gains from mutual funds acquired between the effective date of the decision and 31 March 2021 (except for variable, mixed, Eurobond, foreign debt, foreign, hedge funds and mutual funds with the phrase foreign currency in their title) was reduced from 10% to 0%. The Presidential Decree No. 8002, published in the Official Gazette on 28 December 2023, extended the validity period of this practice to 30 April 2024. According to the Presidential Decree No. 9075, published in the Official Gazette on 31 October 2024, withholding tax was increased to 10% until 31 January 2025.

In 2024, mutual investment funds showed significant growth with increasing investor interest and fund types. In 2024 mutual investment funds soared by153% over 2022, reaching TRY 4,627 billion.

7. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

The Ministry of Treasury and Finance imposed equal withholding taxes on foreigners and Turkish nationals for bonds and investment funds. The current taxation system allows both foreign and domestic investors to pay zero withholding tax on shares.

Securities and other capital market instruments, capital companies (investment funds and securities and other capital market instruments exclusively in partnership with the increase in value with gains and the associated benefits rights to use the non-resident operating in mutual funds and investment trusts established in accordance with the Capital Market Law) are subject to 0% withholding tax.

For all the others:

- Withholding tax of 10% was removed for equity-based investment funds (min 80% equity holding funds)
- Income from holding funds that hold minimum 51% equity of the fund portfolio over a year are exempted from 10% withholding tax.
- Those investing in all other type funds are subject to 10% withholding tax.

Major developments continued during 2022. On 15 April 2022, a Presidential Decree was published, which reduced the 10% portfolio income tax to 0% - also applying to venture capital funds. However, funds with foreign currency assets, gold and other precious materials and capital markets instruments based on these were excluded from the exception.

8. OTHER ACTIVITIES OF THE ASSOCIATION

When we review development of the portfolio management and fund industry since 2000, we see significant improvement. There have been positive impacts from the approval of the private pension legislation and the integration of our country's financial institutions to the system, as well as their increased reputation on the international arena as a result of the restructuring based on the lessons learned in the past.

The new legislative regulations in the investment fund industry introduced by the CMB, as well as the new products, are helping support and enhance the industry. The tax equality between the investment tools and specific legislation on the asset management companies will both pave the way for the growth of collective investments industry in Turkey and help meet international standards. The number of asset management companies owned independently of banks has already increased over the last seven years, reaching 70 in 2024.

The CMB is working closely with TKYD to resolve a number of issues related to investment funds, as well as discussing certain proposals and offering solutions for some critical issues facing the industry in Turkey.
The activities of TKYD in 2024 can be summarised as:

