ANNUAL REPORT

2012

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President's Statement

Supporting investors, supporting growth

After two years as President of EFAMA and as a long-standing member, it seems to me that our organisation's aims have never been so important and so relevant. EFAMA's mission to promote fund management while serving the interests of economy and society is today not so much an aim as a necessity.

Why? Because after years of economic and social difficulty in Europe, policymakers are recognising the urgent need to balance austerity measures with measures that promote growth. Only through growth can companies prosper, employment rise and individuals realise their financial goals. While governments have an important part to play in encouraging economic development, the private sector is the main driver of sustainable growth. Private savers provide the funding that allows good businesses to grow and money to flow to the projects that most deserve financing. The asset management industry is the primary conduit for this funding.

The conditions for growth are not yet fully established: the private sector has retrenched in the wake of the financial crisis, and private savers in particular are still wary of risky assets. The asset management industry has a major part to play in addressing risk aversion and helping the European economy to access the funding that will lead it back to health. Collectively, we have a significant contribution to make in restoring investor confidence and driving the economy forward.

Regulation: a healthy balance must be struck

The investment environment is, as we all know, challenging. The regulatory wave that has washed over our industry poses risks for investors and investment firms alike. Never had those working in investment management had so much regulation on their hands. EFAMA is currently following more than 30 pieces of regulation, including EU proposals, foreign regulatory proposals and European national initiatives. New pieces keep being added to this list.

While we are sympathetic to policymakers' efforts to protect investors, more regulation does not necessarily mean better regulation. The Commission's proposal to split UCITS into complex and non-complex products under the MiFID review, for example, could have a negative effect on the development of the UCITS brand both in Europe and abroad. On a wider scale, "confiscation of savings" and the proposed Financial Transaction Tax are all likely to impact investors' confidence levels too. Those are examples of regulation that will be detrimental to investor confidence. Using its strength as the voice of national associations and corporate members, EFAMA seeks to influence the debate over these issues.

It is clearly in our interest to support beneficial regulatory measures. For example, EFAMA whole-heartedly supports the Packaged Retail Investment Products (PRIPs) initiative to provide greater transparency and comparability in the sale of retail investment products. Equally, we are hopeful that European investment firms can seize the opportunity to replicate the UCITS success in the alternatives space via the new AIFMD framework.

The key for us is to continue to work closely with the authorities to make sure the right balance is struck between protection, innovation and cost-efficiency. Encouraging policymakers to support the development of long-term investment is at the core of our efforts to build trust among investors and put the investor at the heart of the industry.

Towards a long-term savings culture

In the current context of an ageing population and state systems unable to provide for adequate pensions, European policymakers have placed a lot of importance on finding alternative solutions. A major part of this opportunity is for policymakers and the industry to work together to create a long-term savings culture. There is a growing need for long-term investment in Europe. Yet in the current environment where banks are undergoing a period of deleveraging and where government policies are constrained by excessive fiscal imbalances, it is increasingly clear that the supply of financing will remain insufficient to meet long-term investment needs. The European Commission is currently considering an investment fund framework to further facilitate long-term investments and this is a chance our industry must grasp, support and be prepared to implement at the earliest possible opportunity.

EFAMA stands ready to work with European policymakers to help develop a European framework for long-term savings. As our members know, EFAMA is currently developing a proposal for "Officially Certified European Retirement Plans". We propose that these plans should be built on robust consumer protection rules and should provide a choice of investment options with different risk profiles, as well as including a default investment strategy for people who are unwilling or unable to make an active choice. Our proposal will provide input to the European Insurance and Occupational Pensions Authority, which ultimately aims to develop an EU single market for personal pension schemes.

Creating this single market would enhance the volume of savings available for long-term investments throughout Europe, stimulate greater competition in the pensions industry and bring us closer to portability of pension schemes within the European Union. We will continue to engage with policymakers to move this proposal from theory to reality.

Indications that momentum is building

Current savings trends are far from discouraging: European UCITS attracted net inflows of EUR 100 billion in 2012, and in the first quarter of 2013 inflows totalled EUR 131 billion. In fact, the post-crisis era has demonstrated the resilience of investors, with compound annual growth between end-2009 and end-2012 of 7.8%.

The longer-term trends are encouraging too: over the last two decades, European investment funds (UCITS and non-UCITS) have registered net positive sales with the exception of 2008. Investment fund asset growth since 2002 is 108%, and 551% since end-1993, reflecting the growing appetite of millions of retail investors.

EFAMA will seek to sustain this positive momentum through initiatives that align with its “Investor at Heart” strategy, which I proposed on taking up the Presidency in 2011. This strategy defined five priorities: to promote long-term savings; encourage investor education; support beneficial regulatory measures; support the UCITS brand; and demonstrate the importance of European fund and asset management industry professionals to the economy.

As I move towards the end of my Presidency, I am pleased about our joint achievements in terms of fulfilling this strategy. There is, though, still much work to be done and opportunities to be seized.

Pathways for future growth and development

One such opportunity is the strength of economic growth in emerging markets, especially in Asia. Despite strong brand recognition, the share of UCITS funds among total mutual fund assets in Asia remains small. There is still tremendous room for growth in the region and we must continue to work closely with our counterparts in Asia to support and protect the UCITS brand.

In addition, there should be no let-up in the progress towards a level playing field for all retail investment products irrespective whether they originate at banks, insurance or asset management houses.

We must also - through measures that reinforce trust and provide education to investors - encourage growth in individual and household savings. In this respect, EFAMA continues to facilitate and support initiatives aimed at promoting investor information and education. Enhancing the investor's level of knowledge is a factor of trust in an increasingly complex financial and social environment. Financial education can be considered as a necessary complement to investor protection or even the flip side of the investor protection coin. If investors become more educated, and therefore their investment decisions become more informed, then the need for protective regulation will diminish.

Focus on the investor is an opportunity

In short, the challenges we currently face represent an opportunity: now is the time to demonstrate that our industry is committed to playing a key role in restoring the trust and confidence of investors in financial services. We can show that we are able to meet the challenges of post-crisis regulation and set the scene for sustainable growth.

I am hugely grateful to Peter De Proft, the Director General, as well as the Board of Directors, the Management Committee and the entire team at EFAMA, who strive every day to help industry professionals turn this mission into reality. I thank them all for their tireless efforts over the past two years.

Claude Kremer
President
June 2013

Director General's Statement

In the rogues' gallery popularly held responsible for 2008's market mayhem and the painful, sobering recession that followed, public opinion rarely distinguished investment managers from investment bankers. As the reputation of the finance sector took hit after hit, fund managers' relationships with clients were further undermined, particularly at the retail end of the market, when their distributors became their rivals. Bank-owned investment advisors recommended retail clients ditch their fund holdings – at the bottom of the market – in favour of low-interest yielding, but crucially state-guaranteed, savings accounts. Fund outflows starved asset managers of assets to invest, leading to a spiral of paralysis, underperformance and introspection across the funds industry.

The sector is still clawing its way back from the hammer blow to investor trust dealt by the global financial crisis. Hinting at the cultural as well as regulatory changes taking place in the financial services industry, we can say that "the era of arrogance is over" and there are encouraging signs that EFAMA's members and their clients are getting to grips with the new environment.

Helped by a pause in the flow of bad news from the euro-zone and the stabilisation of the economic outlook for OECD countries, recent data suggest investors are ready again to think about investing for the longer term. Net sales of UCITS bounced back to €201 billion in 2012 having recorded net outflows of €97 billion the previous year. We can note a surge in demand for long-term UCITS, which recorded net inflows of €239 billion in 2012, compared to a net outflow of €64 billion in 2011. While the figures suggest a desire for long-term planning opportunities the difference between bond (€203 billion) and equity (€2 billion) fund net inflows led us to assert that "investors remained risk-averse and cautious about the economic outlook almost until the end of 2012."

The worst of the crisis is behind us and we are now seeing inflows again. Asset managers are looking at the practical implementation of the tsunami of regulation, while investors – faced with continued low interest rates and returning confidence – are looking for long-term strategies for investment. Now we are asking with vigour for a level playing field.

There is a certain degree of frustration in the industry about the pace of regulatory reform in Europe as more retail investors begin to contemplate their longer-term investment options once more. The sheer scale of European finance sector regulatory reform – asset managers face new rules on AIFMD, UCITS V, packaged retail investment products (PRIPs) as well as cross-industry legislation such as MiFID, the European market infra-structure regulation, the Market Abuse Directive and Capital Requirements Directive IV (CRD IV) – presents challenges to fund providers, distributors and consumers alike.

There is too much uncertainty, while timeframes are so short. This is not a complaint, it is just reality and it is hard for CEOs to make decisions on their firm's structure. If a firm has to set up a new entity just to conduct the same activity, there are far-reaching implications for costs and operations. These regulations are changing business models and this is why it is so important to get them right.

Efforts to provide greater value and transparency to clients by asset managers have played their part in the recent increase in inflows. Within the asset management industry, there is a realisation of the need to be as transparent as possible. Transparency, simplicity and returns are the way back to profit. This has been such a major shake-up that every detail of the business has been scrutinised: from selling to advice to investment to execution. Margins have been under pressure at all asset management firms. Institutional clients' understanding of fund management costs is particularly acute. With returns still hard to come by in the active management space, the increased level of cost scrutiny in the post-crisis era is felt on trading desks as much as anywhere else in the industry.

Asset managers have never been more cost-focused. Greater levels of transparency are also being forced on asset managers by regulation. Inevitably, an increasing proportion of EFAMA's energies is directed toward engagement with regulators and policymakers. For example, EFAMA recently participated in hearings of the global financial supervisor, the Financial Stability Board (FSB), for reform of the shadow banking sector. Like dark pools, shadow banking has an image problem. European investment funds do not present significant systemic risks or opportunities for regulatory arbitrage and should therefore not be characterised as "shadow banking entities". We have to avoid the fund industry being seen as synonymous with shadow banking. When investigating shadow banking, regulators and politicians should recognise that channelling money to long-term investment is positive.

In many ways, investor education is the other side of the transparency coin. If we can improve consumer knowledge of the financial services industry at the same time as making its products clearer and simpler, mis-selling scandals do not arise, investor confidence is sustained and both customers and producers benefit. Investor education is a key priority for the fund management industry. For the asset management and pension fund industries it is crucial that people can ask the right questions, particularly as commerce increasingly moves onto the Internet.

Our remit has become much more technical. There is a constant flow of requests from regulators for buy-side input. The number of working groups has increased considerably, as have the number of inputs to consultations – written or via conference calls, all of which requires considerable groundwork to be conducted in advance.

EFAMA and its members have had to substantially change how they operate and will no doubt have to undertake further adjustments as the regulatory timelines stretch into the horizon. Some priorities, however, do not change: six years after the crisis, we need to concentrate on performance.

More than ever EFAMA, in this challenging environment, must listen and learn from its members: to date EFAMA's membership stands at 26 National Associations and 1 Observer, 60 Corporate Members and 22 Associate Members.

The particular challenge of leading a European association is that it represents such a diverse group of interests and people. Both leadership and good governance are therefore very important elements in the smooth running of a European association. In 2012 EFAMA's constitution and role have been further adapted in order to improve governance for all its members and smoothing its functioning in the face of all the challenges.

Once again, EFAMA wants to stress and is convinced that the asset management industry needs to be perceived as speaking with "one voice" in order to be considered as a valuable partner for legislators, regulators and other market stakeholders.

In closing, my warm thanks go to all our members for their unfailing support and trust and to all my colleagues at the Secretariat for their continuous efforts in this challenging and stressful environment.

Peter De Proft
Director General
June 2013

Activity Report 2012

I. Investment Management Regulation

1. The ongoing review of the UCITS framework

For almost 25 years, since it was first adopted in 1985, the UCITS Directive had remained largely unchanged – save for the extension of the range of eligible assets by the so-called "UCITS III" Directive in 2001 – providing a stable and sound legal environment for the development of what has become one of the most notable successes for the European single market and an internationally recognised quality label for investment funds. Since 2007, however, and the outburst of the financial crisis, the situation has considerably changed and the UCITS legal framework is now under almost constant review. However legitimate and necessary these evolutions may be to rebuild investor's confidence and maintain their trust in the quality of UCITS products, it is essential to recognise that they have put all the actors in the value chain (from fund managers to custodians, administrators, …) under significant pressure to cope with these evolutions and that they have also started to raise concerns from regulators and supervisors outside Europe, notably in Asia, Latin America and in the Middle East.

2012 was, in this context, another challenging year. Indeed, while the industry was redoubling its efforts to meet the 1 July 2012 deadline for the production of a KIID for all UCITS, the European Commission continued to work on the UCITS V legislative proposal, which was published on 3 July 2012 and, less than a month later, published a new Consultation Paper that will eventually lead to new modifications to the UCITS Directive ("UCITS VI")[1]. This represented also a considerable amount of work for EFAMA and its members.

UCITS IV implementation

In 2012, EFAMA continued to provide support to its members for the implementation of the UCITS IV Directive. Our efforts in this area focused essentially on the new regulator-to-regulator notification procedure, one of the UCITS IV efficiency measures intended to facilitate and speed up the cross-border marketing of UCITS. In this context, EFAMA wrote a letter to ESMA in March 2012 drawing their attention on a number of practical difficulties EFAMA members were experiencing with the notification process and asking them to clarify the interpretation of some of the requirement of the UCITS Directive and of its implementing measures in relation to the notification procedure (also with a view to avoid diverging interpretations between Member States).

A number of the questions raised by EFAMA in that letter were answered in a Q&A on Notification of UCITS and exchange of information between competent authorities published by ESMA on 9 July 2012[2].

1 Not to mention the ESMA Guidelines on UCITS ETFs and Other UCITS issues, which were finally adopted in December 2012 and will also require significant efforts to be implemented by asset managers (please refer to the section of this report on Exchange Traded Funds for further details).

2 http://www.esma.europa.eu/system/files/2012-428.pdf

In the same spirit, EFAMA also addressed in January 2012 a letter to the European Commission containing a number of technical recommendations that would be relatively easy to implement at the occasion of a next review of the UCITS Directive (UCITS V or UCITS VI) and would allow some of the key efficiency measures adopted under UCITS IV (such as the cross-border mergers or the Master-Feeder structures) to be used to their full extent, which is not the case for the time being, because of regulatory obstacles which were probably not sufficiently taken into account at the time of the adoption of the Directive in 2009.

UCITS V review

The legislative proposal of the EU Commission amending the UCITS Directive ("UCITS V")[3], initially expected to be released in 2011 was finally published on 3 July 2012 in view of its examination and adoption by the European Parliament and the Council. This legislative proposal contains a number of amendments to the UCITS Directive in the following areas:

1. Strengthening and harmonisation of the UCITS depositary regime with a view to increase the level of investor protection against the background of the Madoff fraud and of the Lehman bankruptcy;
2. Introduction of remuneration rules for UCITS management companies aiming at aligning their interests with those of the investors and to avoid short-term decision making and excessive risk taking;
3. Harmonisation of the sanctioning regimes in order to promote convergence and reinforcement of national sanctioning regimes (similar rules have also recently been introduced in other EU financial legislations, such as MiFID, CRD IV or the Market Abuse Directive.

In its Position Paper on the UCITS V legislative proposal[4], EFAMA – while generally supportive of the Commission's proposal – highlighted in particular the following elements:

- **Depositary regime** – EFAMA agreed that a number of adjustments to the AIFMD depositary regime may be needed to take into account the specificities of the UCITS investor base but underlined that the AIFMD already represents a considerable move as compared to the current UCITS Directive and that this strengthening of the depositary regime would inevitably have an impact on the costs of the depositary function and, therefore, on the returns that investors may expect from their investments in UCITS. In order to preserve the competitiveness of the UCITS brand, it is therefore essential to find the right balance, bearing in mind that, as a basic principle of investing, risk is inherently linked to returns and trying to regulate all the risk away would – if possible at all – have a profoundly negative impact on investors return.
- **Remuneration policy** – while EFAMA considers that the principles for UCITS management companies should be, as far as possible, consistent with those applicable to AIFMs as well as those for banks and other types of investment firms, we believe that these requirements should not necessarily be identical in detail or application. They need to take into account the differences in business models of banks and asset managers but also provide sufficient flexibility to allow for tailoring when applied to individual sectors and individual firms. EFAMA key concern is therefore for sufficient flexibility.

3 http://ec.europa.eu/internal_market/investment/docs/ucits/20120703-proposal_en.pdf

4 http://www.efama.org/Publications/Public/UCITS/12-4040_EFAMA%20position%20paper%20on%20UCITS%20V.pdf

The draft report of MEP Sven Giegold on UCITS V, dated 9 November 2012[5], contained virtually no amendments to the Commission's proposal concerning the depositary regime but focused essentially on the remuneration policy where substantial changes to the Commission's text were suggested, including in particular an extension of the categories of staff to which the remuneration principles would apply but also a cap on variable remunerations (which may not exceed one time the fix remuneration) and an obligation to defer at least 60% of the variable remuneration. In addition to that, the draft report also included a number of provisions on the management fees charged to the fund (including performance fees), which were not envisaged in the Commission's proposal and on which the Commission never consulted the stakeholders or prepared any impact assessment, but which could have far-reaching impacts on the fee structures of UCITS products. Lastly, the draft report also contained a strong increase of some of the sanctions foreseen in case of breach of the provisions of the Directive.

In its position paper on the draft report of MEP Sven Giegold, EFAMA highlighted that the proposed rules on remunerations and fees were going far beyond the equivalent provisions in AIFMD and CRD IV and would lead to a profound re-shaping of the financial sector. Hence, EFAMA reiterated its strong view that the principles for UCITS management companies should, as far as possible, be consistent with those applicable in AIFMD and CRD IV, as proposed by the Commission. We also stressed the fact that such drastic modifications as proposed by the draft report should only be considered after a full impact assessment and consultation, in accordance with the Better Regulation Principles. Furthermore, should such drastic re-shaping be deemed necessary, the fundamental changes proposed in the draft report should not be envisaged only for one type of investment product but for level playing field reasons apply to all substitute retail investment products. Concerning the harmonisation of the sanctioning regimes, we stressed that a number of the proposals made by the rapporteur were in our view excessive, and, therefore inconsistent with the stated objective of this regulatory initiative and, more specifically, with the principle that administrative sanctions should be high enough to be dissuasive but, at the same time, remain proportionate to the seriousness of the breach.