- The XXIVth Ordinary General Assembly Meeting of the TKYD was held on 24 March 2024. TKYD President Yağız Oral reminded attendees that the Association had reached its 25th anniversary in 2024.
- On 16 April 2024, TKYD Board of Directors and Dubai International Finance Centre (DIFC) executives met in Istanbul. TKYD Board Members and Corporate Members, DIFC Authority's CEO Arif Amiri, CBDO Salmaan Jaffery and Head of Banking and Capital Markets Ahmed Bin Mohammed Al Aulaqi attended.
- The TKYD Board of Directors visited the Capital Markets Board (CMB) on 26 April 2024. TKYD Management met with İbrahim Ömer Gönül, Chairman of the Capital Markets Board, Ali İhsan Güngör, Vice Chairman of the Board and Ms Funda Uyar Geneci, head of the Department of Institutional Investors.
- The TKYD took part, as a supporting institution, in the Climate Investment Summit organised jointly by Sustain Finance and CFA Society Istanbul on 7 May 2024.
- The 4th Golden Egg University Student Fund Basket Competition ended on 21 May 2024. This competition is organised in cooperation with Takasbank, the Capital Markets Association of Turkey and the Institutional Investor Managers' Association of Turkey. It aims to encourage university students to make long-term investments, improve their financial literacy, increase use of TEFAS and raise awareness about mutual funds. Contestants managed their portfolios by investing in mutual funds traded on TEFAS.
- TKYD President Yağız Oral attended Impact Investing Summit on 24 May 2024. President Oral was a speaker at the panel entitled 'Impact Capital Offering from the Perspective of Corporate Companies'. This discussed the potential of impact capital and impact transformation in the business world. The role of companies in increasing their positive social and environmental impact and directing the flow of impact capital were examined.
- The TKYD organised the 'Welcome Summer' networking event on 27 May 2024, which brought asset management sector together. The organization organisation was an enjoyable meeting and networking opportunity for sector professionals.
- The TKYD shared the latest data and current status of the asset management sector, at a press conference on 25 September 2024.
- TKYD and CFA Society İstanbul published a joint study 'Understanding the Investment Habits of Generation Z in Turkey' on 7 October 2024. In global research undertaken by CFA Institute, FINRA Investor Education Foundation and Zeldis Research, covering the USA, Canada, China and the UK, the investment priorities of investors aged of 18-25 were examined. It was determined that the investment behaviour of this new generation of investors differs from that of previous generations, due to their digital nature and the impact of global changes. CFA Society Istanbul and TKYD conducted similar research examining the investment preferences of Turkey's Generation Z, how they differ from other generations and the impact of social media.
- The TKYD-organised 4th Asset Management Summit was held on 29 November 2024, and saw the participation of all stakeholders of the sector, notably regulatory authorities. Following the opening addresses, 'A Look Beyond 2024 on Turkish Economy and Markets, New Geopolitical Scenarios' panel was held, followed by a 'Mutual Funds Ecosystem and Business Partners' panel. Later, Nobel Prize winner Professor Daron Acemoglu made a presentation on 'Opportunities and Uncertainties of the 21st Century. The final panel was 'New Themes in the Portfolio Management Sector'.
- The TKYD has 22 institutional members (asset management companies, insurance companies and brokerages) and 24 individual members.
- The TKYD has an ambitious vision of enhancing the base for institutional investors in Turkey, aiming at increasing the number of investors to 10 million.
- The TKYD has published a quarterly magazine 'Institutional Investor' since April 2008. It is distributed among TKYD members, institutional investors, companies traded on the stock exchange, universities and regulatory body officials. It covers all the latest developments in the Turkish investment fund industry as well as various analyses, reports, the introduction of new funds in the market, interviews, trends in the sector and developments in the global fund industry together with the relevant industry statistics. Last year, the magazine celebrated its 16th anniversary.

The TKYD has determined six priority areas for 2025:

1. Investor protection.
2. Improvement of sector standards.
3. Capital markets development.
4. Research activities and statistical data.
5. Long-term savings growth.
6. Taxation.

The TKYD signed a partnership agreement with Borsa Istanbul in 2015 for calculating KYD benchmark indices beginning from 1 July. The name of the indices was updated to 'BIST-KYD Indices'. The TKYD and BIST created the BIST-KYD Indices Committee, which will meet periodically to define new indices according to the sector's needs.

UNITED KINGDOM COUNTRY REPORT

1. KEY TRENDS IN THE GLOBAL MARKET

Table 1: Net Assets by the Fund Industry in United Kingdom (GBP billion)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	1,604.1	1,794.4	1,559.6	1,659.4	1,784.5
Funds domiciled abroad and promoted by national providers					
Total net assets	1,604.1	1,794.4	1,559.6	1,659.4	1,784.5

Table 2: Net Sales of Investment Funds in United Kingdom (GBP million)					
	2020	2021	2022	2023	2024
Home-domiciled UCITS & AIFs	14,566.0	32,301.4	-37,523.6	-22,699.9	-9,898.1
Funds domiciled abroad and promoted by national providers					
Total net sales	14,566.0	32,301.4	-37,523.6	-22,699.9	-9,898.1

2. KEY TRENDS IN THE UCITS MARKET

Table 3: UCITS Assets by Fund Type (GBP billion)					
	2020	2021	2022	2023	2024
Equity funds	702.5	811.1	698.2	744.5	828.0
Bond funds	195.2	200.8	173.2	183.5	179.7
Multi-asset funds	176.6	186.5	173.5	176.2	179.5
Money market funds	21.3	22.0	20.3	21.9	23.0
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	35.9	29.4	22.5	18.9	16.1
Other funds	24.7	43.1	41.1	47.1	46.4
Total	1,156.1	1,292.9	1,128.9	1,192.3	1,272.7
of which ➤ ETFs					
➤ Funds of funds	64.4	68.7	62.7	72.0	82.1

Table 4: Net Sales of UCITS by Fund Type (GBP million)					
	2020	2021	2022	2023	2024
Equity funds	628.6	16,533.8	-30,033.7	-26,020.3	-14,335.0
Bond funds	690.5	9,786.3	5,607.5	-53.8	-4,891.9
Multi-asset funds	13,865.8	9,394.6	-857.6	-11,793.0	-10,498.3
Money market funds	-278.3	696.5	-1,845.1	745.5	34.4
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	-8,722.2	-6,844.6	-5,654.0	-5,126.8	-3,093.8
Other funds	3,982.7	7,701.2	3,963.4	3,745.2	2,251.0
Total	10,167.1	37,267.8	-28,819.6	-38,503.0	-30,533.5
of which ➤ ETFs					
➤ Funds of funds	2,027.4	1,402.9	770.4	9.5	3,006.8

3. KEY TRENDS IN THE AIF MARKET

Table 5: AIF Assets by Fund Type (GBP billion)					
	2020	2021	2022	2023	2024
Equity funds	77.1	80.9	67.6	78.3	93.4
Bond funds	16.8	18.6	15.7	17.7	20.8
Multi-asset funds	93.1	99.1	88.0	109.0	133.2
Money market funds	0.1	0.1	0.1	0.1	0.2
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	11.9	12.2	6.7	5.3	2.6
Real estate funds	18.4	15.3	10.7	8.8	7.3
Other funds	230.5	275.2	241.9	247.8	254.2
Total	448.0	501.5	430.7	467.1	511.8
of which ➤ ETFs					
➤ Funds of funds	117.8	130.1	118.6	149.9	191.6
➤ Institutional funds					

Table 6: Net Sales of AIFs by Fund Type (GBP million)					
	2020	2021	2022	2023	2024
Equity funds	4,636.3	-5,622.0	-3,992.2	2,829.2	3,803.3
Bond funds	-7.1	2,020.6	471.1	1,032.2	2,164.6
Multi-asset funds	256.1	-609.8	-1,656.4	13,680.4	16,486.2
Money market funds	15.8	7.7	13.4	12.4	-2.7
Guaranteed/protected funds					
Absolute Return Innovative Strategies (ARIS) funds	-1,007.9	-711.5	-4,096.3	-1,606.5	-2,947.6
Real estate funds	-2,204.7	-4,458.5	-3,080.0	-1,493.4	-1,429.3
Other funds	2,710.4	4,407.0	3,636.4	1,348.9	2,560.8
Total	4,398.9	-4,966.3	-8,704.0	15,803.2	20,635.4
of which ➤ ETFs					
➤ Funds of funds	1,230.4	-963.5	-905.7	19,367.2	26,827.0
➤ Institutional funds					

4. TRENDS IN THE NUMBER OF FUNDS

Table 7: Number of Funds					
	2020	2021	2022	2023	2024
Home-domiciled UCITS	2,350	2,320	2,271	2,289	2,186
Home-domiciled AIFs	1,029	1,067	1,060	1,085	1,088
Foreign funds registered for sales	1,608	1,712	1,667	1,747	1,718
➤ By national promoters					
➤ By foreign promoters					
Fund launches	220	241	162	153	137
Fund liquidations	123	146	121	156	222
Fund mergers & acquisitions					

5. MARKET DEVELOPMENTS IN 2024

Retail outflows from UK domiciled funds eased to £3.2 billion in 2024, following two very challenging years in 2022 (-£16.1 billion) and 2023 (-£20.9 billion). The central bank rate rises in 2022 and 2023 hurt the performance of both equities and bonds, while also driving increased investor appetite for cash savings. Rate cuts in 2024 boosted investor confidence and eased outflows. The impact of interest rate cuts helped to improve equity valuations, helping grow funds under management 8% year-on-year to £1.78 trillion.