UCITS VI Consultation

Less than a month after the publication of the UCITS V legislative proposal, the EU Commission published a *"Consultation Document on UCITS product rules, liquidity management, depositary, money market funds and long-term investments"*[6] with a view to prepare the next review of the UCITS directive ("UCITS V").

This Consultation Paper covered a wide range of topics, including:

1. Eligible assets and use of derivatives
2. Efficient Portfolio Management techniques
3. OTC derivatives
4. Extraordinary liquidity management rules
5. Depositary Passport
6. Money Market Funds
7. Long term investments
8. Addressing UCITS IV

5 http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2012/0168(COD)&l=en

6 http://ec.europa.eu/internal_market/consultations/docs/2012/ucits/ucits_consultation_en.pdf

Despite the very short deadline to answer the Consultation, EFAMA – with the support of four of its internal working groups – was able to prepare a comprehensive reply to this Consultation Paper[7].

2. Exchange-Traded Funds under close scrutiny

In 2011, a number of international and EU financial supervisory bodies, such as the FSB, IOSCO and ESMA, had decided to place Exchange-Traded Funds (ETFs) under scrutiny both from an investor protection perspective but also with a view to identifying the potential vulnerabilities of these products and the systemic risks they might create, as well as the actions that might be required to address them.

This regulatory work continued and intensified in 2012 with the publication by ESMA, on 30 January 2012, of a Consultation Paper, setting out future Guidelines on UCITS Exchange-Traded Funds (UCITS ETFs) and other UCITS related issues[8]. Moving away from the somewhat sterile debate on the respective merits and drawbacks of physical ETFs versus synthetic ETFs, these draft guidelines were aiming at enhancing investor protection, notably by improving the quality of the information provided to investors through additional disclosures, and at limiting the risks of certain practices by strengthening, for instance, the requirements applicable to collateral received in the context of securities lending or repo and reverse repo agreements.

While the initial approach was exclusively focusing on UCITS ETFs, ESMA – following the recommendation of many stakeholders – decided to broaden the scope of the Guidelines by making them applicable not only to UCITS ETFs but to all UCITS engaging in the same type of activities (e.g. securities lending) or pursuing the same type of investment policy (e.g. tracking the performance of an index). EFAMA warmly welcomed this logical step for which it had strongly advocated but, at the same time, also encouraged ESMA – as well as other regulators and supervisors – to take a horizontal approach to funds and non-funds products alike (including in particular other types of Exchange-Traded Products) in the spirit of the MiFID Review and of the PRIPs initiative[9].

In its reply to the Consultation Paper[10], EFAMA broadly supported the proposed Guidelines and in particular ESMA's move toward greater transparency as a way to further enhance investor's understanding and confidence in UCITS products but also voiced significant objections in the following areas:

- Collateral requirements both in the context of Efficient Portfolio Management (EPM) techniques and the use of Total Return Swaps raised a number of technical concerns and EFAMA disagreed in particular with the proposed diversification rules for collateral, which seemed to be based on a wrong perception of the role played by collateral in the mitigation of counterparty risks and could ultimately lead, in certain cases, to a reduction of the level of investors' protection;

- EFAMA also insisted on the importance of clarifying the scope of the proposed Guidelines on Strategy indices, recommending that these Guidelines should apply to all indices (and not just strategy indices) but only to the extent that they wish to benefit from the exemption under the third paragraph of Article 51.3 of the UCITS Directive;

7 http://www.efama.org/Publications/Public/UCITS/12-4048_UCITS%20VI%20Consultation%20-%20EFAMA%20reply%20-%20121018.pdf

8 http://www.esma.europa.eu/system/files/2012-44_0.pdf

9 In this context, EFAMA welcomed the statement made by ESMA in the Consultation Paper that "*further consideration should be given to the development of harmonised definitions at European level of all exchange-products*" and that *"products with broadly similar characteristics should be subject to the same level of regulatory requirements and that investors in such products should be able to rely on an equivalent level of regulatory protection*" (Consultation Paper, p.11, paragraph 20).

10 http://www.efama.org/Publications/Public/ETFs/12-4019_Final%20EFAMA%20reply%20to%20ESMA%20consultation%20on%20guidelines%20on%20ETFs%20%20other%20UCITS%20issues.pdf

- Lastly, we also drew ESMA's attention to the importance of the transitional provisions and the need to recognise that the industry – but also national regulators – should be given a reasonable period of time to put these Guidelines into practice.

Regrettably, these objections were only partly taken into account in the Guidelines published by ESMA in July 2012[11], together with an additional Consultation Paper on specific aspects of the Guidelines covering the recallability of repo and reverse repo arrangements[12]. These Guidelines also contained unexpected provisions relating to revenues sharing arising from EPM techniques (see, in particular, paragraphs 28 and 29 of the Guidelines) on which ESMA had not consulted the stakeholders before and which have been widely commented in the media. EFAMA agrees with the principle that all revenues arising from EPM techniques should be returned to the UCITS after deduction of the costs and fees incurred by the parties involved in the provision of those services to the fund. However, the somewhat ambiguous wording of these provisions (in particular as to what is meant by *'direct and indirect operational costs'*) creates legal uncertainties and calls for urgent clarification.

The final ESMA guidelines[13], comprising both the Guidelines already published in July and the additional paragraphs on the recallability of repo and reverse repo arrangements, were officially published on ESMA's website on 18 December 2012 and were due to become effective on 18 February 2013, subject to the transitional provisions Section XIV of the Guidelines.

In parallel to the work done by ESMA, IOSCO also published in March 2012 a *"Consultation Report on Principles for the Regulation of Exchange Traded Funds"*[14] containing principles related to (1) ETF classification and disclosure, (2) marketing and sales of ETFs, (3) the structuring of ETFs and (4) issues broader than ETFs (including a number of recommendations on the risks arising on secondary markets (risks of shock transmission), on market integrity (risk of abusive behaviour) as well as risks posed to the financial stability.

In its answer to that Consultation Report, EFAMA reiterated its full support to all initiatives promoting the understanding and increasing the robustness of ETFs but also highlighted the fact that the vast majority of European ETFs are fairly simple products aiming at replicating the performance of an index and subject to the UCITS regulatory framework which already adequately deals with many issues raised in the Consultation Report and has been further strengthened by the ESMA guidelines to which reference is made here above. We also emphasised the fact that many of the issues raised by IOSCO in its report were absolutely not ETF specific but also concerned other types of collective investment schemes as well as other types of Exchange Traded Products (ETPs).

11 The Guidelines on Strategy indices were indeed extended to all types of Financial indices (but without being limited to UCITS seeking for the exemption in Article 51.3 of the Directive) and the Guidelines on collateral management were left largely unchanged.

12 http://www.esma.europa.eu/system/files/2012-475_0.pdf. EFAMA also replied to that additional consultation during the summer, see: http://www.efama.org/Publications/Public/UCITS/12-4043_EFAMA%20reply%20ESMA%20consultation%20on%20the%20treatment%20of%20repo%20and%20reverse%20repo%20agreements.pdf

13 http://www.esma.europa.eu/system/files/esma_en_0.pdf

14 http://www.iosco.org/library/pubdocs/pdf/IOSCOPD376.pdf

3. Money Market Funds

The financial crisis has prompted the authorities to review the vulnerability of money market funds (MMFs) to systemic risk. In this context, the Financial Stability Board (FSB) asked IOSCO to undertake a review of potential reforms of MMFs that would mitigate their susceptibility to runs and other systemic risks, and to develop policy recommendations. IOSCO has mandated its Standing Committee on Investment Management (SC5) to elaborate such policy recommendations. To share with market participants its preliminary analysis regarding the possible risks MMFs may pose to systemic stability, as well as possible policy options to address these risks, SC5 published a consultation report to which EFAMA responded in June 2012.

In this response, EFAMA highlighted the following points:

- MMFs are not "shadow banks". The risks they pose to the financial system in Europe are extremely limited. They have not reached a systemic size and the recently reinforced regulatory framework provides a sound base for limiting the MMFs' susceptibility to runs or other systemic risks.
- It is not appropriate to assume that MMFs are entities that are exposed to similar financial risks as banks. Indeed, the maturity/liquidity transformation performed by MMFs is an order of magnitude significantly less than that performed by banks, and is subject to tight controls. The asset/liability maturity mismatch of MMFs is very limited and the credit quality of their portfolio is high. Furthermore, MMFs do not make loans but instead invest in marketable securities. As UCITS, they may borrow up to only 10% of their assets, as long as these are temporary borrowings and such borrowings may not be used for investment purposes. This possibility, which is not used by all MMFs, can be considered as a first line of action to allow MMFs to cope with larger-than-expected withdrawals.
- Capital requirements would destabilise very much the business model of MMFs, especially in a situation like today where money market rates are at historically low levels.
- Some regulators had already imposed reforms to strengthen the resilience of MMFs, such as the SEC's 2010 rule amendments and the CESR guidelines on a common definition of European money market funds. Against this background, the reform of MMFs should focus on the fund's internal liquidity risk, including by requiring MMFs to adhere to certain liquidity requirements (such as by stipulating that a minimum amount of a fund's portfolio should mature within one day and within five business days) and to know their clients by taking into account client concentration and client segments, industry sectors and instruments, and market liquidity positions.

To explain and debate this point, EFAMA and ICI organised together an International Money Market Funds Summit on 4 October in Brussels. The programme was articulated around 4 panel discussions, providing technical detail and expert discussion on the topics. Speakers included Members of the European Parliament (Saïd El Khadraoui and Olle Schmidt), former high-level officials (Eddy Wymeersch, former head of CESR, and Paul S. Atkins, Commissioner, U.S. Securities and Exchange, 2002-2008) and MMFs experts from Europe and the United States, representing both variable and constant NAV MMFs.

The European Commission also asked the opinion of stakeholders on MMFs at the context of its consultations on the Green Paper on Shadow Banking and UCITS VI. In either case, EFAMA reaffirmed its

view that MMFs do not create significant systemic risks or opportunities for regulatory arbitrage, because of the tight regulatory framework and strong supervision to which they are already subject.

Finally, it can be mentioned that EFAMA was invited to participate in a roundtable on MMFs organised by the European Systemic Risk Board in Frankfurt on 12 October. The discussion focused on three main topics: valuation of MMFs, possible capital requirements, and liquidity management.

4. Shadow Banking

In response to invitations by the G20 in Seoul in 2010 and in Cannes in 2011, the Financial Stability Board (FSB), with the support of the Basel Committee for Banking Supervision and IOSCO, undertook to develop recommendations on the oversight and regulation of the so-called "shadow banking" system, with the five following objectives:

- To mitigate the spillover effect between the regular banking system and the shadow banking system;
- To reduce the susceptibility of MMFs to runs[15];
- To assess and mitigate systemic risks posed by "other shadow banking entities";
- To assess and align the incentives associated with securitization;
- To dampen risks and pro-cyclical incentives linked to secured financing contracts such as repurchase and securities lending contracts that may exacerbate funding strains in times of runs.

To participate in the FSB work, the European Commission published in March 2012 a Green Paper on Shadow Banking[16]. The European Parliament also brought its contribution to the debate with an own-initiative report prepared by MEP Saïd El Khadraoui and adopted in Plenary Session on 20 November 2012 including four proposals of particular relevance for the asset management industry, in relation to repos and securities lending, MMFs, consolidation of SB entities and ETFs[17].

In its detailed responses to the Commission Green Paper[18] and to the draft report of MEP El Khadraoui[19], EFAMA stressed in particular the following points:

- EFAMA is fully supportive of the objectives pursued by the FSB and the European Commission to identify and close any regulatory gaps as well as inefficiencies in the supervision of the financial sector in general, with a view to mitigating systemic risks and reducing the possibilities of regulatory arbitrage. In this context, EFAMA encouraged the Commission to follow the approach proposed by the FSB to focus its attention primarily on the portion of the shadow banking system that can be defined as "a system of credit intermediation that involves entities and activities outside the regular banking system, and raises (i) systemic risk concerns, in particular by maturity/liquidity transformation, leverage and flawed credit risk transfer, and/or (ii) regulatory arbitrage concerns".

15 Please see previous section on "Money Market Funds".

16 http://ec.europa.eu/internal_market/bank/docs/shadow/green-paper_en.pdf

17 http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A7-2012-0354+0+DOC+XML+V0//EN&language=en.

18 http://www.efama.org/Publications/Public/EFAMA%20RESPONSE%20TO%20THE%20EUROPEAN%20COMMISSION%20GREEN%20PAPER%20ON%20SHADOW%20BANKING.pdf

19 http://www.efama.org/Publications/Public/12-4039_EFAMA%20reply%20to%20EP%20draft%20report%20on%20Shadow%20Banking.pdf

- In this context, EFAMA expressed strong reservations against the emphasis that the Green Paper put on investment funds in general, and on MMFs and ETFs in particular, as possible shadow banking entities. Because of the tight regulatory framework and strong supervision to which they are already subject[20], EFAMA is indeed convinced that European MMFs and ETFs do not create significant systemic risks or opportunities for regulatory arbitrage and should therefore not be categorised as possible shadow banking entities following the FSB definition.

EFAMA also voiced the concerns of the European asset management industry in several of the FSB work streams by answering a number of consultation papers and interim reports issued in the course of this year by the FSB and IOSCO but also through its participation in open hearings organised by IOSCO and by the FSB on Money Market Funds (in January 2012) and on "other shadow banking entities" (in April 2012).

5. AIFM Directive

The *Alternative Investment Fund Managers Directive* (AIFMD) remained one of the key files for the EFAMA Secretariat throughout 2012.

The European Institutions, ESMA, Member States as well as the industry were working towards the very fast approaching date of application of 22 July 2013. In a first time, Member States and industry awaited a series of implementing measures to be issued by the Commission and ESMA.

Initially, the Commission declared its intention to adopt the implementing measures in early 2012 to allow Member States and the industry as much time as possible for the transposition and implementation. The Commission began its work based on the *Final Report Technical Advice to the European Commission on possible implementing measures of the Alternative Investment Fund Managers Directive*[21] issued by ESMA in November 2011. Three draft implementing regulations were soon presented by the Commission to Member States. One draft regulation covered questions in relation to Member States of reference, the second regulation concerned the opt-in procedures while the third regulation had the broadest scope encompassing rules on exemptions, general operating conditions, depositaries, leverage, transparency and supervision. It became immediately apparent that the Commission deviated from the sound ESMA advice regarding important matters such as depositary liability, reporting, calculation of leverage and letter box entity. Regarding these topics and in particular on the letter box entity test, EFAMA and its members engaged with the Commission and Council at all levels. The proposed criteria to determine whether an AIFM was a letter box entity because it delegated too much of its activity caused important concern to the industry. While the ESMA advice reflected the current practice in the industry and placed the emphasis on the selection, instruction and supervision of the delegates by the AIFM, the Commission introduced in its first drafts quantitative and qualitative elements into the text to ensure that most of the portfolio and risk management be performed by the AIFM itself. Throughout the entire year 2012, EFAMA and its members advocated a more balanced approach which would at the same time permit delegation to achieve the best management of AIF in the interest of investors while furthering the fight against systemic risk and provide sufficient investor protection. The criteria were modified by the Commission and the final

20 Notably, after the entry into force of the AIFMD and of the recently adopted ESMA guidelines on UCITS ETFs and other UCITS issues.

21 http://www.esma.europa.eu/system/files/2011_379.pdf

text permits delegation to an important extent but retains the quantitative and qualitative criteria for the test. It can be expected that important reorganisation will need to be performed by the industry to meet the requirements. The Regulation on exemptions, general operating conditions, depositaries, leverage, transparency and supervision was adopted by the College of Commissioners on 18 December 2012. Many open questions remain in this regard which the Commission intends to answer through the publication of a Q&A in early 2013. At the end of 2012, the date of publication of the Regulation on Member State of Reference and the Regulation on Opt-in Procedures remained uncertain.

ESMA published several discussion papers and consultations and organised workshops during the year 2012 giving EFAMA and its members the welcome opportunity to provide comments regarding important questions of the AIFMD implementation. In February 2012 ESMA published a *Discussion Paper on Key Concepts of the Alternative Investment Fund Managers Directive and types of AIFM*[22]. The Discussion Paper raised questions around the definition of AIFM and of AIF, the appointment of AIFM, the treatment of UCITS management companies as well as the treatment of MiFID firms and Credit Institutions. EFAMA provided a response on the entire discussion paper but emphasised in particular two main topics. Firstly, EFAMA considered the discussed interdiction to delegate both portfolio and risk management too restrictive. An AIFM should be able delegate the functions of portfolio and risk management at the same time for as long as these delegation arrangements do not result in the AIFM becoming a letter-box entity. Secondly, EFAMA was concerned by the interdiction for an AIFM to hold a MiFID license. EFAMA urged ESMA to re-consider this interdiction and provide for a possibility of a MiFID license limited to the investment services mentioned in Article 6 (4) AIFMD. This was considered important in a part of the EFAMA membership because of the experience under the UCITS Directive for which some Member States require UCITS Managers to hold a MiFID license for the provision of these investment services under Article 6 (3) UCITS Directive. As long as the AIFM restricts itself to these services as stipulated in Article 6 (4) AIFMD it should be permitted to hold a MiFID license permitting it to exercise these services if Member States require a separate MiFID license for such activities.

As follow up to the February 2012 Discussion Paper, ESMA issued two consultation papers, the *Consultation Paper Draft regulatory technical standards on types of AIFMs* and the *Consultation Paper Guidelines on key concepts of the AIFMD*[23] shortly before Christmas 2012. These Consultation Papers addressed only part of the questions raised in the February discussion paper. For a number of questions, including the limitations of delegation of portfolio and risk management and the possibility for an AIFM to hold a MiFID licence for the investment services mentioned in Article 6 (4) AIFMD, ESMA referred to the implementing measures by the Commission.

By June 2012, ESMA also issued a *Consultation Paper regarding guidelines on sound remuneration policies under the AIFMD*[24]. The EFAMA response underlined the need for a broader principles-based approach to ensure the measures can be adapted to fit the circumstances of the firm or funds and the wider group context in which many such firms will be operating. Important points of concern for many EFAMA members were the very large scope of identified personnel under guidelines, the application of the guidelines not only to the personnel of an AIFM but to the entire delegation chain as well as the lack of a possibility for neutralisation of the measures. The publication of the final guidelines can be expected in early 2013.