Beneath the net £3.2 billion outflow in 2024, the UK fund market saw strong inflows to index tracking funds continue, which took in £27.6 billion through 2024, up from £13.5 billion in 2023. This is a record annual inflow. Conversely, investors pulled £30.8 billion from actively managed funds, down slightly from £34.3 billion in 2023. Investors continue to focus on the cost of investing, a desire for low-cost diversification. In 2024, inflows to funds investing in the US were principally through trackers as aided the strong performance of the largest US listed tech stocks, the so-called ‘Magnificent Seven’, meant that investors wanted exposure that aligned to the market capitalisations of these stocks rather than being underweight.

Looking at the sales trends by asset class, in 2024 sales were highest to the Other class at £1.7 billion, driven by outcome focused Volatility Managed funds, which map to investor risk profiling. Net outflows from equities funds eased from £19.4 billion in 2023 to £4.0 billion in 2024. Global (£3.1 billion) and North American (£2.7 billion) funds were the most popular following the strong performance of the US market. Funds investing in UK equites saw heavy outflows continue, with £13.5 billion withdrawn. UK domiciled bond funds saw a modest inflow of £390 million in 2024. Corporate Bond funds were the top selling through 2024, with net sales of £3.8 billion, while a further £1.2 billion went to UK Gilts (UK government debt) as some investors opted for relatively low risk and sought to lock in higher yields. Mixed asset funds continued to struggle with retail outflows of £1.5 billion – following the fall in stocks and bond valuations in tandem in 2022, mixed asset funds that are 'balanced' or 'cautious' have experienced near continuous outflows. One reason for this is likely to be a loss of investor confidence that performance will align with their expectations.

The UK funds industry spent much of 2024 on course for a yearly inflow; however, this was disrupted by a spike in outflows in September (-£2.5 billion) and October (-£4.1 billion) ahead of the October Budget as investors anticipated an increase in capital gains tax and other potential tax increases. The extended period between the July election and the Autumn budget allowed for extensive speculation on changes to the tax system. The inheritance tax exemption on assets in pensions was also removed, although the impact of this change will play out over time as behaviours around wealth transfer shift.

Responsible investment funds saw outflows of £4.0 billion, increasing from £2.2 billion in 2023 - performance has lagged the wider peer group. Going forward the introduction of SDR labels will allow more detailed reporting on investor demand for sustainable investment in the UK.

6. REGULATORY DEVELOPMENTS

6.1. UCITS/AIFMD

UK AIFMD Review

HM Treasury launched a two-month consultation in April 2025 on legislative changes that will transfer most rule-making powers relating to the AIFMD to the FCA. The consultation proposes removing thresholds for small and full-scope AIFMs at the legislative level and the concept of registered small AIFMs (these are AIFMs that are not authorised by the FCA).

Simultaneously, the FCA launched a two-month Call for Input on the AIFMD, proposing a different approach to thresholds, with full AIFM requirements only applying for AUM over £5bn, a regime with minimum standards but less prescription for mid-size firms with between £100m-£5bn AUM, and an introductory regime for small AIFMs with less than £100m in AUM. Specialist regimes are being considered for some fund structures, such as internally managed AIFs and listed investment companies. The FCA has advised it will also be reviewing the prudential, reporting and remuneration requirements in due course but will consult on these separately.

Disclosure

The UK government passed legislation creating a new retail disclosure framework for Consumer Composite Investments (CCIs) to replace the PRIIPs and UCITS KIID regimes and empowering the FCA to set the detailed requirements. The FCA issued an initial consultation on draft rules at the end of 2024 with a further consultation in the second quarter of 2025 to address related matters, including MiFID costs and charges disclosure requirements.

The new regime defines CCIs in broadly the same terms as PRIIPs and will apply to any CCI marketed to UK retail investors, including products from outside the UK. It is expected to commence during 2027 and will require retail investors to be provided with a product summary - a document setting out the essential characteristics of the CCI - but without the prescriptive presentational requirements of the EU regimes.

Overseas Funds Regime

The Overseas Funds Regime (OFR), which allows fund regimes to be recognised as equivalent to UK requirements for marketing to UK retail investors, was opened for EEA UCITS on 30 September 2024. The OFR replaces the market access EEA UCITS had to the UK via the UCITS passport, which was effectively extended via the Temporary Marketing Permissions Regime (TMPR) as an interim measure. New UCITS not registered under the TMPR have been able to apply for recognition under the OFR immediately. UCITS that are in the TMPR have been allocated three month landing slots, issued from October 2024 to June 2026, during which firms must submit their applications for recognition, otherwise they will be removed from the TMPR and the fund can no longer be actively marketed in the UK.

The OFR is not a passporting regime – although the EEA UCITS frameworks have been recognised as equivalent, individual funds must apply to be recognised and the FCA can refuse recognition for a fund if it does not consider it in the interests of UK consumers to allow the fund to be marketed. Managers of EEA UCITS have therefore had to adapt to a regime that requires a detailed application, additional disclosures, regulatory fees, notification of changes and will eventually require regulatory reporting. Then FCA has two months to consider applications, though in practice applications have been approved much more quickly, in some cases less than a week, reflecting a proportionate approach to OFR applications.

The UK's Sustainability Disclosure Requirements (SDR) and investment labels regime does not currently apply to OFR recognised funds, meaning that these funds are not able to use the SDR labels when marketing in the UK. HM Treasury is expected to consult on whether to extend the SDR to OFR recognised funds in 2025.

6.2. Retail Distribution (MiFID II & IDD)

The UK government has consulted on transferring regulatory requirements from the UK onshored MiFID Organisational Regulation to the FCA Handbook. Pending the outcome of this consultation, HMT will amend the UK MiFID Organisational Regulation, revoking the relevant sections.

In the same consultation, the FCA also considered numerous elements of its Handbook were there were multiple parallel sections, covering the same issue from the perspective of different legacy UK and EU regulations, e.g. conflicts of interest and categorisation of customers.
The obligation on firms to notify customers of depreciations of their account by 10% or more have been removed from UK law and regulation.

6.3. CSDR

Following the UK Government's acceptance of the UK Accelerated Settlement Taskforce's proposals to transition to T+1 settlement on 11th October 2027, it is expected that the Government will bring forward legislation to change the current T+2 requirement under UK CSDR to a T+1 requirement.

6.4. EMIR

Following the EU EMIR Refit changes coming into force in April 2024, the UK followed with updates to UK EMIR in September 2024. These changes are largely the same as those that were introduced in the EU, with some minor technical differences:

- The UK has an additional optional reporting field for the identification of an execution agent
- There are differing validation rules, as well as a different threshold for what constitutes an intragroup derivative.
- There is a field for reporting TONAR.

In addition the FCA has introduced proposals that would:

- Permanently exempt single-stock equity and index options from bilateral margining requirements;
- Remove the requirement to exchange initial margin for legacy contracts once a counterparty subsequently falls out of scope of the margin requirements; and
- Permit UK firms, when transacting with a counterparty subject to margin requirements in another jurisdiction, to use that jurisdiction's threshold assessment calculation periods and dates of entry into scope of initial margin requirements to determine whether initial margin is required.

6.5. ELTIF

Long Term Asset Fund

More Long-Term Asset Fund (LTAF) applications have been approved by the FCA over the past year, with 22 LTAF sub-funds authorised at the time of writing. Most LTAFs launched to date are targeting Defined Contribution (DC) schemes, but there is increasing interest on designing LTAFs for private wealth investors. In December 2024, the FCA changed the investment rules for Non-UCITS Retail Schemes (NURS) to more easily be able to invest up to 20% in LTAFs, which will enable retail multi-asset funds to make small portfolio allocations more easily to private assets via LTAFs.

6.6 Sustainable Finance

Sustainability Disclosure Requirements (SDR) and investment labels regime

In November 2023, the FCA introduced the Sustainability Disclosure Requirements (SDR) and investment labels regime for investment products. The FCA's aim is to help consumers navigate the sustainable investment landscape and find products meeting their sustainability preferences. The main elements of the regime include:

- An anti-greenwashing rule (for all FCA authorised firms) (associated guidance was published in April 2024)
- Four voluntary sustainability labels (Sustainability Focus, Sustainability Improver, Sustainability Impact and Sustainability Mixed Goals)
- Naming and marketing rules for authorised funds that have sustainability characteristic but don't have a label
- Disclosures at product and entity level, as well as separate consumer facing disclosures
- Certain requirements for distributors around what they need to communicate regarding labelled funds and where retail investors can access required disclosures.