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22 http://www.esma.europa.eu/content/Discussion-paper-Key-concepts-Alternative-Investment-Fund-Managers-Directive-and-types-AIFM

23 http://www.esma.europa.eu/news/ESMA-clarifies-rules-alternative-investment-funds-and-their-managers?t=326&o=home

24 http://www.esma.europa.eu/consultation/Consultation-Guidelines-sound-remuneration-policies-under-AIFMD

From EFAMA's point of view one of the most important issues for ESMA for the year 2012, was the negotiation and conclusion of the cooperation arrangements with third country authorities. The cooperation arrangements need to be concluded at the latest by July 2013 to allow the industry to continue the delegation and sub-delegation of portfolio management and risk management to third countries and the private placement from a third country into Europe. Furthermore, cooperation arrangements will also be required as of 2015 for the passport for third country funds and managers. Until end 2012, ESMA had concluded only two cooperation arrangements, namely with Switzerland and Brazil.

At the end of 2012, a large part of the implementing measures of the AIFMD are still outstanding, many questions remain unanswered and it seems unlikely that the cooperation arrangements with even the most important jurisdictions will be in place in time. With less than seven months left for national transposition and an important reorganisation of large parts industry, Member States and the industry advocated strongly to postpone the application of the AIFMD which was however refused by the legislators.

6. Packaged Retail Investment Products (PRIPs)

On 3 July 2012, the Commission issued a proposal for a *Regulation on Packaged Retail Investment Products* which aims at increasing investor's protection and transparency by creating a *Key Information Document (KID)* for investment products.

EFAMA welcomed and supported the Key Information Document proposal, which seeks to address crucial issues of retail investor protection and the lack of level playing field in the distribution of retail financial products around the Union. We believe it is essential to create a harmonised framework for product disclosure that seeks to eliminate regulatory arbitrage in the distribution of financial products to retail investors and to ensure a high level of protection for retail investors via the provision of easily-accessible product information produced to common standards.

Through its previous experience on the UCITS KIID, EFAMA's Working Group was able to provide constructive feedback and concrete solutions to make the KID achieve its objective. In this regard, the UCITS KIID should be viewed as a benchmark for the creation of the PRIPs KID rules and standards.

EFAMA's key concerns on the Commission proposal as well as the current debates are as follows:

- Scope
  - EFAMA supports the Commission's Proposal to focus first on Packaged Retail Investment Products (PRIPs). Because they are packaged, PRIPs have certain specificities and common concepts which should be disclosed to investors and which differ from simple savings and investments. If unpackaged products such as ordinary deposits, shares or bonds (both corporate and sovereign) were to be included in the proposed KID framework, sections of the document would need to be tailored accordingly. Therefore, EFAMA does not agree to include non-packaged products in the scope; nevertheless, EFAMA supports the idea that all forms of savings and investments should have proper and effective disclosures and the review clause could provide the tool to further extend the scope at a later stage.

- Product manufacturer versus product distribution
  - EFAMA strongly disagrees with the suggestion that distributors should be involved in the production of the KID and should be able to modify it. This would lead to substantial legal risks as well as confusion regarding the legal responsibilities of the different parties, technical and operational issues as regards the manufacture and review of KIDs, and a significant increase in the number of KIDs distributed to consumers.
  - EFAMA strongly believes it is important to make a clear distinction between the manufacturing of investment products and the distribution of investment products.
- Nationally-regulated, open-ended, non-UCITS retail funds
  - Many Member States require or permit nationally-regulated, open-ended, non-UCITS retail funds to use the UCITS KIID instead of other forms of disclosure documents. Therefore, EFAMA urges that non-UCITS retail funds be allowed to opt to provide a KID that is in line with the UCITS KIID instead of the PRIP KID, and that this provision be reviewed as part of the wider review of the PRIP KID and UCITS KIID provided for by Article 25 of the KID Regulation.
- Level 2 measures
  - EFAMA fully supports the use of Level 2 measures where such provisions are necessary and appropriate in order to achieve clarity and consistency across the Union. However, we are concerned that the number of delegated acts and implementing measures proposed in this Regulation are out of line with similar provisions for the UCITS KIID. Moreover, it is difficult at this stage to assess the potential implications of the Level 1 provisions. Consistency with PRIPs Level 2 and UCITS Level 2 provisions will have to be ensured.

7. Markets in Financial Instruments Directive/Regulation (MiFID/MiFIR)

2012 was a very important year for the review of the Market in Financial Instruments Directive/Regulation (MiFID/MiFIR Recast). Following the Commission Proposal published in Q4 - 2011, EFAMA organised several Working Groups in order to express its view and the potential challenges for the asset management industry as a whole. Investor's protection has been at the centre of our pre-occupation notably by promoting transparency which we believe is an important aspect in regaining investor's confidence and enhances investor's education.

A large part of the Commission Proposal relates to these aspects and EFAMA has particular concerns regarding the following:

- EFAMA believes that a ban on the acceptance of monetary inducements for advice "provided on an independent basis" will lead to a reduction in competition among distribution channels, and a reduction in the number of products offered by distributors. Measures aiming at banning inducements are likely to reduce access to advice for retail investors, to a loss of many jobs in the industry and to damage the progress of "open architecture" in the European Union.
- The Commission proposal excludes structured UCITS from non-complex financial instruments eligible for execution-only services. EFAMA does not consider it appropriate, as UCITS are conceived as

retail products, are very strictly regulated and provide a high degree of investor protection. The very successful UCITS brand could suffer damage in the eyes of non-EU regulators and investors if some UCITS were no longer considered automatically non-complex, as they may be seen as unsuitable for retail investors. European investors' confidence in UCITS might also be affected. Most importantly, complexity is not equal to risk.

- EFAMA had further concerns regarding the Third Country Provisions in the Commission proposal. The proposal only set out two systems (for eligible counterparties and for retail investors) for services rendered by third country firms which both are not suitable for professional investors, such as asset managers. EFAMA advocated that a third regime, for professional investors, aligned with the AIFMD be included into the proposal. EFAMA also requested a clarification in the Directive that European clients may receive services from non-European entities at the exclusive initiative of the European client without the need to comply with the requirements of MiFIR and MiFID.

In the course of 2012, EFAMA was active in promoting its view before the European Parliament, Council and the Commission. On the 26 October 2012, the European Parliament agreed and adopted a text which will be the basis for negotiation in Triologue (EU Parliament, Council & Commission). The European Parliament has agreed to introduce a ban on inducement for independent advice and portfolio management. On the other hand, the Parliament is not in favour to categorise UCITS in complex or non-complex products and understand the need to have a sustainable single UCITS brand.

A large part of the negotiations around MiFID II and MiFIR is related to capital markets issues.

Considering the dedicated and technical questions raised by capital markets issues, EFAMA established at the end of 2011 a Working Group on Financial Markets Mechanisms.

This working group, chaired by and made of industry's practitioners, has as its main strategic aim to promote price liquidity and transparency, as they are essential conditions for efficient investment management. The objectives of the working group are to develop a view on key capital market issues that are, directly or indirectly, impacting the efficiency of the asset management industry or their clients.

Considering the specific role and support to the real economy that investment management gives, EFAMA highly welcomes transparency requirements, especially for data consolidation and post-trade transparency.

However, any changes to MiFID regarding financial markets structures, trading and transparency are of great importance to our members and therefore – indirectly – to millions of citizens of the EU and other countries, through their pensions, funds, annuities and insurance policies.

There are two major lines of concerns: the first one on the definition of trading techniques and the other one on the protection of the liquidity across instruments and trading venues.

EFAMA expressed its major concerns through different forums:

1. In Parliament on:

- An inappropriate definition of algorithmic trading (as opposed to High-Frequency Trading); and
- A reduced or inappropriate access to trading venues that would increase liquidity fragmentation.

2. In Council of Ministers on:

- Restricted waivers that would, despite improving price transparency, increase prices because negotiations on price would no longer be possible or limits would be so tight that de facto they would be useless, even for large transactions;
- A necessary coordination of the definitions and principles across legislative initiatives such as definitions of the instruments that must be reported in the different reporting to be organised.

EFAMA has also serious concerns over the extension of pre-trade requirements from equities to non-equities activities. That extension, especially to bonds trading, could dry out any remaining liquidity on this part of the market because no actor would be able to prepare and execute large transactions.

EFAMA believes that an efficient calibration of the reporting duties is mandatory to protect liquidity across less liquid instruments like fixed income instruments.

Regarding the Third Country Provisions, position in Parliament and Council remain for most of the proposal far apart as of the end of 2012. EFAMA was very satisfied that both the text voted in Parliament and first documents from Council clarified that European clients may receive services from non-EU entities at the exclusive initiative of the European client. Concerns remained around the Third Country provisions for unsolicited services. The positions of Parliament and Council are far apart with Parliament contrary to Council requesting an equivalence judgement of the third country jurisdiction. Furthermore, Parliament is not sharing the Council approach that regulation of access for third country firms to render services to eligible counterparties remains a Member State competence.

Additionally, and as part of the Investor Protection Packaged Proposals (UCITS V, PRIPs and IMD) by the Commission published on 3 July 2012, the Insurance Mediation Directive (Recast) is an important part of the current regulatory initiatives.

EFAMA main concern regarding the revision of IMD is the following:

- EFAMA believes it is crucial that consumer protection rules and standards should be aligned across IMD II and MiFID II as well as the PRIP KID Regulation. EFAMA therefore urges that the same rules and standards should apply to both IMD and MiFID PRIPs. It will not only increase investor protection but it will also guarantee a level playing field and fair competition.

8. Derivatives Regulation – EMIR

In 2009, the G20 imposed the control of the use of OTC derivatives through the obligation to use central clearing (exception for non-financial counterparties hedging their business risks) as well the basic organisational rules for CCPs for standardised OTC Derivatives, the collateralisation of all the types of OTC derivatives that would be dealt bilaterally and the creation of trade repositories.

The European Union is implementing this duty through the Regulation on OTC Derivatives, CCPs and Trade Repositories (EMIR).

EFAMA supported from the beginning the effort made to create European CCPs to clear at least some OTC Derivatives contracts as it can reduce counterparty risk, but insisted that the interests of the buy-side should be better taken into account in the setting up of the clearing infrastructure.

During 2012, ESMA issued several consultations in order to set the technical standards to apply those rules that EFAMA answered.

EFAMA key concerns in the regulation and in its technical standards are:

- The uncertain contractual set-up for third-parties to clearing agreements as opposed to the rights and obligations of CCPs and Clearing Members that are well defined; and
- The insufficient asset segregation for funds and asset management in many of the proposed operational and contractual set-ups; and
- The unfair regime proposed to collateral levels set between CCP and Clearing Members versus third-parties;
- The absence of eligible collateral available for margining if repos are considered as shadow banking instruments and become inappropriate trading techniques or too expensive.

Considering the difficulty and technicality of this latest issue, IOSCO published a first Consultation on margining for non-cleared OTC derivatives that EFAMA answered extensively.

The aim of this Consultation is to define the calculation methods and eligible assets that could be used to mitigate risk caused by non-centrally cleared OTC derivatives.

9. Risk Management

EFAMA continued the work on risk management started in 2009 in the aftermath of the financial crisis. EFAMA's Risk Management Working Group kept monitoring legislative initiatives that could have global impact on the asset management activities. Its constant message is full support to the initiatives aimed at enhancing safety and sound management of clients' assets.

EFAMA worked on illustrating that the industry requires clear regulatory principles for risk management that are consistently interpreted across jurisdictions.

Taking the approach of principles, rather than rules-based regulation, allows the funds and management companies to determine the most appropriate risk management approach to be used. This will vary for specific fund types as well as instruments, and will allow the funds and/or management companies to build-up cost efficient risk models and to respond quickly to the launch of new funds or the introduction of new instruments into the funds. The same principles should be applied as much as possible to all types of funds.

EFAMA's Risk Management Working Group answered to the IOSCO *Consultation on Principles on Liquidity Management in Collective Investment Schemes.* In the answers to that Consultation but also across

all events and discussions when relevant, EFAMA insisted on the fact that European investment funds managers are already subject to high standards of liquidity risk management:

- UCITS managers are required to employ an appropriate liquidity risk management process in order to ensure that the funds they manage are able to meet redemption requests from investors. This liquidity risk management process is an integral part of the permanent risk management function that UCITS management companies must establish which must be functionally and hierarchically independent from other departments within the management company.
- According to the AIFMD the Risk Management function, including the management of liquidity risks, will be functionally and hierarchically separated from the operating units of the AIFM.

10. Crisis Management

During the recent financial crisis, a number of national governments had to take emergency action to prevent the failure of systemic credit institutions and stabilise financial markets (capital injections, asset relief measures, guarantees on assets and liabilities and liquidity support). Although these exceptional actions were justified by the circumstances of the crisis, they highlighted at the same time the absence of an EU framework for crises management in the banking sector. In the majority of the cases the crisis involved cross-border banks where public interventions had a significant impact on the level playing field within the internal market.

Following a period of consultation and discussions with key stakeholders the European Commission adopted on 6 June 2012 a legislative proposal[25] on EU-wide rules for bank recovery and resolution and harmonised tools for "prevention", "early intervention" and "resolution". At the prevention stage credit institutions will be responsible for drawing recovery plans to restore their viability in the case their financial situation deteriorates and national authorities will be in charge of preparing resolution plans for dealing with banks in critical conditions. At the early intervention stage, when a credit institution is in high risk of breaching the regulatory capital requirements, authorities will have a wide range of powers to restore the financial stability of the bank including the power to appoint a special manager. At the resolution stage when no alternative action is efficient, authorities will assume control of the institution and apply one of the following tools: sale of business, bridge institution, asset separation, bail-in.

In its position paper[26] adopted on 31 October 2012 EFAMA welcomed the legislative proposal as a positive step towards minimising the risk of systemic contagion, enhancing the stability of financial markets through the introduction of common minimum rules and procedures for resolving credit institutions. Concerning the scope of the draft Directive EFAMA stressed that based on Article 1, UCITS management companies, self-managed UCITS, Alternative Investment Fund Managers and asset management companies that perform discretionary portfolio management do not fall in the scope of this draft Directive so the proposal does not directly address and impose obligations falling on asset managers. At the same time there are important points in the proposals that will indirectly impact asset managers that need to be clarified in order

25 http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0280:FIN:EN:PDF

26 http://www.efama.org/Publications/Public/EFAMA_Position_crisis_management_directive.pdf

to safeguard a level playing field for all investors and help avoid disproportionate effects. On the bail-in tool EFAMA called for legal clarity regarding the trigger mechanisms. While this cannot be completely unambiguously presented a priori, asset managers need guidance as to when it will and will not be triggered. Otherwise it becomes very difficult to assign a value to the bonds, and hence managers will be less willing to put clients' money into them. Moreover EFAMA stressed that any process under the recovery and resolution regime must maintain a clear distinction between client asset and assets of the firm. Finally, as subsidiaries to banking groups asset managers need clear instructions and provisions as to the extent group recovery plans and intra-group financial support agreements will affect them.

Following the adoption of the proposal for recovery and resolution mechanisms for banks the European Commission has launched on 5 October 2012 a Consultation Paper[27] on a possible similar framework for financial institutions other than banks. The Consultation Paper focused on financial market infrastructures, insurance companies and other financial entities, where investment funds and asset management companies were included.

In its detailed reply[28] to this Consultation Paper EFAMA expressed its agreement that the systemic relevance of an institution and key identifying factors such as size, interconnectedness and substitutability of an entity's critical services, should be the starting point for deciding any future extension of recovery and resolution frameworks to institutions other than banks. Therefore any future regulation should focus on institutions that are considered important in terms of systemic risks, the failure of which can threaten financial stability.

EFAMA stressed that the main business model of asset management companies does not correspond to that of systemically important credit institutions and other types of investment firms. All asset managers' dealings are performed on an agency basis: no dealing on own account is permitted. Therefore market risks related to investing on own account – akin to the trading book for banks – do not apply. Moreover, asset management activities do not extend to the provision of credit, deposit taking or payment intermediation. Retail investors are not affected by a potential insolvency of an asset manager due to the fact that there is a legal and physical separation of fund assets from the asset manager. For those reasons EFAMA expressed its strong view that no further recovery and resolution tools and powers are necessary, as they would increase cost, administration and complexity with no evident benefit to the general well-being.

11. Benchmarks & Indices

As a response to the recent LIBOR scandal and the serious concerns about false submissions on other key benchmarks and financial indices, the European Commission and IOSCO have been engaged on taking the necessary measures to restore market confidence and prevent similar manipulations in the future that could result in significant losses to consumers and investors, or distort the real economy. Apart from the two legislative proposals[29] to amend the market abuse and criminal sanctions Regulation and Directive and to include benchmark manipulations published on 25 July 2012, the European Commission launched

27 http://ec.europa.eu/internal_market/consultations/2012/nonbanks/consultation-document_en.pdf

28 http://www.efama.org/Publications/Public/EFAMA_response_Recovery_resolution_framework_non%20banks.pdf

29 http://ec.europa.eu/internal_market/securities/abuse/index_en.htm#proposals

a Consultation[30] on 5 September 2012 on a possible regulatory framework for the submission and use of indices serving as benchmarks in financial and other contracts. The Consultation covered issues such as the methodology and calculation of benchmarks, governance and transparency, the use of indices and transition. The consultation main results showed a strong agreement on the need for high governance and transparency standards for benchmarks providers and contributors, but different approaches as to the need for further regulatory requirements or less binding codes of conducts and principles.

At the IOSCO level a Board Level Task Force on Financial Market Benchmarks was established in September 2012 in order to develop global principles on Benchmark related issues. Moreover, the Board of Supervisors of EBA and ESMA have established in November 2012 a joint EBA – ESMA Task Force on *Principles for Reference Rates and other Benchmark- Setting Processes in the EU* with the objective to establish non-binding principles in the period until a potential formal regulatory and supervisory framework for benchmarks has been devised in the EU. Both Task Forces are expected to launch by early 2013 a broad consultation on key points concerning further regulating benchmark setting processes at EU and international level.

Asset managers are in principle users of rate benchmarks and market indices either by tracking rate benchmarks and market indices directly or as a reference to compare across different investment opportunities. Credible financial indices are therefore a key tool for asset management industry and therefore EFAMA would support clear objectives and measures that can safeguard strong governance and transparency concerning benchmark setting processes. EFAMA intends to actively participate in the open discussion with stakeholders both at IOSCO and EBA/ESMA as well as at European Commission level and advocate in favour of a level playing field for all financial indices users. In that context great attention should be paid to the fact that the ESMA guidelines on ETFs and other UCITS issues[31] published on 18 December 2012, may create disadvantages for UCITS managers by setting conditions for the use of financial indices as benchmarks that do not apply for other market participants.

12. Audit Reform for Public Interest Entities (PIEs)

On 30 November 2011 the European Commission presented a draft Regulation proposing a new set of requirements regarding statutory audits of Public Interest Entities (PIEs)[32]. The proposals are significantly expanding the definition of PIEs in a way that UCITS Funds and AIFs are to be covered by the scope of the new audit rules (Article 1c of the Directive). In that way, the significant differentiation of UCITS and AIFs from other systemic important financial entities is overlooked and the same requirements are being foreseen for funds that are significantly smaller in size and investor bases to credit institutions and insurance undertakings that are the main public interest entities covered by the scope. Moreover, in the case of AIFs and UCITS extensive regulatory requirements such as legal and physical segregation of fund's assets, independent administrator, independent custodian and investor records maintained by independent trustee are already in place. Therefore any additional audit

30 http://ec.europa.eu/internal_market/consultations/docs/2012/benchmarks/consultation-document_en.pdf

31 http://www.esma.europa.eu/system/files/esma_en_0.pdf

32 http://ec.europa.eu/internal_market/auditing/docs/reform/regulation_en.pdf

requirements could result to increased and unnecessary costs to be borne by individual investors and unintended consequences for the whole industry.

EFAMA followed closely the debate in the European Parliament and the Council and was engaged in a number of contacts with key policymakers in order to advocate in favour of a full exemption of UCITS and AIFs from the scope of the draft Directive. The discussions were fruitful as the rapporteur of the ECON Committee of the European Parliament exempted in her draft opinion[33] the biggest part of UCITS and AIFs and intended to include a full exemption covering also funds whose securities are admitted to trading on a regulated market. The debate in the Council was not finalised within 2012 but there was a positive reaction on exempting UCITS and AIFs from the definition of PIEs.

The legislative procedure will continue in 2013 with the beginning of the trilogues foreseen during the second semester.

13. The Volcker Rule

The provisions of the Dodd-Frank Act known as the "Volcker Rule" have caused a lot of concern to European investment managers. EFAMA recognises the challenges the U.S. authorities face in implementing the Volcker Rule and the need to prevent banking entities in the United States from seeking to circumvent the requirements of the Volcker Rule by choosing to conduct otherwise prohibited activities outside of the U.S. EFAMA believes, however, that in their proposed form, the rules represent an inappropriate extraterritorial application of U.S. jurisdiction and significantly exacerbate the negative impact that the Volcker Rule will have on the European asset management industry without measurably furthering the purpose or intent of the Volcker Rule. The wide scope of the rule could have significant impacts on the operations of many European asset managers including naming of funds, providing seed capital to funds, fund investments by personnel of the management company etc. All in all the Volcker rule could lead to serious restructuring needs for European asset managers.

EFAMA's most significant concern with the proposed rules is the potentially disparate treatment of U.S. mutual funds, on the one hand, and UCITS and other regulated investment funds available to European investors, on the other. U.S. mutual funds are not considered to be 'covered funds' under the proposed rules, while their regulated European counterparts appear to be treated as such. No policy reason or justification for this unequal treatment of very similar investment products is offered in the proposed rules.

The EFAMA Dodd-Frank/ Volcker Working Group provided member input to draft an extensive EFAMA response to the U.S. authorities' consultation in February 2012. Given the huge number of responses, no final guidance was given in 2012 but this is expected to happen in 2013.

33 http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2f%2fEP%2f%2fNONSGML%2bCOMPARL%2bPE-496.498%2b01%2bDOC%2bPDF%2bV0%2f%2fEN

II. Taxation

2012 was a busy year for EFAMA's tax work streams, in particular as regards the U.S. Foreign Account Tax Compliance Act (FATCA) and the European Commission's proposal for a Financial Transaction Tax (FTT).

1. FATCA

The U.S. tax legislation FATCA was enacted in March 2010 with the aim to combat tax evasion by U.S. persons holding investments in accounts at financial institutions (e.g., banks and investment vehicles) outside the U.S.

The basic premise of FATCA is to require certain foreign (i.e., non-U.S.) financial institutions ("FFIs") to identify and disclose their U.S. account holders, or else suffer penal 30% withholding tax on all U.S. source income and, more importantly, gross disposal proceeds. The 30% withholding tax will also apply to payments attributable to such U.S. source income and gains ("pass-thru payments").

FATCA's provisions should generally be effective from 2014.

FATCA's statutory provisions were intentionally broad and gave considerable discretion to the U.S. Department of the Treasury and the Internal Revenue Service (IRS) to further detail its scope in the implementing regulations. Further to the preliminary guidance (Notices 2010-60, 2011-34 and 2011-53) published in 2010 and 2011 by the U.S. authorities, FATCA proposed regulations were published early in 2012 (on February 8) with the aim to set the framework for final regulations, providing additional details needed for the implementation of FATCA and requiring comments by April 30, 2012.

Simultaneously with the issuance of the proposed regulations, the government of the U.S., France, Germany, Italy, Spain and the UK released a joint statement explaining that they were exploring a common approach to FATCA implementation through domestic reporting and reciprocal automatic information exchange (announcing a possible framework for bilateral inter-governmental agreements – Model 1 IGA – pursuant to which FFIs would report the information required by FATCA to their local authorities, rather than directly to the IRS). Further to that, on July 25, 2012, a first version of the Model 1 IGA was published. Then, in September 2012, the governments of the U.S. and the UK signed the first bilateral inter-governmental agreement based on the Model 1 IGA. Other three countries (i.e., Denmark, Mexico and Ireland) followed the UK example and signed bilateral inter-governmental agreements (always based on Model 1 IGA) by the end of 2012.

Two other countries (i.e. Japan and Switzerland) announced on June 21, 2012, their intention to explore and negotiate a different type of bilateral inter-governmental agreement (Model 2 IGA) to facilitate the implementation of the FATCA. A first version of this Model 2 IGA was published on November 14, 2012.

Still in November 2012, the U.S. Department of the Treasury announced that it was engaged with more than 50 countries around the world to improve international tax compliance and implement the information reporting and withholding tax provisions under FATCA on the basis of a bilateral inter-governmental agreement.

During 2012 EFAMA continued its dialogue with the U.S. authorities regarding the huge impact of FATCA on the European funds industry and the difficulties of compliance with FATCA arising from the typically intermediated business model of the EFAMA membership. In connection thereto, on February 14, 2012, EFAMA first of all issued a press release expressing the intention to continue the dialog with IRS in order to solve the outstanding issues for the fund industry. Then on April 30, 2012, EFAMA submitted a first comment letter to IRS and Treasury in response to the FATCA proposed regulations. A second supplemental comment letter to IRS and Treasury (identifying ten areas relating to the interaction of the forthcoming FATCA regulations and Model IGAs) was submitted on October 8, 2012. In addition to that, on September 14, 2012, EFAMA published an open letter in order to highlight the benefits associated to the signing of a Model IGA, with the final purpose to encourage other countries to become FATCA Partner countries signing a Model IGA.

2. Financial Transaction Tax (FTT)

On September 28, 2011, the European Commission put forward a proposal for the introduction of a Financial Transaction Tax (FTT) in the 27 EU Member States. Based on this proposal, commencing from 2014 financial institutions (including asset managers, pension funds and investment schemes) established in an EU Member State, and carrying out financial transactions (e.g., purchase and sales of transferable securities, derivatives transactions) both on regulated markets and over-the-counter, would be subject to tax at a rate either of 0.1% (on the consideration paid or received in case of purchase of transferable securities) or of 0.01% (on the underlying notional amount in case of derivative transactions).

Nevertheless, during the ECOFIN Council meetings in June and July 2012 it was ascertained that there was no unanimous support within the Council for a common system of FTT in the Union as a whole, as proposed by the Commission, in the foreseeable future. During these ECOFIN meetings several delegations had already pointed out that progress could be made on the issue in a more restricted group of Member States in the context of enhanced cooperation between interested Member States.

In connection with the above, on October 9, 2012, the EU Tax Commissioner Algirdas Semeta informed the EU-27 Finance Ministers that 11 Member States were supporting the introduction of a common "EU-wide" FTT in their countries via enhanced cooperation. Then, on October 23, 2012, the EU Commission (after careful legal analysis leading to the conclusion that all legal requirements for authorising the 11 participating Member States to move forward were met) proposed to the EU Council to authorise the enhanced cooperation. This proposal received the consent by the European Parliament on December 12, 2012, whilst the final approval by the Council is expected to arrive early in 2013.

EFAMA on December 12, 2012 published an open letter in order to encourage the EU Commission as well as the EU Governments to carefully consider all the downsides deriving from the introduction of an FTT under the enhanced cooperation procedure. More in detail, EFAMA's 2012 open letter underlined that:

- A broad, residence-based FTT represents a significant risk to savings and pensions of EU citizens and will limit the availability of savings products in the EU.
- A wide-based FTT in a few of the EU Member States will cause distortions, and inevitably provoke a cycle of protective reactions that could destroy the single market and undermine the safeguards provided by EU regulation of financial markets.

- The impact on savers would be exacerbated because, as drafted in the original 2011 proposal, the FTT would apply multiple times to every transaction along the investment chain.
- An FTT will cause investors to switch their savings away from UCITS and towards savings deposits and life insurance products that are not covered by the FTT.
- An FTT would reduce an important source of long-term financing for the businesses of the Member States that implement it.
- A broad, residence-based FTT represents a significant risk to the operation of financial markets of those Member States. As a result of the increased cost and lower volumes of transactions there will be a reduction in liquidity in securities within those Member States.
- An FTT will not meet the EU Commission's stated aim of ensuring that financial institutions make a fair contribution to covering the costs of the recent crisis.

3. VAT review of the financial sector

The initiative launched by the European Commission in May 2006 aimed at modernising and harmonising the existing VAT Directive with regard to its application to the financial services sector is still ongoing, even though no further actions have been taken during 2012.

Therefore during 2012, EFAMA (jointly with other associations representing the financial services industry) submitted two high level letters focusing on the debate on the VAT treatment of financial services, with the main goal to ask for for a restart of the debate hoping to get some progress in the near future. The first letter was sent on May 3, 2012, to the Danish Ministers for Taxation and for Economic Affairs and the Interior (as well as to some representatives of the Cypriot Government). The second letter was submitted on June 6, 2012, directly to the Cypriot Presidency with the intention to encourage them to work on the VAT file when they take over the Presidency in July 2012.

4. Other VAT updates

On July 19, 2012, the European Court of Justice (Case C-44/11 "Deutsche Bank AG") decided on the VAT treatment of discretionary portfolio management services, stating that these services cannot be considered VAT exempt and therefore VAT should apply.

On November 8, 2012, the Advocate General on the European Court of Justice pending decision (Case C-275/11 "GfBk Gesellschaft für Börsenkommunikation mbH") expressed his opinion on the VAT treatment of investment advisory services performed by a third party to an Investment Management Company concerning investment in transferable securities. According to the Advocate General, these services should constitute an activity of 'management' specific and distinct in nature (and therefore should be VAT exempt), provided that the service is found to be autonomous and continuous in respect of the activities actually performed by the recipient of the service, a matter which it is for the national court to verify. The European Court of Justice should take a final decision on this early in 2013.

5. Other Tax updates

During 2012 EFAMA submitted two representation letters to the Indian authorities in order to express the fund industry's deep concerns regarding the potential impact of the provisions in the Indian Finance Bill 2012 relating to the (retroactive) taxation of indirect transfers over Indian shares. The first letter was sent on May 24, 2012, to the Indian Ministry of Finance, whilst the second letter was submitted on July 31, 2012, to the Expert Committee constituted by the Indian Government to "vet and re-work" the new Indian General Anti-Avoidance Rules Guidelines.

Then, during 2012 EFAMA was engaged with the Korean authorities reacting on the new administrative requirements being imposed in 2012 on non-Korean collective investment vehicles ("CIVs") seeking to claim treaty benefits. In this respect, on October 25, 2012, EFAMA submitted a letter to the Korean authorities in order to get confirmation that funds treated as both persons and residents by the country in which they are organised (e.g., all CIVs treated as corporations for tax purposes and other non-fiscally-transparent CIVs - irrespective of their legal structure) should claim treaty relief at source with no need to provide information about the final investors. On the same topic, EFAMA also signed a coalition letter (jointly with other associations representing the financial services industry) that was submitted to the Korean authorities on October 22, 2012.

III. Long-Term Savings and Pensions

2012 was a busy year in Pensions, marked by a number of initiatives related to the revision of the Institutions for Occupational Retirement Provision (IORP) Directive, the European Commission's (EC) follow-up actions linked to the White Paper on Pensions and the European Insurance and Occupational Pensions Authority's (EIOPA) new mandate to develop technical advice on the development of an EU single market for personal pension schemes. In 2012, EFAMA organised a conference dedicated to enhancing the role of complementary private retirement schemes and it also started to work in a revised proposal for an Officially Certified European Retirement Plan (OCERP) that was initially put forward in 2010. EFAMA also undertook a survey of its members to get their perspectives on two broad issues: (i) the factors explaining the fall in household savings in financial assets in recent years and (ii) the potential solutions to address household concerns and to encourage long-term savings. Finally, it published a report prepared by KPMG on *Solvency II - Data Impacts on Asset Management.*

1. IORP Directive

In March 2012, EFAMA co-signed a joint statement with seven pension industry representatives – the so-called *Group of Eight* – in reaction to the EC's initiative on the review of the IORP Directive. Such statement was meant to help the EC and EIOPA to take better account of the risks related to the transposition of insurance legislation to IORPs, alerting also to the fundamental differences between both sectors.

In October 2012, EIOPA launched the first Quantitative Impact Study (QIS) on IORPs, as part of its process to advise the EC on the review of the IORP Directive. The Group of Eight issued a joint statement raising two main concerns:

- The appropriateness of the Holistic Balance Sheet (HBS) tool and the risk that the outcome of the exercise could be to impose a Solvency II-like framework for pension fund supervision. The Group of Eight welcomed EIOPA's concerns in its draft technical specifications of 2 October 2012, where it alerts to the need of further information on the feasibility in practice of a common level of security and its effectiveness in terms of costs and benefits, given the diversity of IORPs in the different Member States;
- The idea of penalising long-term investment. The Group of Eight warned against any potential rules pushing for short-term security at the expense of long-term investment and pension adequacy.

2. White Paper on Pensions

With regard to the White Paper on Pensions and to its follow-up initiatives, EFAMA is actively involved in the work of the Pensions Forum, which is an Advisory Committee to the EC in the area of supplementary pensions. Since the last Pensions Forum meeting in October 2012, EFAMA is following two initiatives related to: i) Directorate General for Health & Consumers (DG SANCO) work on the quality, consumer information and protection standards of third-pillar retirement products and its improvement via voluntary

codes and possibly an EU certification scheme and ii) the development of a Code of Good Practice for occupational pension schemes.

3. EFAMA Pension Day

As part of EFAMA's goal to promote the creation of a harmonised European retirement plan, a special "Pension Day" was held in Brussels on 24 April. The focus was placed on the European Commission's White Paper on Pensions and featured many expert views and contributions, namely in relation to the investment risk and transparency standards for private pension schemes.

4. The Officially Certified European Retirement Plan (OCERP)

The OCERP was first presented by EFAMA in 2010, in its report *"Revisiting the landscape of European long-term savings – A call for action from the asset management industry"*. A more elaborated version started to be prepared in 2012 and was already presented at the Centre for European Policy Studies (CEPS) Taskforce on *"Supporting Long-Term Investing and Retirement Savings"* in which EFAMA is participating.

It is EFAMA's belief that the proposal for a European personal pension scheme as the OCERP would have a wide range of benefits:

- It would contribute to higher growth and job creation, given the role that such plans could play channeling retirement savings to invest in "long-term investment funds";
- It would stimulate greater competition in the pensions industry and in turn contribute to greater efficiency and lower costs;
- It would represent an important step towards the portability of pension schemes within the European Union, thereby providing a response to many citizens who feel frustrated by the fragmentation of the European pensions system.

5. Survey on Long-Term Savings

The survey was completed by a range of senior asset management experts at 46 corporate members, one associate organization plus 10 associations - the equivalent of 57 responses from 21 European countries.[34]

It reveals that two-thirds (65%) of industry participants thought that in current market dynamics lack of trust, market risk and poor performance were the most relevant factors behind the fall in savings in financial assets.

The survey also revealed that the majority of the industry believes that better communication (81%), better advice (75%) and better understanding of investor needs (74%) is required at a distribution level to strengthen trust over market risk, highlighting the importance of investor education.

34 The survey results can be viewed online at: http://www.efama.org/Publications/Public/Survey_LongTermSavings.pdf.

91% of respondents believe that retail investors still need to become aware of the benefits of long-term savings, most importantly of the fact that long-term savings tend to generate higher returns than short-term savings. More than three-quarters of industry experts polled said the most relevant reason for this is because long-term savings provide access to equity risk premium and liquidity premium.

The majority (72%) of members surveyed believe the most relevant way for the asset management industry to raise awareness of the importance of long-term savings is through convincing authorities at EU and national level to encourage long-term/retirement savings. The European industry also supported (58%) the idea of launching a common information initiative on long-term savings benefits to help raise awareness.

Finally, the survey looked at factors that would encourage asset managers to develop funds specifically targeting long-term savings, 82% of respondents felt the most relevant factor would be to create greater incentives for retirement savings, followed by greater household demand for long-term savings products (65%) and 54% felt that a common EU framework dedicated to long-term investments for retail investors is needed.

6. Solvency II

In June 2012, EFAMA published a report prepared by KPMG on *Solvency II - Data Impacts on Asset Management*.[35] This report is the product of the workshops sessions and other published material from the EFAMA's Solvency II working group, and was co-chaired by KPMG and Aviva. The report highlights the need for the asset management industry to proactively work with European insurance companies to respond to the strategic changes caused by the Solvency II Directive.