Throughout 2024, asset managers based in the UK have been implementing the above listed requirements. Firms could start using labels from 31 July 2024 and firms had to comply with the naming and marketing rules by 2 December 2024 (for certain firms) or 2 April 2025 for other firms depending on whether they could avail of certain flexibilities.

In April 2024, the FCA consulted on extending the regime to portfolio managers and at the time of writing, the FCA are yet to publish final rules on extending SDR to portfolio management. Furthermore, HM Treasury will consult later in 2025 on whether to extend the SDR regime to overseas funds being marketed in the UK. The FCA has stated it will continue to support the implementation of the SDR regime and consider next steps for extending the rules to portfolio management, including through engagement with firms.

State of play on regulating ESG rating providers in the UK

In November 2024, the UK Government published a consultation response and draft legislation (statutory instrument) to bring ESG ratings providers into the regulatory perimeter of the FCA. The consultation confirmed that 95% of respondents to the original consultation were supportive of regulating ESG rating providers. Regulation will be achieved by the introduction of secondary legislation to amend and expand the FCA's regulatory perimeter. The draft legislation was published alongside the consultation response and is open for technical comments into 2025. Next year the FCA will consult on and finalise their regulatory standards for ESG ratings providers, which will be informed by IOSCO recommendations.

Transition plans and UK green taxonomy

The Conservative Government's Sustainability Disclosure Requirements policy included an intention to introduce a UK green taxonomy and transition plan disclosure requirements. In its manifesto for the 2024 election, the new Labour Government committed to mandate listed companies and financial institutions to develop and implement credible transition plans that align with the 1.5°C goal of the Paris Agreement. The Government will consult in the first half of 2025 on how best to advance this policy. Since the election campaign, the Government has placed a greater emphasis on policies to support economic growth, including reducing regulatory burdens, and it is possible that the ambition of this commitment may be reduced following consultation.

Section 6.7 sets out the work the Government is doing to endorse the ISSB sustainability standards (IFRS S1 and S2) in the UK as UK Sustainability Reporting Standards (UK SRS). Once the Government has consulted on the draft UK SRS, the FCA intends to consult on strengthening its expectations for listed issuers' transition plan disclosures, with reference to the TPT Disclosure Framework. This work is planned for Q3 2025. The FCA will also consider how the introduction of UK SRS will affect its sustainability disclosure rules for investment managers, although no consultation is currently planned.

The Government consulted on the value case for a UK green taxonomy, as part of the UK's wider sustainable finance framework. The consultation sought views on whether a UK green taxonomy would be additional and complementary to existing sustainable finance policies, including in supporting market participants to make sustainable investment decisions, and the specific market and regulatory use cases which facilitate this. The Government is expected to announce the outcome of this consultation soon and, while no public statements have been made by the Government, it is considered a realistic possibility that the Government will decide not to introduce a green taxonomy.

6.7. Stewardship

UK Stewardship Code

During 2024, the Financial Reporting Council (FRC) conducted a fundamental review of the UK Stewardship Code to ensure it supports growth and competitiveness in the UK. This followed a public commitment to review the operation and effectiveness of the 2020 Code following its first few years of operation. Following an extensive pre-consultation process, the FRC announced a set of interim measures in July 2024 to reduce the reporting burden on signatories.

On 11 November 2024, the FRC published its formal consultation on the new Stewardship Code. The FRC believe that the revisions will continue to support high quality disclosures and developing stewardship practices, whilst enabling the Code to maintain its global standing. The main aspects of the consultation include proposals on:

Purpose - The FRC has been clear that the purpose of the Code is to support an effective market for stewardship by increasing transparency and promoting the development of good practice and high standards of stewardship. The Code enables signatories to explain how they put policy into practice to deliver good stewardship outcomes.