Solvency II – which overhauls the capital and risk management regulatory framework for European insurers – should not be viewed as an 'insurance-only issue' as data provided to insurers from third parties, including asset managers, will also be held to the same strict quality standards.

The report highlights the key challenges facing asset managers which include: data management, data delivery and look-through data:

- **Data management:** Under Solvency II, asset managers will need to be able to demonstrate that their data management processes are at least equivalent to their insurance clients'. The required level of granularity in data reporting is heavy and the need to provide data for each asset on a security-by-security basis will present a major challenge for insurers, particularly where they hold large, diverse investment pools across multiple service providers.
- **Data delivery:** Asset managers will be required to supply insurers with complete data reports on a monthly basis. The trend, already visible in the market, is for Solvency II asset data to be requested for delivery by the third business day of each month. Meeting these tight timelines will have a considerable impact on the operating models of asset managers and their third party administrators, as the information currently available at this date may not meet the rigorous granularity and quality standards demanded under Solvency II.

35 This report can be viewed online at http://www.efama.org/Lists/Topics/form/DispItem.aspx?ID=31.

- **Look-through data:** Insurers must be able to 'look through' fund of fund and other investment structures to identify the ultimate asset. This will require a significant increase in data exchanges between asset managers within a given asset hierarchy and will demand an increased level of disclosure between asset managers.

IV. Investor and Financial Education

Investor education is a strategic priority for EFAMA, which believes more needs to be done and this topic should be addressed by all stakeholders in the financial industry, including bankers and insurers, investor associations, national associations, as well as European and other international bodies. It was with this conviction in mind that EFAMA decided to organise an Investor Education day in November 2012 with the intention of strengthening the role that the investment fund and asset management industry can and must have in this area.

The aim of the Investor Education Day was to give member associations and corporate members an opportunity to outline initiatives they have undertaken, and to share experiences and best practices with the industry. The conference centered around two main themes:

- Initiatives of EFAMA member associations & corporate members

  A number of EFAMA members active in the field of investor education shared their experience during the conference. It was hoped that their presentations would encourage other national associations and corporate members who might be less active in this area to consider taking some initiatives in the future. By following this approach, EFAMA wanted to contribute to the educational process of all our members and of other associations and financial institutions present on the day.

- Perspectives from key stakeholders

  The second part of the day focused on a panel of key stakeholders in the area of investor education, where they were able to share their expertise and convictions in order to help our members to focus their efforts in the right direction. Gary Tidwell from IOSCO and Mike Chapman from the OECD were present as their institutions have for long played an important role in drawing attention to the fundamental role of investor education and defining best practices.

  We were also very pleased that three other important institutions were represented on the day: the European Securities Market Authority (ESMA), the European Federation of Financial Services Users, in short EuroFinuse and Finance Watch, a public interest association dedicated to making finance work for the good of society.

V. Statistics and Economic Research

The provision of key information and reliable statistics through a range of regular releases reporting on the European asset management and investment fund industry was maintained by EFAMA in 2012. This work is carried out in close collaboration with EFAMA's member associations, which are the official providers of statistics to EFAMA. EFAMA is also responsible for providing the International Investment Funds Association (IIFA) with statistics about the European investment fund market.

1. EFAMA's Annual Fact Book – Trends in European Investment Funds

The 10th edition of the annual Fact Book was published in September 2012 and contains in-depth commentary on the developments in the industry during 2011 and over the past 5 years (2007-2011). It also contains a section focusing on the outlook for the industry over the short and medium term. As well as giving more information on the net sales and net assets of countries, it provides information on the ownership of investment funds across European countries, round-trip/cross-border funds and absolute return strategy funds.

The Fact Book is broken down into three parts. The first part focuses on recent developments in the European fund industry. Part 2 is a compilation of Country Reports, which contain economic and financial information, trends in the investment fund market and also give an update on the regulatory, taxation and corporate governance issues affecting each country in Europe. Part 3 is the data section which contains statistical tables on net assets and the number of investment funds in each country over the past 10 years (2002-2011) as well as providing tables on the worldwide investment fund industry.

An electronic version of the Fact Book as well as hard copies are available for purchase on EFAMA's website: www.efama.org.

2. EFAMA's Fifth Annual Asset Management Report

In May 2012, EFAMA published the fifth edition of its Annual Asset Management Report. This free-of-charge report, available on EFAMA's website, provides an overview of the professionally managed assets in Europe, taking into account the overall size, general structure, asset allocation and client base of the industry at end 2010. It also includes a first estimation of the professionally managed assets under management (AuM) at end 2011.

The Asset Management Report focuses on assets professionally managed in Europe, as opposed to assets domiciled in Europe. The report represents an effort to provide a snapshot of the European asset management industry across both the retail and institutional landscape, and with a distinction between investment funds and discretionary mandates assets. Among other things, the 2011 report highlighted the following figures:

- Assets under Management (AuM) in Europe enjoyed growth of 10% in 2010 to reach EUR 14.0 trillion at year end. In relation to GDP, total AuM in Europe reached 104% at end 2010. It is estimated that total AuM decreased in 2011 to EUR 13.8 trillion.
- Total AuM is divided almost equally between investment funds and discretionary mandates. Typically, asset managers receive mandates from institutional investors and high-net-worth individuals, whereas investment funds serve the retail and institutional markets.
- Institutional investors represent the largest client category of the European asset management industry, accounting for 69% of total AuM in Europe. Insurance companies and pension funds accounted for 42% and 27% of total AuM for institutional clients, respectively.

More than 3,100 asset management companies employing about 85,000 were registered in Europe at end 2010. Taking into account related services along the asset management value chain, the level of direct and indirect employment would increase to approximately 475,000.

3. EFAMA's other statistical publications

EFAMA Monthly Fact Sheet

The monthly EFAMA Investment Fund Industry Fact Sheet provides an overview of the net sales and net assets of investment funds domiciled in Europe at month end. It focuses on aggregated figures for net assets and net sales, but also provides monthly net sales data over the previous 12 months for UCITS funds (including a breakdown between categories) and Special Funds. Twenty-six countries provide data for inclusion in the monthly statistics, with Belgium and the Netherlands providing monthly data for the first time in 2012.

EFAMA Quarterly Statistical Release

The "EFAMA Trends in the European Investment Fund Industry Quarterly Release" focuses on net assets and net sales of investment funds domiciled in Europe, whilst also presenting a commentary on the trends in the industry during the quarter. This release provides a country breakdown of the net assets and net sales of UCITS during the quarter. Aggregated data on non-UCITS funds, as well as the number of UCITS and non-UCITS funds are also presented in this release. Twenty-seven countries provide statistics for inclusion in the quarterly release.

EFAMA Quarterly International Statistical Release

The "EFAMA Worldwide Investment Fund Assets and Flows Quarterly Release" focuses on net assets and net sales of worldwide investment funds, whilst also presenting a commentary on the trends in the industry during the quarter. The report contains data on the largest domiciles of investment funds around the globe and the position of Europe in the worldwide context. The supplementary tables accompanying the international statistics release contains net assets data for countries supplying data from around the world.

These releases are all available on EFAMA's website www.efama.org free of charge.

VI. Technical Industry Standards

Increasing efficiency of the industry remained an important priority on EFAMA's agenda in 2012, with special focus on two areas: fund processing standardisation and fund classification.

1. Fund Processing Standardisation

To continue informing the European Commission, the European Parliament and other interested stakeholders about the European fund industry's progress toward greater standardisation and automation, EFAMA published in cooperation with SWIFT two reports (in April and October 2012) providing updates on the evolution of automation and standardisation rates of fund orders received by transfer agents (TAs) in the cross-border fund centres of Luxembourg and Ireland in 2011 and 2012. These reports highlight the advancement of automation and standardisation rates of orders of cross-border funds. Thirty-two TAs in Ireland and Luxembourg, representing more than 80% of the total incoming third-party investment funds order volumes in both markets, participated in the survey.

Highlights from the report:

- In Q2 2012, the total automation rate (ISO and proprietary files) of orders received by Luxembourg and Irish TAs reached 77%, compared to 75.6% in Q4 2011.
- The total automation rate increase is driven by increased adoption of the ISO messaging standard (+ 4.4 percentage points since Q4 2011) and a decrease in the use of proprietary file transfer protocols (ftps) (-3.1 percentage points) and faxes (- 1.4 percentage points).
- ISO adoption continued to increase in both fund domiciles:
  - In Luxembourg, the total automation rate (ISO + proprietary ftp) increased by 2.9 percentage points to 73.1% in Q2 2012 compared to Q4 2011. The ISO standardisation rate reached 55.2% (+ 2.5 percentage points).
  - In Ireland, the total automation rate increased by 0.4 percentage points to 84.6% in Q2 2012; while ftps still represent the bulk of it, the ISO adoption rate made a progression of 4.2 percentage points to 17.3% in Q2 2012. The ISO standardisation rate has doubled in Ireland over the last two years, reaching 17.3% in Q2 2012 against 8.5% in Q2 2010.
- The total number of orders has stabilised at 11.9 million orders in the first half of 2012. The number of manually processed orders decreased by 7% to 2.8 million received faxes (against 3 million in H2 2011). This still represents a daily average of some 25,000 incoming faxes.

2. The European Fund Classification (EFC)

The EFC Forum (EFCF) established a pan-European methodology for classifying cross-border funds on the basis of well-defined criteria and regular monitoring of the fund's holdings by a neutral classification administrator to ensure that funds do not drift from their stated objectives. The aim is not to replace

existing national classifications but to offer an additional tool to allow simple comparison of like-for-like funds offered by like-for-like funds available for sale in multiple jurisdictions. The EFC is a tool to support the UCITS brand with a single standard of fund classification designed to give distributors and their clients the confidence that the fund they select is true to their label.

In 2012, the EFCF continued to work with the European fund industry in order to expand the EFCF. The classification administrator is currently monitoring 3,300 funds (13,100 share classes) managed by 125 fund groups, including many of the largest European fund management groups.

VII. Preserving the Integrity of the Industry

1. Corporate Governance

European Commission Action Plan: European Company Law and Corporate Governance - a modern legal framework for more engaged shareholders and sustainable companies

Enhancing the corporate governance framework in European companies, in particular in financial institutions continued to be a priority for the European institutions throughout 2012.

The European Commission continued work on the different topics raised 2010 in its *Green Paper on Corporate Governance in financial institutions and remuneration policies*[36], and 2011 in the *Green Paper: The EU Corporate Governance Framework*[37] as well as the *Communication on A renewed EU strategy 2011-14 for Corporate Social Responsibility*[38]. It finally published on 12 December 2012 its *Action Plan: European Company Law and Corporate Governance - a modern legal framework for more engaged shareholders and sustainable companies*[39].

The Action Plan identifies transparency on corporate governance, shareholder engagement and support of companies' growth and their competitiveness as the three main areas requiring action in the field of corporate governance. The Commission underlined in the action plan the need to enhance transparency in the corporate governance field by requiring companies to provide better information about corporate governance to their investors and society at large. Institutional investors should be more transparent about their voting policies and companies should be allowed to know who their shareholders are. Shareholder engagement continues to be considered a cornerstone for sustainable economic development in Europe. The Commission considers that shareholders should be encouraged to engage more with companies. It suggests in particular imposing a limited number of obligations on institutional investors, asset managers and proxy advisors to bring about effective engagement.

To achieve these aims, the Action Plan sets out 17 specific initiatives are announced which the Commission wishes to undertake during the course of 2013. The EFAMA Working Group Corporate Governance will review and provide input on each of the initiatives throughout 2013.

EFAMA Code for External Governance

Taking the question of corporate governance, and particular investor engagement, very seriously, the EFAMA Board of Directors had already in April 2011 approved the *EFAMA Code for External Governance*[40].

The EFAMA Code for External Governance provides six high level principles and best practice recommendations regarding engagement between institutional investors and companies in which they invest significantly. The EFAMA Code for External Governance goes beyond the question of shareholder engagement and also addresses engagement in case of other forms of investment.

36 http://ec.europa.eu/internal_market/company/docs/modern/com2010_284_en.pdf

37 http://ec.europa.eu/internal_market/company/docs/modern/com2011-164_en.pdf

38 http://ec.europa.eu/enterprise/newsroom/cf/_getdocument.cfm?doc_id=7010

39 http://ec.europa.eu/internal_market/company/docs/modern/121212_company-law-corporate-governance-action-plan_en.pdf

40 Please also refer to EFAMA Annual Report 2009, p. 43 *ff* "Shareholder activism"; the Principles in the EFAMA Code for External Governance have built upon and go beyond the concept of "Shareholder activism" as they promote a broader engagement between institutional investors and the investee companies.

The EFAMA Code for External Governance is addressed to Investment Management Companies (IMC) and provides that IMC should have a documented policy available to the public on whether, and if so how, they exercise their ownership responsibilities; IMC should monitor their investee companies; IMC should establish clear guidelines on when and how they will intervene with investee companies to protect and enhance value; IMC should consider cooperating with other investors, where appropriate, having due regard to applicable rules on acting in concert; IMC should exercise their voting rights in a considered way; IMC should report on their exercise of ownership rights and voting activities and have a policy on external governance disclosure.

It was the intention of the EFAMA Board of Directors that the EFAMA Code for External Governance shall provide a European wide standard which is neither designed to supersede applicable law and regulations nor to replace national self-regulation. It should instead allow mutual recognition of national codes which at least reflect its principles.

EFAMA member associations had already begun in 2011 to review and if necessary modify their existing national codes to reflect at least the principles in the EFAMA Code for External Governance. This work continued for many associations throughout 2012 making the EFAMA Code for External Governance a true European wide standard.

2. Responsible Investment

Closely linked to the question of investor engagement remains the equally important question of socially responsible investment.

The EFAMA Board of Directors had already in April 2011 adopted the first paper of the EFAMA Working Group Responsible Investment, the *EFAMA Report on Responsible Investment.* The *EFAMA Report on Responsible Investment* aims to describe recent developments in RI, to establish EFAMA's position in relation to RI and finally suggest next actions going forward. In its appendices, this paper provides for selected European countries an overview of RI Selection Methods, information regarding the historical development of RI as well as a description of the legal frameworks and various private sector initiatives in relation to RI.

Throughout the year 2012, the EFAMA Secretariat continued to promote the *EFAMA Report on Responsible Investment* with various stakeholders, such as the European Commission, Members of the European Parliament and Council and industry associations. The *EFAMA Report on Responsible Investment* will most likely require updating in the coming year to reflect the latest developments in the field of Responsible Investment on an international basis and in the relevant Member States.

Based on the *EFAMA Report on Responsible Investment,* the EFAMA Working Group Responsible Investment continued work on European industry guidance regarding transparency in reporting on Responsible Investment to investors. It developed industry standards on requirements for transparency both in the pre- and post-investment phases which were adopted in February 2012 by the EFAMA Board of Directors in form of the *EFAMA Guidance on RI information in the KIID & Post Investment Disclosure.*

The *EFAMA Guidance on RI information in the KIID & Post Investment Disclosure* provides that those investment products that are promoted as RI products shall be required to provide specific transparency to investors. The *EFAMA Guidance on RI information in the KIID & Post Investment Disclosure* sets out

information to be disclosed during the pre-investment phase in the Key Investor Information Document (KIID) and other issuing documents such as the prospectus. The relevant documentation for a fund should indicate that the investment policy follows certain Responsible Investment standards. The same approach should also be applied to all Packaged Retail Investment Products (PRIPs) where relevant. More detailed work on disclosure in the post-investment phase and reporting will be undertaken by the Working Group Responsible Investment in 2013.

3. European Social Entrepreneurship Funds and European Venture Capital Funds

The European Commission had first begun work on two new frameworks for investment funds, the European Social Entrepreneurship Funds and the European Venture Capital Funds, as early as April 2011 in the *Communication Twelve levers to boost growth and strengthen confidence "Working together to create new growth"*[41]. Legislative proposals in form of two draft regulations for European Venture Capital Funds[42] and European Social Entrepreneurship Funds[43] were published in December 2011.

EFAMA welcomed both proposals as a means of providing badly needed financial support to European SMEs. EFAMA voiced however strong concerns whether the proposed regulations provided for reasonable investor protection. The first proposals did not include sufficient requirements for fund and manager governance and gave rise to concerns because of the lack of requirement of a depositary. EFAMA also voiced questions regarding the interaction between these proposals and the AIFMD which remained unclear.

Despite the strong political will of the legislators to adopt these proposals in a fast track procedure in the first half of 2012, the final political consensus had not been reached by the end of the year. An adoption can finally be expected under the Irish presidency in the first half of 2013.

4. IFRS

The EFAMA IFRS Working Group began in 2012 by preparing the EFAMA response to the updated IFRS exposure draft. The response addressed the IASB's proposal on the updated IFRS exposure draft. It welcomed to recognition of the unique nature of investment entities but stated that "in defining the proposed disclosure requirements the Board has missed the opportunity to enhance financial instruments risk disclosures". It recommended that the Board "should develop some additional specific disclosure requirements that reflect the specialised nature of investment entities". The response was approved by the EFAMA Board of Directors to be sent to the International Accounting Standards Board (IASB) in January 2012.

The EFAMA Working Group IFRS has also finalised its update of the 2009 *Discussion Paper on an EFAMA Position on the dealing with IFRS.* The revised version of the paper which is now entitled *International Financial Reporting Standards: application to investment funds - An EFAMA position paper.*

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41 http://ec.europa.eu/internal_market/smact/docs/20110413-communication_en.pdf

42 http://ec.europa.eu/internal_market/investment/venture_capital_en.htm

43 http://ec.europa.eu/internal_market/investment/social_investment_funds_en.htm

VIII. EFAMA and its Members

EFAMA's profile has changed significantly over the past seven years. Today, EFAMA speaks with a single voice for the whole of the European investment management industry, both at European and global level. This unified industry representation is based on a set of rules representing a fair balance of rights and decision-making aptitude, updated again in 2012, between corporations and associations as well as between large and small associations.

Two aspects have been key over the past seven years, i.e. the independency of national associations and the full integration of corporate members in EFAMA's working procedures and decision-making process. A third dimension was added in 2010 with the creation of associate membership as a new category of members, which was further successfully developed in 2011 and 2012.

1. Independency of National Associations is key

Some national associations function under the umbrella of wider financial trade associations, creating potential conflicts of interest. The discussion initiated more than seven years ago by EFAMA on the need for the creation of a level playing field for all saving products, which is still ongoing, demonstrates the importance of the independency of EFAMA's member associations. Without this independence EFAMA would not have been in a position to drive the discussion forward against other very strong competing interests. The PRIPs file will be very illustrative in this context and the outcome is still uncertain.