Amending the definition of stewardship to "stewardship is the responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries". The revised definition places the onus on signatories to explain the factors they deem to be material to deliver long-term sustainable value for their clients and beneficiaries.

Streamlining the Principles with more concise reporting prompts to help concentrate it on the most insightful areas of reporting, while reducing the volume. For example, there is now a single Principle on engagement which incorporates the previous Principles on engagement, collaboration and escalation. For the first time, issuing guidance to support signatories in demonstrating how they have implemented stewardship throughout the year.

Introducing 2 separate reports:

- Policy and Context Disclosures: these will outline information about the signatory's organisation, governance and resourcing. This report will be reviewed by the FRC every three years but will need to be submitted annually. Minor changes do not require reassessment, but material changes will be reviewed at the FRC's discretion.
- Activities and Outcomes Report: to be a signatory to the updated Code and every 12 months thereafter, signatories will be required to submit a report that provides information on how they have exercised stewardship in the preceding year. This would include how they have sought to apply the Principles through the activities they have undertaken and the resulting outcomes.

The FRC is expected to publish the final version of the Code in June 2025, for implementation by investment managers in 2026.

Listing Rules

In July 2024, the FCA published final proposals for a simplified listings regime with a single category and streamlined eligibility for companies seeking to list their shares in the UK. The revised listing rules seek to align the UK's regime with international market standards and ensure investors have necessary information while maintaining appropriate investor protections to hold company management accountable. The new rules eliminate the need for votes on significant or related party transactions and provide more flexibility for companies to list with enhanced voting rights. Shareholder approval for key events such as reverse takeovers and decisions to delist the company's shares remains required.

UK SDS and Updates on UK TAC (Technical Advisory Committee) on IFRS S1 and S2 adoption:

In December 2024, the UK's Technical Advisory Committee provided its technical assessment and endorsement recommendations on the International Sustainability Standards Board's S1 and S2. It is anticipated that the Department of Business and Trade will conduct a public consultation on the endorsement of these standards in Q2 2025.

6.8. Benchmarks

There were no notable developments on this issue in 2024.

6.9. Anti-Money Laundering Directive

In response to the 2024 consultation, which closed on 9 June 2024, on Improving the Effectiveness of the MLRs, which was published as part of Economic Crime Plan 2023-26, it is expected that, in 2025, His Majesty's Treasury (HMT) will develop a package of changes to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the 'MLRs').

The consultation principally covered issues with the MLRs already identified by the Treasury. This included that, while the core requirements of the regulations were mostly fit for purpose, there were potentially a number of technical changes that could be made to increase effectiveness and ensure proportionality for both regulated firms and customers.

The Government will bring forward a package of changes to the Regulations in Q4 2025.

6.10. Digital Finance & Cybersecurity

The UK's Digital Securities Sandbox (DSS), designed to foster innovation within the financial services sector, opened for applications. Instigated by HM Treasury and run jointly by the Bank of England (the Bank) and the FCA, the sandbox provides a controlled environment where firms can test new technologies and business models for issuing, trading, and settling digital securities. It aims to enhance market integrity and investor protection while promoting technological advancement.

HM government also announced the planned pilot of DIGIT - a UK sovereign debt instrument, that will run via the DSS and experiment the use of digital ledger technology (DLT) in the government debt process, which could revolutionise the securities market by increasing efficiency, transparency, and security.

Alongside this, the use of DLT by investment funds has moved from concept into reality with several UK managers launching tokenised funds. The FCA is a participant in the Singapore-initiated Project Guardian which is looking at ways to scale these digital markets and co-ordinate international regulatory efforts.

Separately, the FCA, the Bank and the Prudential Regulatory Authority (PRA) have published the final rules, expectations, and guidance under a new oversight regime for critical third parties to the financial services sector (CTPs). The new regime, they said, will help to address the potential risks to the stability of, or confidence in, the UK financial system by strengthening the resilience of the services that CTPs, such as cloud service providers, provide to UK-regulated financial services firms and financial market infrastructure entities.

The CTP duties complement, but do not replace, the requirements and expectations placed on firms. HM Treasury will decide which third party providers will fall under the new regime based on input from regulators. The regulators' approach to the oversight of CTPs sets out how the regulators will identify potential CTPs for recommendation to HMT to consider for designation.