This is why EFAMA in 2009 amended its Rules of Procedure to make clear that:

- *National Member Associations should be **sufficiently** independent to provide EFAMA with opinions reflecting the interest of the national investment management industry, and also when conflicting with the interests of other areas of the national financial industry;*
- *National Association Members should have decision-making bodies mandated to conduct independent budgetary and policy decisions representing the interests of the national investment management industry.*

Only on such a basis is EFAMA strong enough to defend efficiently the interests of the European investment management industry.

2. Corporate Members: a vital and growing part of EFAMA

Corporate members have become increasingly involved in the work of EFAMA since it first admitted direct corporate membership back in 2005. Today EFAMA's Working Groups benefit greatly from a significant participation of corporate members. The contribution of their practical knowledge is an asset and helps to take the pulse of the industry. From the association's point of view, one of its main goals has been reached: without the often highly technical input of its corporate members, EFAMA would not be in a position to deal as efficiently with the tremendous and increasing number of complex files the industry has to tackle.

Also, the close cooperation between EFAMA members broadens the industry's understanding of pan-European and global issues, as well as intricate European regulatory procedures. In the past seven

years, EFAMA corporate members have gained a better understanding of the key role they play in the opinion-building exercise within EFAMA through:

- Active participation in all working groups and consultations;
- Three meetings a year held specifically for corporate members;
- Six weekly conference calls and permanent updates;
- Important representation in EFAMA's institutional bodies, i.e. AGM, Board of Directors and Management Committee, chairing of Working Groups, representing EFAMA in meetings with FSB, IOSCO, etc.

Further integration of the corporate members in the work of EFAMA was achieved in 2011 with important amendments to the Constitution and Rules of Procedure. EFAMA is proud to announce that in these budgetary difficult times, the number of corporate members increased to over 60 in mid-May 2013.

3. Associate Membership: the new kid on the block has become part of the family

In September 2010, an Extraordinary General Meeting of members extended EFAMA membership to a new category referred to as "Associate Members".

Associate members are companies, firms, associations and other organisations which do not qualify to become full members of EFAMA but are acting as service providers or major stakeholders of the fund industry and/or the asset management industry and have developed specific expertise in that field which may be helpful to achieve the objectives of EFAMA. Associate membership is open, among others, to national and international consulting, audit and law firms, IT and technology support providers, research firms, fund service providers, fund administrators, depositaries and global custodians, clearing and settlement institutions.

Again, EFAMA is proud to announce that in these challenging times, the number of associate members increased from 17 associate members at the end of April 2011 to 22 by mid-May 2013.

Benefits of membership: participation in EFAMA Working Groups

The benefits of becoming an associate member of EFAMA are numerous. Associate members may attend EFAMA's general meetings (without voting rights). Furthermore, they are invited to the EFAMA Investment Management Forum. This is an annual two-day event organised in Brussels, where industry leaders, policy-makers and other stakeholders come together to exchange views and network in a high-level framework. Associate members are able to attend this event at a special rate and may apply to become speakers.

Associate members are also invited to other seminars organised by EFAMA on a variety of topics. The important recent new development is EFAMA's Board of Directors' decision that as of May 2012, associate members can participate in EFAMA Working Groups.

Associate members receive EFAMA's regular statistics and similar information and reports, working papers relating to the work and findings of the EFAMA Working Groups as well as any other document of general interest provided to EFAMA members and posted on EFAMA's public website. Associate members also have access to specific sections of the members' restricted area on EFAMA's website.

Associate Members Meeting on 28 February 2012

EFAMA organises an annual associate member meeting which evaluates the previous year's interaction between EFAMA and its associate members. The 2012 annual meeting, which was held on 28 February, resulted in the Board's approval of opening up EFAMA Working Group participation to associate members. And as of May 2013, 6 weekly conference calls are also organised for associate members.

4. The EFAMA Investment Management Forum 2012

The 18th EFAMA Investment Management Forum took place on 25-26 September 2012 in Brussels and brought together more than 250 investment managers, supervisors and consultants from approximately 30 countries. The conference theme came under the general title "*The asset management industry's fiduciary duty: taking care of the investor within the new regulatory framework*". Day 1 of the conference focused on the consequences of the new regulatory architecture for asset managers and funds. Special attention was paid to the financing of the real economy by asset management, the need for long-term savings, the challenges for UCITS, MiFID II and PRIPs. Also, the shadow banking topic had a dedicated panel. The Chair of ESMA, the European regulator, gave an overview of ESMA's challenging agenda and the Commission's regulatory agenda was presented in detail too. Day 2 focused on the global dimension and the new regulatory trends in the USA, Asia, South America and Africa. Two crucial issues for the asset management industry, the business models for the future and investor's confidence, were debated by a panel of industry leaders. In the afternoon of Day 2 special workshops focused on the Key Information Document, Dodd-Frank, FATCA and Fund Distribution.

5. Meeting with Commissioner Barnier

European Commissioner Michel Barnier (Internal Market and Services) attended a meeting as keynote speaker with EFAMA's member CEOs and Board of Directors on 4 May 2012. The meeting, conducted under the Chatham House Rule, gave an insight into the Commissioner's views about the changing regulatory landscape. Mrs Verena Ross, Executive Director of ESMA, presented an "*Overview of the challenges and opportunities, and the way forward after 1.5 years of ESMA's functioning*".

IX. EFAMA on the global scene

1. Annual Joint Meeting with the ICI's International Committee

The joint meeting of EFAMA members and the ICI's International Committee takes place in Washington, D.C. once a year, directly before the ICI's General Membership Meeting in May. The aim is to intensify contacts between the European and the U.S. investment fund industries and to identify issues of mutual interest.

Over the past decade the meeting has developed from a forum serving to exchange views to an efficient instrument for analysing regulatory trends and sharing experiences.

The 2012 meeting was co-chaired by Liliane Corzo, Chair of the ICI's International Committee, and EFAMA's Director General, Peter De Proft, and the agenda included a number of key issues, e.g.:

- Regulatory agenda and priorities for funds and asset management;
- The Volcker Rule: Issues for funds and markets around the world;
- FATCA: implications for non-U.S. funds and managers;
- Money Market Funds;
- Perspectives on the work of IOSCO and the Financial Stability Board;
- Capital market reforms in Europe and the U.S.

2. The 26th International Investment Funds Conference in Cape Town

The International Investment Funds Association (IIFA)[44] gathers more than 40 investment fund associations from across the world. Its 2012 Annual Meeting was hosted by the Association for Savings & Investment South Africa (ASISA) and took place in Cape Town, South Africa, in the last week of October.

Under the theme "*Winning back the investor's confidence and expanding the role of investment funds in saving*" the three day conference explored ways in which to sustain and build the confidence of investors in the investment funds industry following the financial crisis.

Delegates agreed that this would require a joint effort from the international investment funds industry to build an evermore transparent global industry that uses innovation to help clients achieve their investment goals, including a secure retirement.

Chaired by Eduardo Penido, Chairman of the IIFA and representative of the Brazilian Association of Financial and Capital Market Entities, the conference focused on the fund industry in the various jurisdictions represented in the IIFA with special attention to expanding and growing investment funds' role in savings, systemic risk in financial markets, consumer education and financial literacy, disclosure, costs, ESG factors, remuneration, value of advice, alternative investment funds and market facilitation.

44 For more information see: www.iifa.ca

The conference had the honour of having David Wright, Secretary General of the International Organization of Securities Commissions (IOSCO), as keynote speaker with a much appreciated insight in "*The Strategic Securities Markets Challenges ahead for IOSCO*".

Participants felt that there needs to be closer interaction between the international investment funds industry as represented by the IIFA and global regulators such as the G20, the Financial Stability Board (FSB) and IOSCO. An intense process of internationalisation of regulation is taking place. International standard setters such as IOSCO are gaining a unique relevance in the shaping of international markets, fostering the expectations that all local regulators will apply international principles that are getting more detailed over time.

3. The Cumberland Lodge Conference

The Cumberland Lodge (previously *Wilton Park*), Financial Markets Conference, co-sponsored for now 7 years by EFAMA, is developing towards an important international cross-sector event for EFAMA. This event offers EFAMA members a unique possibility for discussing international financial market issues beyond asset management and meeting high-ranking people from other financial sectors, in particular banking, pension and exchanges not only from Europe but also from the U.S. and Asia.

The 2012 Conference held from 1-2 November was chaired by Steven Maijoor, Chair of the European Securities and Market Authority (ESMA), and aimed to examine means of stabilising banks and securities markets and boosting savings and investment.

As usual, discussions, held under the Chatham House Rule, were very lively and extremely fruitful, offering much insight into the political thinking of the various financial market participants and European and international bodies and regulators.

4. The EFAMA-ICI Industry Roundtable

With a view of intensifying relations with the ICI and raising the understanding of issues of mutual interest, EFAMA's Director General and the ICI's President and CEO, Paul Schott Stevens, agreed to complement the EFAMA-ICI joint May meeting by a meeting at the end of the year in Brussels. The fourth meeting of that nature was held on 29 November 2012.

A very high level panel of speakers of the European Commission discussed several important topics:

- Regulatory agenda for fund managers and financial markets in Europe;
- Money Market Funds update;
- Global asset management : how to capture growth;
- International Tax Considerations for Fund Investing and FATCA;
- The U.S. landscape: Dodd-Frank and the SEC agenda.

5. The IOSCO Agenda

EFAMA believes that the international regulatory reaction to the financial crisis necessitates a closer cooperation between the financial regulators around the world. In facilitating this international cooperation IOSCO will need to play a central role as it brings together all the securities regulators who have a deep understanding of the world's securities markets and how they are regulated. IOSCO is an important partner for the FSB in developing the new global regulatory architecture. Therefore EFAMA joined IOSCO in 2012 as an affiliate member, in order to support the growing role of IOSCO.

EFAMA attended the IOSCO Annual conference in Beijing on May 14-May 17, which included a full day session of the SRO Consultative Committee. Mr José Carlos Doherty, CEO of ANBIMA, was elected Chair of the SROCC at this meeting. The panel sessions included discussions on new financial architecture and International Standard Settings, financial market infrastructures, OTC derivatives, market integrity, capital market developments, regulatory trends in emerging markets and regulation of commodity futures and financial derivatives.

EFAMA also attended the mid-year meeting of the SRO Consultative Committee in Istanbul on 6 November 2012. The meeting was hosted by the Association of Capital Market Intermediary Institutions of Turkey (TSPAKB) and chaired by Mr. José Carlos Doherty, the SROCC Chairman and CEO of ANBIMA. The Committee discussed current issues in securities regulation and the challenges this poses on IOSCO and its resources and structure.

During the year EFAMA submitted responses to various IOSCO consultations, especially IOSCO's consultation on Money Market Funds as IOSCO was developing its recommendations to the FSB. EFAMA also responded to the consultation regarding the margining for non-centrally-cleared OTC derivatives and on the consultation on Principles on Liquidity Management in Collective Investment Schemes. EFAMA also followed closely the new IOSCO workstream on benchmarks as this may have impacts on the indices and benchmarks used by asset managers.

X. EFAMA and European Organisations

1. EFAMA and the European Securities Markets Authority (ESMA)

ESMA started its operations on 1 January 2011 with an ambitious work programme, largely driven by the EU regulatory agenda. In April 2011 the Director General of EFAMA, Peter De Proft, was appointed to the Securities and Markets Stakeholders Group (SMSG) established within ESMA for a 2.5 year term. Peter De Proft was elected Vice-Chair by ESMA's SMSG at its second meeting in October 2011 for the remaining term.

The Securities and Markets Stakeholder Group (SMSG) was established in April 2011 under ESMA's founding Regulation to help facilitate consultation with stakeholders in all areas relevant to ESMA's tasks.

During 2011 and 2012, the Group held a number of plenary meetings in the presence of the Chair of ESMA, Steven Maijoor and ESMA's Executive Director, Verena Ross. ESMA's staff provided helpful input on a number of the technical issues which have been discussed by the Group. In addition, the Group established a constructive dialogue with the ESMA Board of Supervisors in the context of two joint meetings.

The Securities and Markets Stakeholder Group held its inaugural meeting on 21 July 2011. The Group has since met on six occasions in full: meetings were held on 11 October and 22 November in 2011, and on 15-16 February, 26 April, 28 June, 12-13 September in 2012 and on 23 November 2012. In addition the Group met with the ESMA Board of Supervisors on 15 February and 12 September in 2012. The Summary of Conclusions of its meetings can be found at www.esma.europa.eu/smsg.

The SMSG started its work by establishing rules of procedure designed to support the Group's delivery of consensus advice, preferably at the earliest possible phase of ESMA's deliberations.

Since its launch, the Group has produced 14 public opinions, advice and reports. The Group has also delivered a number of informal feedback documents to ESMA. The Group's ambition is to deliver advice at the earliest upstream stage possible and to focus on strategic issues. This means that the SMSG has tried to get involved at an early stage, often by responding to "discussion papers" rather than by taking part in ESMA's later Public Consultations on standards or guidelines. In this context, the Group welcomes the fact that ESMA is developing and formalising its feedback on Group advice.

In addition to its advice to ESMA, the Group also started working on a number of own initiatives outside of ESMA's Annual Work Programme. In this context, it set up specialised working groups which examine the impact of regulation on the access of SMEs to capital markets, on Investor Protection and on Credit Rating Agencies.

With respect to horizontal issues, the Chair and vice Chairs of the SMSG initiated contacts and discussions with the Chairs of the (EBA) Banking, as well as the EIOPA (Insurance and Occupational Pensions) Stakeholder Groups. The aim is to ensure consistency of advice on key regulatory initiatives by the three European Supervisory Authorities (ESAs), including with respect to investor protection and SME financing in particular.

Regarding ESMA's institutional role, the SMSG furthermore decided to write to the European Commission, Parliament and Council requesting that deadlines set by EU 'Level 1' legislation provide adequate time for the submission by ESMA of its technical standards to the Commission.

By 2 January 2014, the Commission must publish a general report on the experience acquired as a result of the operation of the ESAs and the procedures laid down in the ESA Regulations.

2. European Parliament Financial Services Forum (EPFSF)

In 2010 EFAMA became a member of the European Parliament Financial Services Forum (EFPSF), a not-for-profit organisation, supported by a wide range of MEPs from most political groups.

Over the last eight years, the EPFSF industry membership has increased, so that it now represents the diversity of Europe's financial services industry. It has gone from 26 members in 2004 to 50 in 2012, thus reinforcing the Forum's stability and credibility.

As it is important for the Forum to have different points of views expressed during discussions within the Steering Committee and at EPFSF events, it reinforced its actions to raise the number of MEPs in the Forum. The Steering Committee now includes 46 MEPs.

In the course of 2012 EFAMA was, and indeed is, an active participant in drafting the briefing documents and providing speakers to EPFSF events. More specifically, speakers were provided for the following "lunch events":

- 25 January: "Taxation issues in the financial services sector";
- 7 March: "The competitiveness of European financial institutions";
- 16 May: "Shadow Banking";
- 6 June: "Transatlantic financial dialogue: convergence or divergence?";
- 14 November: "Retail Investment Protection Package".

Each of these discussions was attended by approximately 50 to 60 people. In addition to MEPs and financial industry members, other regular participants were representatives from the European Commission, the ECON Secretariat, end-user/consumer groups, as well as Parliamentary assistants.

In order to guarantee a discussion as open and balanced as possible where participants can express different point of views, representatives from consumer/end-user groups are now systematically invited to attend the Forum's events on a non-paying observer basis. Notwithstanding the possibility to invite other guests on an ad hoc basis, these representatives have been limited to five because of space constraints:

- BEUC – the European Consumers' Organisation;
- EuroFinuse – The European Federation of Investors;
- Finance Watch – Association dedicated to making finance serve society;
- FSUG – Financial Services User Group;
- UEAPME – The European Association for Craft, Small and Medium-sized Enterprises.

3. PCS Initiative

EFAMA continued to follow closely PCS (Prime Collateralised Securities), a market-led initiative to revitalise the securitiation markets. With PCS, the industry aims for the establishment of a new market segment called Prime Collateralized Securities (PCS) which shall help the market to distinguish ABS with direct link to real economy and quality collateral. PCS compliant issues receive the PCS label by the PCS secretariat if they meet strict criteria built around 4 main principles of quality, transparency, simplicity/standardisation and liquidity. The initiative had first been launched by EFR (European Financial Services Round Table) in autumn 2009. By 2012, it was mainly driven by AFME and its members with participation by EFR while EBF, EFAMA, Insurance Europe, EFRP, ECB, EIB as well as the European Commission held an observer status. Throughout 2012, EFAMA continued to participate as observer in meetings of the PCS Steering Committee, in the establishment of the PCS association and the PCS Secretariat. First successful PCS issuances finally took place in November 2012.

4. Other European Trade Organisations

Given the nature of its activities and topics covered, EFAMA has developed over the years active and open relationships with the other trade organisations from the financial industry such as EBF, CEA, EAPB, EFRP, ESBG, FESE, EVCA, Business Europe, AFME, etc. Views and documents are shared and discussed on a regular basis and the Director General, Deputy Director General and staff have so-called "open lines".

At the same time, EFAMA is convinced that the asset management industry needs to be perceived as speaking with "one voice" in order to be considered as a valuable partner for legislators, regulators and other market stakeholders. For this reason, EFAMA tries to present a "common position" with other buy-side associations such as IMMFA, FEAM, AIMA, AMIC and EFRP by signing joint letters, participating in common meetings and trying to reach constructive compromise positions.

European Investment Fund Developments in 2012

1. Introduction

2012 was a good year for the European investment fund industry and its clients, thanks to improved financial market conditions, which led to strong demand for UCITS during the year. This increased demand resulted partially from the decisive policy measures taken by the ECB and its commitment to do "whatever it takes" to save the euro. Progress in reducing fiscal imbalances and strengthening the governance of the euro area also supported investor confidence during the year, which in turn fed into the positive results of the European investment fund industry. Overall, investment fund assets in Europe increased 12.4 percent to €8,948 billion, whilst net assets of UCITS increased by 11.7 percent to €6,298 billion and net assets of non-UCITS increased by 14.1 percent to stand at €2,650 billion at end 2012.

The evolution of the industry over the past year is the result of the following factors:

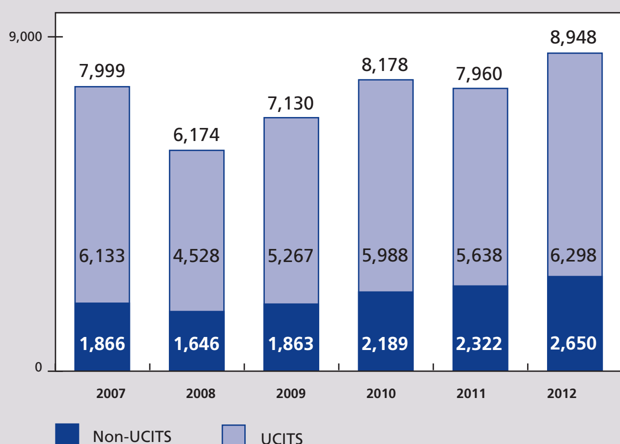
- ECB long-term refinancing operations at the end of 2011 and beginning of 2012 paved the way for large net inflows into investment funds in Europe. The commitment by the ECB to buy unlimited amounts of sovereign bonds on secondary markets through its Outright Monetary Transactions (OMT) programme led to a significant improvement in investor sentiment and the economic outlook for the Eurozone.
- Bond funds attracted €203 billion during 2012 making up the lion's share of total net inflows, and eclipsing the net inflows into equity funds (€2 billion).
- Sustained low interest rates, coupled with continued competition from banks for deposits, remained challenges for the money market funds industry.
- Special funds (funds reserved to institutional investors) attracted €112 billion in net new money, as insurance companies, pension funds and other institutional investors continued to use these funds to invest the recurrent contributions collected from their members.
- Strong UCITS brand recognition, coupled with a wide range of fund choice, contributed to the continued growth of cross-border fund business in Europe.

Overall, total net sales of UCITS and non-UCITS reached €340bn in 2012, compared to €2bn in 2011. This result came on the back of strong net sales of UCITS amounting to €201bn, coupled with net inflows to non-UCITS amounting to €139bn. Long-term UCITS (UCITS excluding money market funds) experienced a turnaround in demand during the year to register net inflows of €239bn, against net outflows of €64bn recorded in 2011. Net outflows from money market funds also continued in 2012 (€39bn in 2012, compared to €33bn in 2011).

Investment funds per inhabitant registered a 12.5% increase during the year to €15,300 from €13,600 at end 2011. This increase reflects the large net inflows recorded into European investment funds during the year, as well as market appreciation of assets on the back of an improved economic outlook. European

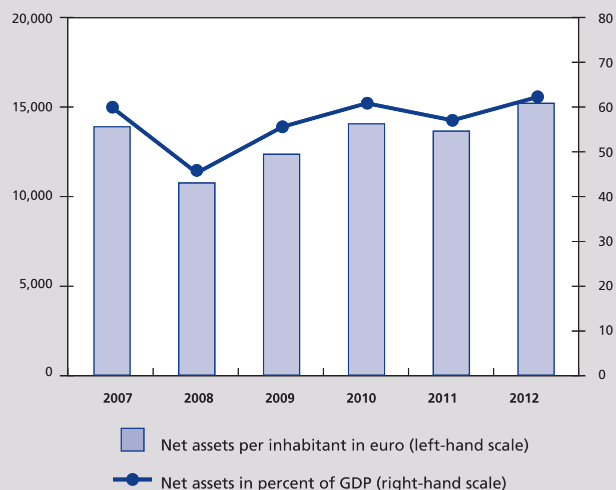
investment fund net assets represented 62% of GDP[1] at end 2012, up from 57% at end 2011. This indicator highlights the important role played by investment fund managers in the European economy: they act as managers of long-term savings, investors in the European financial markets, shareholders in European companies, providers of short-term funding for many European corporations and an important source of employment.

Chart 1. Net Assets of European Investment Funds
(EUR billions)



Source[2]: EFAMA, European Commission

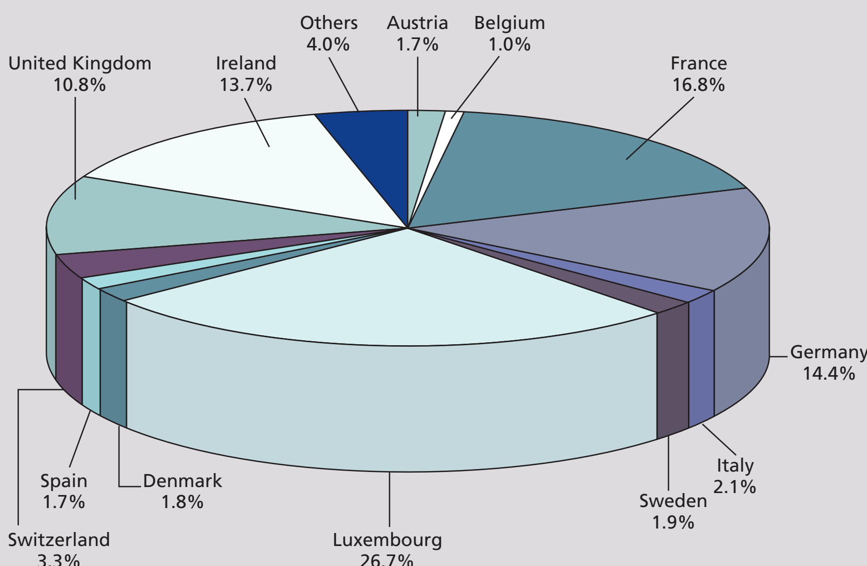
Chart 2. Trends in Investment Funds in Europe (1)



(1) Aggregated GDP and population of all EFAMA reporting countries were used to prepare this chart.

Five countries held market shares of above 10% at end 2012 – Luxembourg, France, Germany, Ireland and the United Kingdom. These top 5 countries combined held a cumulative share of 82% of the industry's assets at end 2012. Switzerland and Italy follow in this ranking with shares of above 2% (Chart 3).

Chart 3. The European Investment Fund Market
(Breakdown of nationally domiciled funds at end 2012)



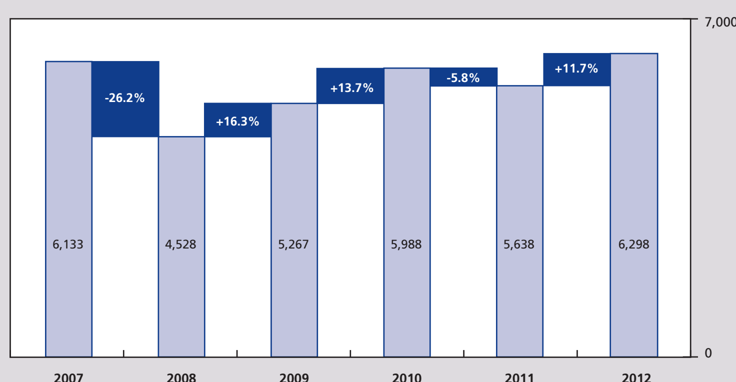
1 Aggregated GDP of all EFAMA reporting countries.

2 Except noted otherwise, EFAMA is the source of data.

2. Trends in the UCITS Industry

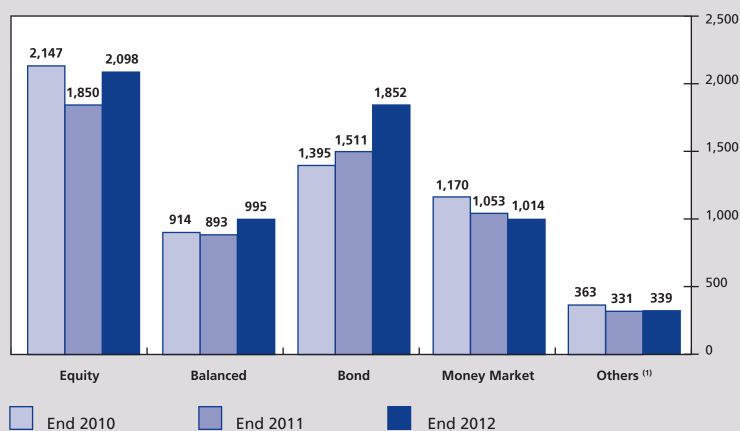
Total net assets of UCITS[3] increased by 11.7% in 2012 to stand at €6,298bn at year end. 2012 marked the year when net assets of UCITS surpassed end 2007 levels. Net assets stood 2.6% higher at end 2012 than at end 2007, and 39% higher than at end 2008. Chart 4 highlights the evolution of net assets over the past five years in Europe, including the gradual recovery from the financial crisis.

Chart 4. Total Net Assets of UCITS
(in EUR billions)



UCITS benefitted from improved financial market conditions during 2012, as all long-term UCITS enjoyed growth in net assets (Chart 5). Bond funds enjoyed a surge in net assets in 2012 as net assets increased by 22%. Equity funds also experienced a large rise in net assets of 13% during the year. Net assets of balanced funds followed with a rise in assets of 11%. Other UCITS, which include funds of funds, funds of hedge funds and all funds whose strategy falls outside the four main UCITS categories, enjoyed a more modest increase in assets of 2%. In contrast, money market funds recorded a reduction in net assets of 4%.

Chart 5. Net Assets by Type of UCITS
(in EUR billions)

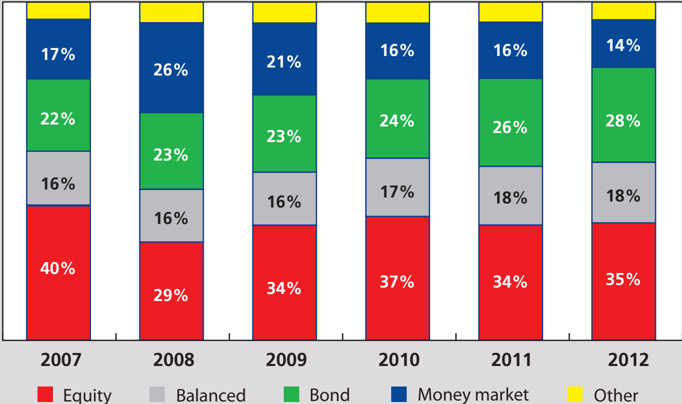


(1) Including funds of funds.

3 UCITS is defined in this section as publicly offered open-ended funds investing in transferable securities and money market funds.

The asset allocation of UCITS continued to shift during 2012, with holdings of bond funds increasing to 28% from 26% in 2011. The asset allocation of equity funds recorded a modest increase of 1% during the year to 35%, whereas the share of money market funds in the UCITS portfolio decreased to 14% from 16%. The share of balanced funds in the UCITS portfolio remained flat during the year at 18%.

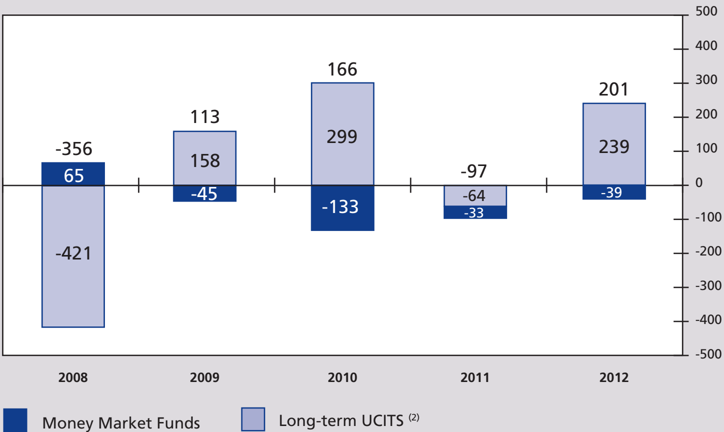
Chart 6. Asset Allocation by UCITS Type [1]
(in percent)



[1] Excluding Ireland.

Demand for UCITS surged in 2012, thanks in part to improved financial market conditions and actions taken by the ECB. Net inflows to UCITS registered €201bn, compared to net outflows of €97bn in 2011. Long-term UCITS recorded net inflows of €239bn, versus net outflows amounting to €64bn in 2011. Money market funds continued to experience net outflows for the fourth successive year (€39bn), compared to net outflows of €33bn in 2011.

Chart 7. Net Inflows into UCITS [1]
(in EUR billions)



[1] Excluding Ireland pre 2010.

[2] All UCITS excluding money market funds.

Charts 7a-7e show the demand for UCITS from 2008-2012 [1]. In 2012, bond funds were the big winner attracting €150bn of net inflows, compared against net outflows of €38bn in 2011. Balanced funds also enjoyed net inflows of €19bn during the year, up from €16bn in 2011. On the other hand, equity funds registered net outflows of €13bn in 2012, albeit considerably less than in 2011, when net outflows amounted to €70 bn. Money market funds (MMFs) experienced a reduction in net withdrawals for the second consecutive year in 2012 to €40bn.

Chart 7a. Net Inflows into Equity Funds [1]
(EUR billions)

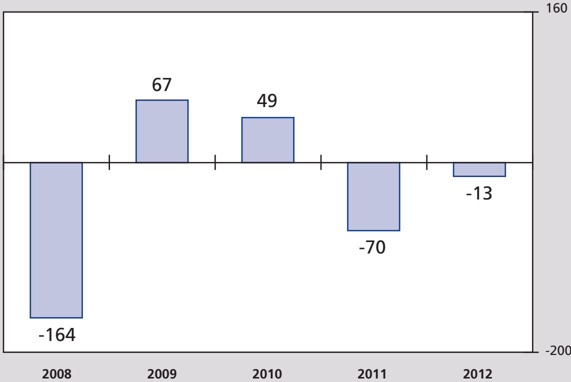


Chart 7b. Net Inflows into Bond Funds [1]
(EUR billions)

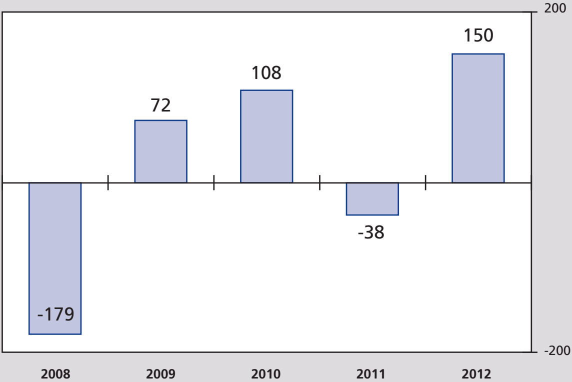


Chart 7c. Net Inflows into Balanced Funds [1]
(EUR billions)

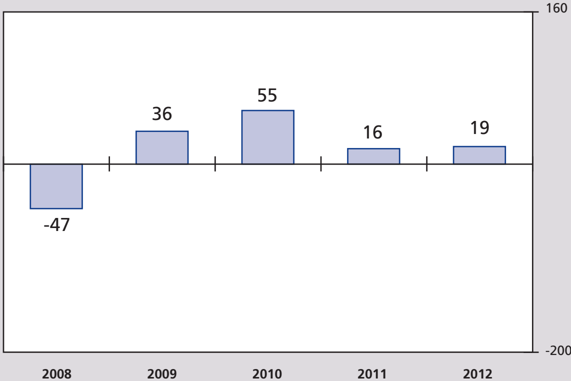


Chart 7d. Net Inflows into MMFs [1]
(EUR billions)

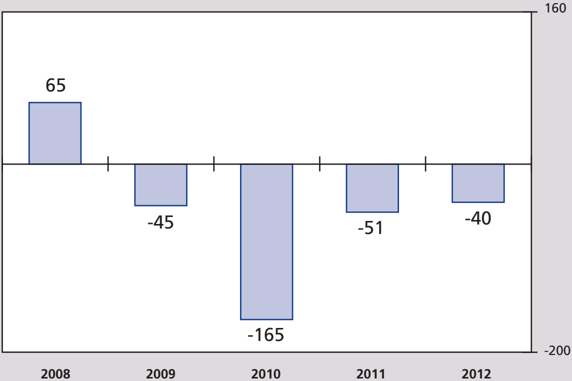
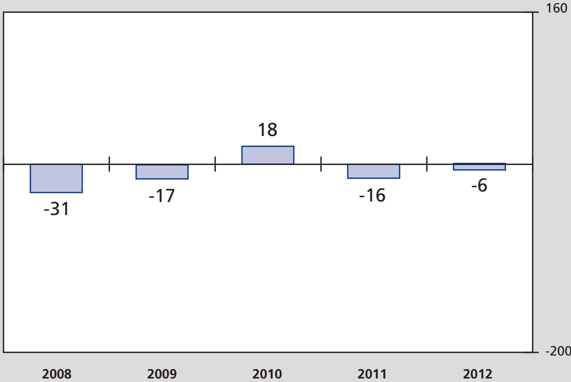


Chart 7e. Net Inflows to Other Funds [1]
(EUR billions)

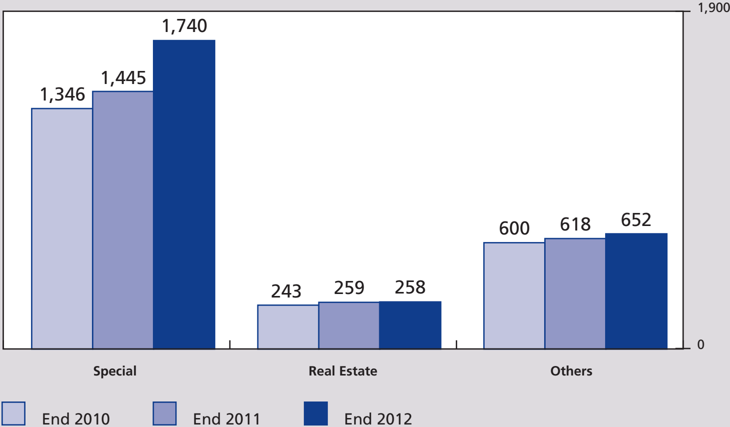


[1] Excluding Ireland, due to unavailability of data for entire data series.

3. Trends in the Non-UCITS Industry

Total assets in non-UCITS rose by 14% to reach €2,650bn at end 2012. Special funds (funds reserved for institutional investors) continued to record strong growth in 2012 of 20% to stand at €1,740bn, thanks to sustained large net inflows (€112bn). Inflows to special funds were concentrated in funds domiciled in Germany and Luxembourg. Net assets of real estate funds remained flat in 2012, whereas "other" non-UCITS assets increased by 6%.