7. PENSIONS AND PEPP

Defined Benefit pension schemes and financial stability
Over the course of Autumn 2023 and throughout 2024, the BoE worked with industry to launch a new emergency lending facility for UK Defined Benefit (DB) pension funds, Liability Driven Investment (LDI) pooled funds and insurance companies. The Bank's Contingent Non-Bank Financial Institution Repo Facility (CNRF) will open for applications in January 2025.

The Bank's motivation for creating the CNRF is to address any future episodes of severe gilt market dysfunction that may threaten UK financial stability arising from shocks that temporarily increase DB pension schemes' and insurers' market-wide demand for liquidity. It is likely to be used in preference to asset purchases, where lending is effective in tackling gilt market dysfunction and when the demand for liquidity is outside the reach of the Bank's existing lending facilities.

The CNRF will lend cash to participating insurance companies, pension funds and LDI pooled funds against Gilts (conventional and index-linked) for a short lending term. As a contingent facility, the CNRF will be activated at the BoE's discretion, with pricing and terms calibrated to suit the needs of the market at the point of activation.
The tool should also be viewed in the wider context of the Bank's System Wide Scenario Exercise which, amongst other findings, highlighted how pressures could arise in the Gilt Repo market.

UK Pensions Investment Review
The Government launched a major review into the investment practices of the UK pension system in August 2024. This has been followed by a series of consultations and an interim report. The work has focused on four core areas:

- Pension scheme consolidation and developing further scale in the market.
- Measures to boost pension scheme investments into UK assets.
- Changing the UK pension investment culture to focus on value and net returns instead of cost.
- Further consolidation of the UK's Local Government Pension Scheme, with a view to driving further local investment.

While this work is ongoing at time of writing, it represents a major series of potential reforms to the UK pension system. A final report and possible legislative measures are due in Spring/Summer 2025.

For a detailed discussion of the issues covered in the review, the IA's contributions to the different elements are available at:

- Response to the Pensions Investment Review Call for Evidence
- Driving scale in the workplace Defined Contribution market
- Further reform to the Local Government Pension Scheme (LGPS)

8. TAX RULES, VAT RULES AND DOUBLE TAX TREATIES

Carried Interest
In 2024, the UK announced significant changes to its Carried Interest regime as part of the new Government's Autumn Budget.

Starting from 6 April 2025, the Capital Gains Tax rate on Carried Interest will increase to a single rate of 32%, replacing the previous rates of 18% and 28%. Further reforms are set to take effect in April 2026, introducing a new regime where Carried Interest will be taxed as profits of a deemed trade, making it subject to Income Tax and National Insurance Contributions. This will see the headline rate increase to the additional rate of Income Tax at 45% with a 72.5% multiplier applied. Combined with National insurance, this will yield a new effective rate of 34.075%.

Reserved Investor Fund

Throughout 2024 the UK Government consulted on new legislation to introduce a new fund type, the Reserved Investor Fund (RIF). The RIF will be an unauthorised contractual scheme which will function as an AIF and be subject to its own set of tax rules for it to benefit from being tax transparent for income. The RIF will not be exempt from VAT on its Management Fees and so is expected to appeal to the UK Commercial Real Estate sector where funds can opt-to-tax the property they acquire, improving the fund's VAT recovery position. The final rules will come into force from 19 March 2025.

Double tax treaties

- The UK has signed a new Double Tax Treaties with Andorra and Peru. The Conventions will enter into force upon completion of the procedures required by the law of the countries involved.

- The UK has signed a new Double Tax Treaty with Ecuador. The Convention came into force from 19 December 2024 in the UK and expected on 1 January 2025 in Ecuador.

- The UK signed the Multilateral Instrument (MLI) to implement tax treaty-related measures to prevent base erosion and profit shifting on 7 June 2017. The UK double taxation agreements with Norway, Liechtenstein and Luxembourg have been modified by the MLI and are entering into force in 2024/25.

- The following tax treaties have been amended during 2024 to update existing agreements, including new competent authority agreements and Memorandums of Understanding: Isle of Man, Romania.

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