Chart 8. Net Assets by Type of Non-UCITS
(in EUR billions)



4. Trends across Europe

Europe recorded net inflows to UCITS during 2012 totaling €201bn or 3.6% of UCITS assets at end 2011. Fifteen countries registered net inflows during the year, with just two countries (Luxembourg and Ireland) accounting for 93% of all net sales. Among the largest domiciles, Luxembourg recorded strong net sales amounting to €97bn or 5.5% of assets at end 2011. Ireland followed in close second registering net sales of €91bn or 11.1% of net assets at end 2011. The United Kingdom followed in a distant third, with net sales of €25bn. On the other hand, France registered net outflows of €24bn, whilst net sales in Germany broke-even during the year.

In Southern Europe, Italy and Spain continued to suffer net outflows in 2012 amounting to €8bn and €11bn respectively. Elsewhere, Switzerland recorded net inflows of €12bn or 5.7% of UCITS assets at end 2011. The Nordic countries also recorded net inflows into UCITS: Denmark (€6bn), Norway (€5bn), Finland (€3bn) and Sweden (€1bn).

Net flows of UCITS in 2012

COUNTRY	NET FLOWS (in EUR bn)	COUNTRY	NET FLOWS (in % of end 2011 assets)
Austria	-0.2	Austria	-0.2%
Bulgaria	0.0	Bulgaria	5.7%
Czech Republic	-0.2	Czech Republic	-3.9%
Denmark	6.2	Denmark	9.4%
Finland	2.5	Finland	5.2%
France	-24.1	France	-2.3%
Germany	-0.4	Germany	-0.2%
Greece	-0.3	Greece	-7.0%
Hungary	0.0	Hungary	0.2%
Ireland	90.7	Ireland	11.1%
Italy	-7.9	Italy	-5.6%
Liechtenstein	2.1	Liechtenstein	8.1%
Luxembourg	96.8	Luxembourg	5.5%
Malta	0.5	Malta	28.3%
Netherlands	-0.8	Netherlands	-1.5%
Norway	5.4	Norway	8.8%
Poland	3.0	Poland	20.9%
Portugal	-0.5	Portugal	-8.2%
Romania	0.3	Romania	21.4%
Slovakia	-0.4	Slovakia	-14.6%
Slovenia	-0.1	Slovenia	-6.0%
Spain	-10.5	Spain	-7.0%
Sweden	1.0	Sweden	0.7%
Switzerland	12.2	Switzerland	5.7%
Turkey	0.1	Turkey	1.1%
United Kingdom	25.0	United Kingdom	3.9%
Europe	**200.7**	**Europe**	**3.6%**

UCITS assets in Europe enjoyed growth of 11.7% in 2012. Fourteen countries recorded double digit growth during the year. Amongst the largest domiciles of UCITS, Ireland recorded net asset growth of 18%, closely followed by the UK (17%), Luxembourg (14%), Germany (10%) and France (5%). Four countries registered a decrease in UCITS net assets in 2012: Slovakia (10%), Spain (4%), Italy (1%) and Portugal (0.4%).

Overall in 2012, total UCITS and non-UCITS assets stood 12.4% higher at end 2012 than at end 2011. Amongst the largest domiciles of UCITS, the UK recorded net asset growth of 17%, followed by Ireland (16%), Luxembourg (14%), Germany (13%) and France (9%). Elsewhere, growth in total assets was registered in 24 countries.

Net Assets of Nationally Domiciled UCITS and Non-UCITS

(EUR billions. at end 2012)

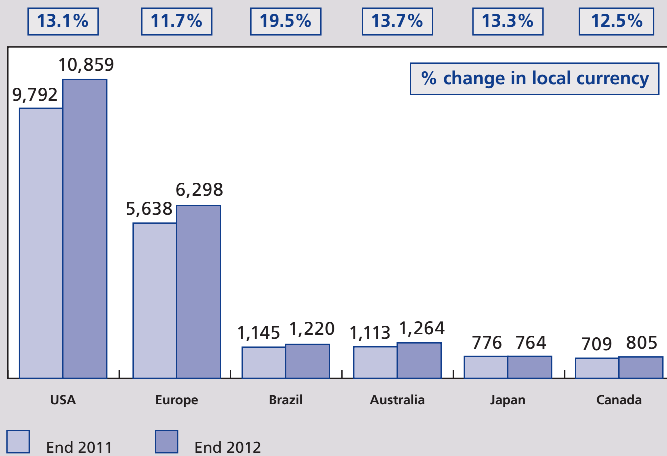
Members	Total Assets	% chg [1]	UCITS Assets	% chg [1]
Austria	147,817	7.7%	79,585	7.1%
Belgium	87,688	3.5%	80,691	2.6%
Bulgaria	250	9.3%	247	9.4%
Czech Republic	4,589	9.4%	4,498	9.2%
Denmark	164,434	18.3%	78,653	19.4%
Finland	66,335	19.8%	56,075	16.7%
France	1,505,731	8.5%	1,116,481	4.5%
Germany	1,285,527	13.4%	248,325	9.8%
Greece	6,703	7.2%	4,927	11.5%
Hungary	11,675	30.5%	7,394	15.4%
Ireland	1,227,425	16.3%	967,562	18.0%
Italy	190,492	-5.0%	137,729	-1.4%
Liechtenstein	31,339	4.4%	26,394	3.5%
Luxembourg	2,383,826	13.7%	2,002,398	13.8%
Malta	9,720	16.8%	2,299	39.5%
Netherlands	68,577	6.5%	57,712	8.3%
Norway	74,836	21.0%	74,836	21.0%
Poland	35,795	38.0%	19,816	36.3%
Portugal	23,741	7.4%	6,001	-0.3%
Romania	3,432	10.5%	1,983	26.3%
Slovakia	3,751	17.2%	2,392	-9.9%
Slovenia	1,828	0.9%	1,828	0.9%
Spain	150,360	-3.9%	144,972	-3.9%
Sweden	172,471	14.6%	168,300	14.5%
Switzerland	297,270	7.9%	235,476	10.1%
Turkey	22,663	12.0%	12,495	3.8%
United Kingdom	969,636	17.2%	758,663	16.9%
Europe	**8,947,911**	**12.4%**	**6,297,730**	**11.7%**

[1] End 2012 compared to end 2011.

5. Trends in Worldwide Investment Fund Assets

Worldwide investment fund[4] assets under management amounted to €22,167bn at end of 2012. This represented growth of 11.0 percent since end 2011 when net assets stood at €19,967bn. Measured in U.S. dollar terms, fund assets worldwide increased to $29,247bn up from $25,836bn at end 2011. Brazil posted strong growth of 19.5% in local currency, whilst Australia and Japan recorded net asset growth of 13.7% and 13.3%, respectively, in 2012. The United States followed in this ranking with net asset growth of 13.1% followed by Canada (12.5%).

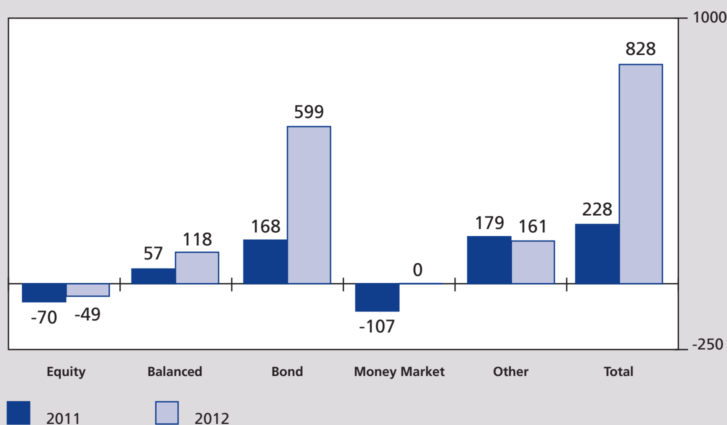
Chart 9. Trends in Worldwide Investment Fund Assets
(in EUR billions)



Source: EFAMA, ICI

Strong demand for worldwide investment funds was recorded in 2012 as €828bn in net inflows were registered, up from €228bn in 2011. Long-term funds enjoyed net inflows of €828bn, up considerably from €335bn in 2011, whilst net flows in money market funds broke-even in 2012, after recording net outflows of €107bn in 2011.

Chart 10. Net Cash Inflows to Worldwide Investment Funds
(in EUR billions)

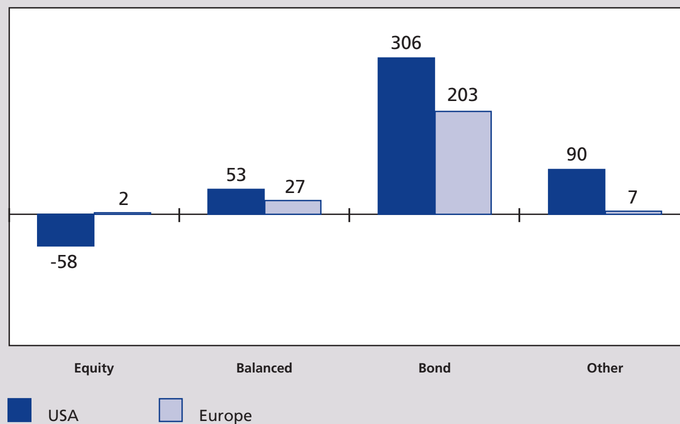


Source: EFAMA, ICI

4 In the sense of publicly offered open-ended funds, i.e. UCITS in Europe and mutual funds in the United States, including funds of funds.

Comparing net inflows between the U.S. and Europe (Chart 11), it can be seen that bond funds were the big winner on both sides of the Atlantic in 2012, attracting €306bn in the U.S. and €203bn in Europe. Balanced funds also posted a good performance in net sales attracting €53bn in the U.S. and €27bn in Europe. On the other hand equity funds experienced mixed fortunes in 2012, as net inflows were recorded in Europe of €2bn, whereas in the U.S. net outflows amounted to €58bn. Other funds, which include funds of funds, attracted €90bn of net sales in the U.S. and €7bn in Europe during 2012.

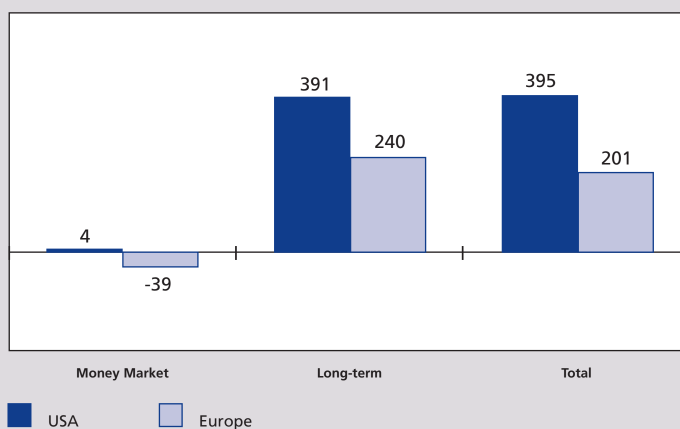
Chart 11. Net Inflows to Worldwide Investment Funds in 2012
(in EUR billions)



Source: EFAMA, ICI

Reflecting these developments, demand for long-term funds strengthened during the year. Long-term UCITS in Europe attracted €240bn in net inflows during the year, compared to €391bn in the U.S. At the same time, money market funds recorded net outflows of €39bn in Europe during 2012, whereas money market funds in the U.S. attracted net inflows of €4bn over the same period. Overall, net inflows into U.S. domiciled funds reached €395bn, compared to €201bn in Europe.

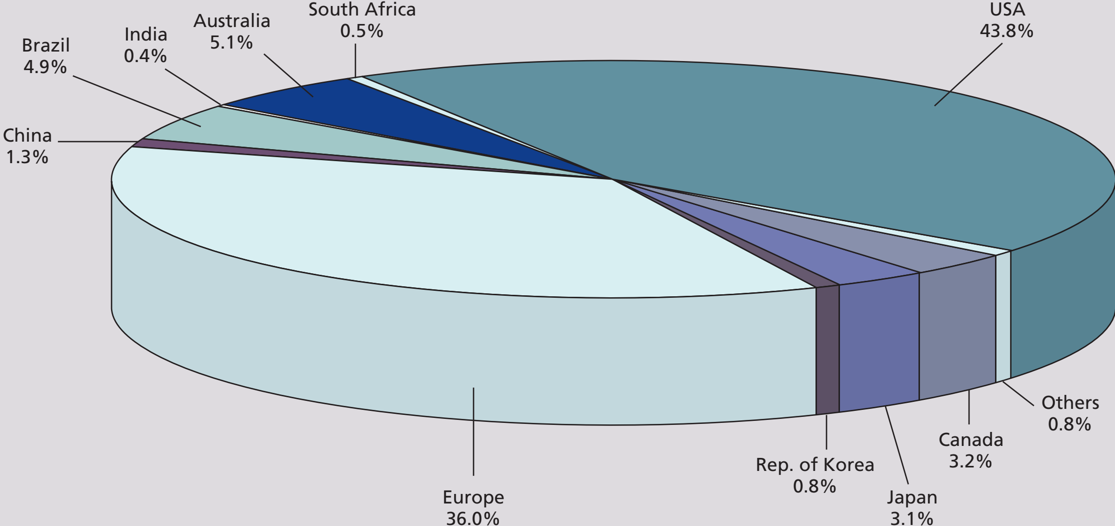
Chart 12. Net Inflows to Investment Funds in 2012
(in EUR billions)



Source: EFAMA, ICI

Looking at the worldwide distribution of investment fund assets, the United States and Europe held the largest share in the world market, with 49.0% and 28.4% respectively at the end of 2012. Australia, Brazil, Canada, Japan and China followed in this ranking. Taking into account non-UCITS assets, the market share of Europe reached 36.0%, compared to 43.8% for the United States (Chart 13).

Chart 13. Worldwide Investment Fund Assets (*)
(Market share at end of 2012 Q4)



(*) Taking into account non-UCITS.

Source: EFAMA, ICI

EFAMA MEMBERSHIP

National Associations
→ 70

Corporate Members
→ 79

Associate Members
→ 84

National Associations

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AKAT ČR

Czech Capital Market Association

AKAT ČR

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Czech Capital Market Association

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ASSOGESTIONI

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dutch fund and asset
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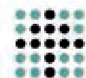

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Observer

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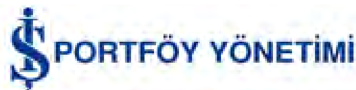

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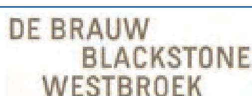

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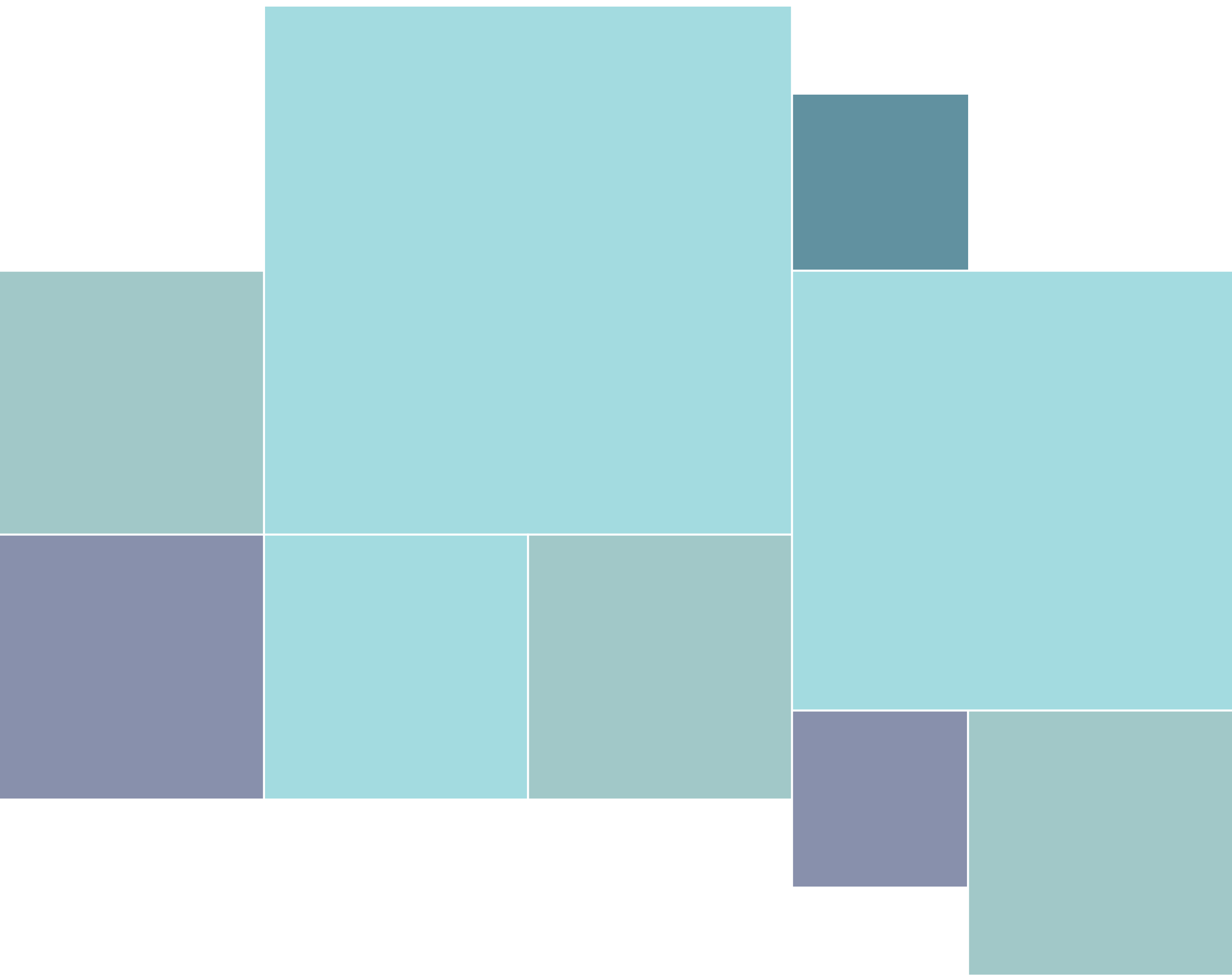

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